

Stock Code: 6616



TECHCENTIAL

INTERNATIONAL LTD

特昇國際

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

2021 Annual Report

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

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

Printed on 31 May 2022

Notice to Readers

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

I. Spokesperson and deputy spokesperson

Spokesperson: Linc Yee

Tel: +606-987-3999

Position: Internal Audit

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Deputy spokesperson: Chang Ming-Huang

Tel: (886)4-22605899

Position: Director

Email: investor@techcential.com

II. Litigation and non-litigated agent

Name: Chang Ming-Huang

Tel: (886)4-22605899

Position: Director

Email: max@richcpa.com.tw

III. Company Information

a) Techcential International Ltd

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Website: <https://www.techcential-international.com>

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b) Subsidiary: Techcential Sdn. Bhd.

Address: PTD 4093 Kaw Perindustrian Parit Jamil, Parit Jawa 84150 Muar, Johor, Malaysia.

Tel: +60-6-987-3999

c) Subsidiary: TC Home Sdn. Bhd.

Address: PTD 4093 Kaw Perindustrian Parit Jamil, Parit Jawa 84150 Muar, Johor, Malaysia.

Tel: +606-987-3999

d) Subsidiary: EHL Cabinetry Sdn. Bhd.

Address: PTD 4063, Kawasan Perindustrian P.T Jamil, PT. Jawa, 84150 Muar, Johor, Malaysia.

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e) Subsidiary: TC Home Corporation

Address: c/o Isaacson Isaacson Sheriden Fountain & Leftwich, LLP, 804 Green Valley Road, Suite 200, Greensboro, Guilford County, North Carolina 27408.

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f) Subsidiary: ESK Biomass Sdn. Bhd.

Address: No. 35, (1st Floor), Jalan Seroja 8, Taman Seroja, Jalan Abd. Jabar, Parit Jawa, 84150 Parit Jawa, Muar, Johor.

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g) Subsidiary: ESK Wood Products Sdn. Bhd.

Address: No. 35, (1st Floor), Jalan Seroja 8, Taman Seroja, Jalan Abd. Jabar, Parit Jawa, 84150 Parit Jawa, Muar, Johor.

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IV. Stock Agency

Name: Sinopac Securities

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Address: 3F, No.17, Bo'ai Rd., Zhongzheng Dist., Taipei City 100, Taiwan.

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V. Auditors

Auditors: Charlotte Chao, Lisa Kuang

Firm: KPMG

Website: www.kpmg.com.tw

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

Tel: (02)8101-6666

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

VII. Directors:

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

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

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Exhibits 1: Consolidated Financial Statements 2021

1.0 Letters to Shareholders

Dear Shareholders

Thank you very much for your continued support and love. We hereby present the business achievements of the Group at the end of 2021 and the operating outlook for 2022 as follows:

1.1 2021 business report

The warming of the COVID-19 pandemic will impact the world's economic activities, such as the anti-pandemic measures to lock down the country, the international container supply and port congestion problems, the fluctuations of raw materials in global trade, etc. This year will be a challenging year for Techcential International Ltd. It forced the subsidiary to suspend production for over 3 months because of the pandemic prevention measures of the Malaysian government. Because of the country-locking policy, it is difficult to approach kitchen cabinet customers in North America or return to Taiwan to hold legal meetings with investors. The subsidiary TC also had a fire in 2021Q4, so the overall revenue performance in 2021 was affected. However, with the gradual increase in the administration rate of vaccines and boosters in Malaysia, the operation of the subsidiary has fully resumed the production of bedroom furniture and kitchen cabinets in October 2021. In addition, the group will issue the 2nd unconvertible cooperative bond and new shares in Q4 of 2021. Hope to leverage the power of the capital market to increase the group's operating scale in 2022.

The company's overall operations in 2021 are as follows:

1.1.1 Operating income

The group's revenue in 2021 was NTD 8.94 billion, which was a 29% decrease compared with NTD 1.26 billion in 2020. The main reasons were the decrease in revenue because of implementing the Movement Control Order in Malaysia and the subsidiary's suspension of operations for over 4 months. Although the demand for wooden furniture in the United States continues to rise, the PU paper product designs developed by the TC are also very popular with customers, and the demand for orders is strong. But the global sea freight rate, the port congestion in North America, and the imbalance between supply and demand for containers have also affected shipping performance.

1.1.2 Net profit after tax

The group's net loss after tax because of the owners of the parent company was NTD 25,827 thousand in 2021. This was mainly because of the COVID-19 pandemic, which resulted in an imbalance in global shipping supply and demand in the second half of the year, an increase in freight costs, and the difficulty in obtaining containers, which affected the smoothness of the TC delivery and the rising trend of raw material prices. This puts pressure

on production costs. It has suspended all subsidiaries for over 4 months, and the idle production capacity of the factory has increased. EHL's kitchen cabinet production is still in the trial operation stage and has not yet made a profit. Although the fire accident that occurred in the TC No. 2 plant in mid-November was insured, the insurance claims settlement process takes a long time, and it will recognize the relevant claims settlement in 2022. The overall performance will be affected, and there will be initial losses in 2021.

1.1.3 Budget implementation

The financial forecast did not announce in 2021.

1.1.4 Overview of research and development

The company's main research and development status in 2021 are:

- Development of alternative raw materials, research and improvement of manufacturing process technology, and introduction of automated machinery and equipment.
- Actively collaborate with market demand to develop new design series and functions, with a focus on value-added products (for example, placing a USB charging stand on the bedside table)
- Improving the material development strength and style design of PU paper products, which are more popular among young consumers.

1.1.5 Cash dividend distribution

Summarize the TIL cash dividend distribution status in the following table. It forced the subsidiary to suspend production for over 3 months because of the COVID-19 measures of the Malaysian government in 2021. The board of directors decided not to distribute the surplus in 2021 to keep sufficient funds for future business expansion.

Year	EPS	Cash dividend distributed
2017	1.44	1.00
2018	1.57	1.00
2019 H1	1.80	0.80
2019 H2	2.10	2.20
2020 H1	0.44	No distribution (Note 1)
2020 H2	2.16	2.00
2021	(1.08)	No distribution (Note 2)

Note 1: Because of the impact of the worldwide COVID-19 Pandemic and Malaysia imposed MCO that caused the company to stop operation for over a month, the board decided not to distribute cash dividend for 2020H1, to keep sufficient funds for company operation.

Note 2: The COVID-19 Pandemic continued to heat in 2021H1. In January, the subsidiary TC suspended work for one month because of the infection of employees; and Malaysia implemented a 3-month first-phase Full Movement Control Order (MCO) in June. Because of the company's inability to produce and

deliver during the MCO, inventory allowance decline, and sluggish losses and idle capacity losses increased significantly compared to last year. In addition, a fire in the TC No. 2 plant resulted in more disaster losses in November 2021. So, the EPS loss was about NT\$ 1.08. The board of directors decided not to distribute the surplus in 2021, to retain sufficient funds for future business expansion.

1.2 Summary of the 2022 business plan

The company will continue to increase the production efficiency of wooden bedroom furniture and kitchen cabinets and seek new customers. And focus on new product design and innovative functions, and actively invest in the upstream raw material procurement and processing business. The company will continue to study the automated manufacturing process and actively develop more functional and value-added products. The company will actively cooperate with existing customers to strive for more containers and shipments on time in 2022. In addition, the R&D team will also strengthen the research and development of more high-margin spray paint product portfolios, product models with multiple additional functions, and RTA (ready to assemble) products that are in line with the current shipping trend. EHL's kitchen cabinet business shipped by the end of 2021. The management expects to increase the factory's capacity utilization rate to over 80%, deliver stable shipments, and focus on product quality management of kitchen cabinets by 2022. In addition, as the COVID-19 pandemic slows down, the subsidiaries will also contact more foreign customers. In addition, we will continue to operate the procurement and trading business for rubber wood in 2022. To work with more suppliers and purchase products of consistent quality for the Malaysian domestic market. To develop products suitable for kitchen cabinets and alternative raw materials.

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

- (1) Future development strategy: The Sino-US trade station is still burning, and the US real estate market is still hot. The group expects that the US furniture and home furnishing market will grow steadily and that the wooden furniture consumer market still has great potential. The group will strengthen the product quality and production management of wooden bedroom furniture and kitchen cabinets. It will actively cooperate with the needs of customers to develop disassembled product models to conform to the development trend of shipping. The group will also actively promote the raw materials trading business in Malaysia. In response to the global trend of rising raw material prices.
- (2) Regulatory and overall business environment: The group will follow the policies and laws and will pay attention to changes in policies or laws to comply with regulations and ensure the company's operation. In addition, because of the increasing complexity of the global business environment, the company management will consider the industry overview and

observe the development of the overall economy, integrating the company's internal technology and resources to manage the company.

- (3) External competition environment: As an important part of the world economy, the furniture industry has developed rapidly. The Asia-Pacific region is the global furniture manufacturing center, and about two-thirds of the furniture is imported from Asian countries (China, Vietnam, and Malaysia). Due to the US-China trade war, American furniture import orders are gradually shifting to Southeast Asia, where the prospects for the furniture industry in Vietnam, Thailand, and Malaysia are optimistic in the next few years. The Malaysian government also expects the domestic furniture industry to grow exponentially.

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

Chairman : Eng Say Kaw



CEO : Eng Kai Pin



CFO : Tan Kok Bee



2.0 Company Profile

2.1 Introduction

Techcential International Ltd (“TIL”, “the Company”) was incorporated in the Cayman Islands in 14 June 2016 as an investment holding company. Its subsidiaries are Techcential Sdn. Bhd. (“TC”), EHL Cabinetry Sdn. Bhd. (“EHL”), TC Home Sdn. Bhd. (“TCH”), TC Home Corporation (“TCHC”), ESK Biomass Sdn. Bhd. (“ESKB”) and ESK Wood Products Sdn. Bhd (“ESKW”).

TC founded in 2001, mainly engaged in the design, manufacture, and sale of American wooden bedroom furniture. TCH had established in 2013 and there are plans to reorganize the business in 2019. The company invested in panel furniture (Panel Furniture/Knock-Down Furniture) that is convenient for consumers to assemble by themselves. When the COVID-19 pandemic is heating, countries have to lockdown and international trade is affected by shipping issues. Therefore, the group has suspended TCH's plan to produce this product and will wait until the pandemic and the world economic situation become clearer before making another plan.

ESKB was an investment company (100% shareholding) for the production and manufacturing of wood pellets in September 2018. However, the production capacity could not reach the target production capacity since the trial production in the 2019Q3. Therefore, after evaluating ESKB's operating performance, the company will recognize asset impairment from 2021 and business reorganization in 2021H2. ESKW is a subsidiary invested by ESKB. The main operating project is the processing and manufacturing of raw materials-rubber wood. The original business of EHL Cabinetry Sdn. Bhd. was to purchase directly from raw material suppliers to reduce the production costs. However, the supply has obvious transfer order after the United States launched an anti-dumping duties investigation on kitchen cabinet furniture in 2019. It will officially ship plan to invest in the manufacture of kitchen cabinets by the end of 2021.

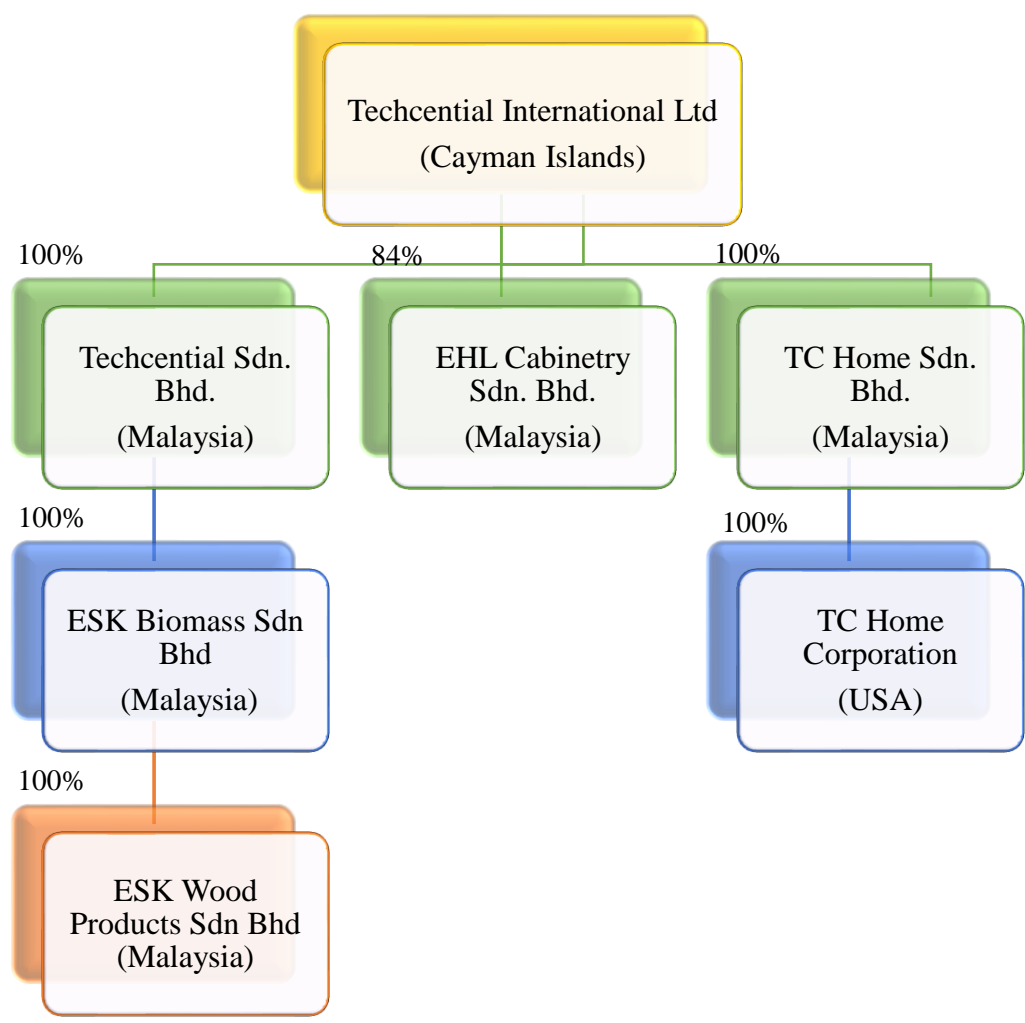
2.2 Company History

Year	Accomplishment
2012	TC revenue over RM60 million.
2013	1. Established TC Home Sdn. Bhd., mainly developing the trading of furniture. 2. The number of employees of the group has increased to 400. 3. Work Flow ERP GP system was introduced into company management.
2014	1. The Group's revenue exceeded RM80mil with an annual growth rate of approximately 30%. 2. TC built a second plant to expand production capacity.

Year	Accomplishment
2015	<ol style="list-style-type: none"> 1. The Group's revenue is approximately RM100mil with an annual growth rate of approximately 20%. 2. TCH launched its own brand TC Home in High Point, North Carolina, USA, and has since operated its own brand furniture business. 3. TCH became one of the world's largest furniture exhibition "High Point Furniture Market" exhibitors.
2016	<ol style="list-style-type: none"> 1. TCH actively explored the US West market and joined the Las Vegas Furniture Market. 2. TCH set up a warehouse in Malaysia to fully promote the “Mixed Container Program”, which provide more flexibilities and more choices for small and medium-sized retailers in the United States.
2017	Techcential won the "International Golden Eagle Award" hosted by Malaysia Nanyang Siang Pau and in the same year, it was approved listing by the TPEX.
2018	On January 10th, TIL became one of the listed company in Taiwan, and TIL actively invested in the procurement and manufacturing of rubber wood.
2019	<ol style="list-style-type: none"> 1. Techential Sdn Bhd participated in MIFF International Furniture Fair in Kuala Lumpur, Malaysia. 2. The adjusted business of EHL and invested in the manufacture of kitchen cabinets. 3. TIL Issuance of the first unsecured conversion of corporate bonds in the Republic of China (Taiwan).
2020	<ol style="list-style-type: none"> 1. The demand for wooden furniture continues to grow, and TC's revenue grows by 6% under the COVID-19 pandemic. 2. EHL actively set up factories and can start production after the COVID-19 pandemic has eased.
2021	<p>Increase cash capital & the 2nd Non-Guaranteed Convertible Corporate Bond in Taiwan R.O.C.</p> <ul style="list-style-type: none"> • The 2nd Non-Guaranteed Convertible Corporate Bond in Taiwan R.O.C. was listed on the OTC on November 11, 2021. • The increased share capital was listed on the OTC on December 8, 2021.

2.3 Group Structure

30 April 2022



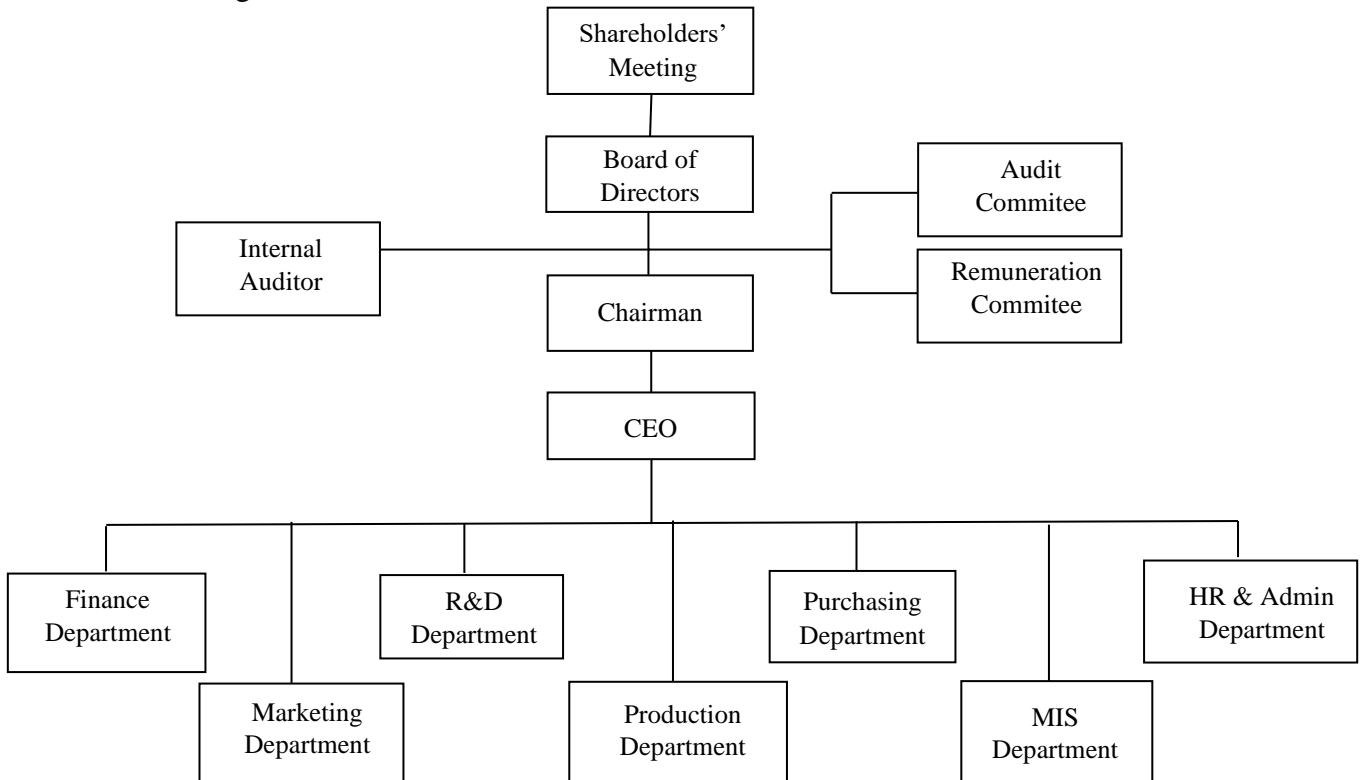
2.4 Risk Factors:

Please refer to page 113 for Analysis and assessment of risk matters.

3.0 Corporate Governance Report

3.1 Company Organization

3.1.1 Organizational Structure



3.1.2 Main Corporate Functions

Name of Department	Functions
Board of Directors (BOD)	Sets policy directives and establishes group business goals. Appoints and approves key managers to promote businesses. Grants Chairperson of the Board with execution authority in making operational decisions pursuant to the internal control policy of the company (i.e., Level of Authority).
Audit Committee	Supervise the group's business and finance, financial statements, and effective implementation of internal controls.
Remuneration Committee	1. Establishes compensation policy, performance measurement standards and reward system for directors, supervisors and senior executives. 2. Periodically reviews the adequateness of the compensation and reward structure of directors and senior executives.
CEO	Responsible for planning, execution, and coordination of company operations. To ensure that the company works well and provides good quality products and services.
Internal Audit	Examine and evaluate the internal control system, operation, and flaws in the management regulation, and adequately provide improvement suggestions and reviews in order to maintain effective implementation of management regulations and also to assist the Board of Directors on the auditing of company internal regulations and the executions.
Finance	Functions related to the Company's finance, accounting, equity, treasury and asset

Name of Department	Functions
	management, establishment of policy and procedures, and to provide the optimal strategy for company management.
Marketing	Responsible for the sales of American-style wooden bedroom furniture; sales of KD, rubber wood and kitchen cabinets.
R&D	Responsible for the design, improvement, proofing, assembly testing, production process and product quality improvement of American wooden furniture.
Production	Responsible for the production of American-style wooden bedroom furniture (five-piece set) and wooden kitchen cabinets (five-piece set).
Purchasing	Responsible for the development, maintenance and management of suppliers; responsible for the price ratio and procurement of raw materials, equipment and other materials according to the company's production plan and operational needs.
MIS	Responsible for the maintenance and management of the company's electronic equipment and ERP system and other information-related matters.
HR & Admin	Responsible for the planning, formulation, inspection and revision of the personnel and administrative aspects of the rules and regulations, and responsible for personnel recruitment and related business and management.

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

3.2.1 Directors and Supervisors

(A) Board of Directors

30 April 2022; Unit: Thousand Shares ; %

Title	Name	Gender /Age	Nationality or location Registered	Date First Elected	Date Elected	Term	Shareholding When Elected		Current Shareholding		Current Shareholding of Spouse and Minor		Shareholding by Nominee Arrangement		Qualification	Current Positions at Parade and positions at Other Companies	Executives, Directors or Supervisors who are spouses or within two degree of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chairman	Eng Say Kaw	Male 51~60 Year old	Malaysia	2016.11.20	2019.06.27	3 years	420	2.00	2,100	7.34	-	-	-	-	Malaysia SMK Tengku Mahkota Malaysia SPM VI Industries Bhd., CEO Idealhope Furniture Sdn. Bhd., CEO	Zelaxis Sdn. Bhd.Director Everglow Upholstery Sdn. Bhd.Director Exus Biomass Sdn. Bhd.Director Woodvature Sdn. Bhd.Director Idealtage Development Sdn. Bhd.Director EHL Trading Sdn. Bhd.Director Eng Synergy Management Sdn. Bhd.Director Grace Impact Sdn. Bhd.Director TC Home Sdn. Bhd.Director	-	-	-
Director	Eng Synergy Management Sdn. Bhd.	-	Malaysia	2016.12.05	2019.06.27	3 years	11,760	56.00	10,344	36.14	-	-	-	-	-	-	-	-	-
	Representative: Eng Kai Pin	Male 31~40 Year old	Malaysia	-	-	-	-	-	78	0.27	-	-	-	-	Malaysia Muar Chung Hwa High School Techcential Sdn. Bhd., Marketing Manager	Techcential International Ltd, CEO Techcential Sdn. Bhd., Director Woodgress Sdn. Bhd., Director Idealtage Development Sdn. Bhd., Director EHL Cabinetry Sdn. Bhd., Director TC Home Sdn. Bhd., Director & CEO TC Home Corporation, Director & CEO	ESK B Executive Director	Eng Kai Jie	Brother
Director	Surging Success Sdn. Bhd.	-	Malaysia	2016.12.05	2019.06.27	3 years	1,890	9.00	1,890	6.60	-	-	-	-	-	-	-	-	-
	Representative: Poa Keng Ling	Female 41~50 Year old	Malaysia	-	-	-	-	-	38	0.13	-	-	-	-	Universiti Utara Malaysia, Bachelor of Economic LH Kiln Dry & Moulding Sdn.Bhd., PA of CEO	Techcential Sdn. Bhd., President of Costing & Purchasing EHL Trading Sdn. Bhd., CEO	-	-	-

Title	Name	Gender /Age	Nationality or location Registered	Date First Elected	Date Elected	Term	Shareholding When Elected		Current Shareholding		Current Shareholding of Spouse and Minor		Shareholding by Nominee Arrangement		Qualification	Current Positions at Parade and positions at Other Companies	Executives, Directors or Supervisors who are spouses or within two degree of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
															Techcential Sdn.Bhd., Executive of Costing & Purchasing Techcential Sdn. Bhd., Manager of Costing & Purchasing				
Director	Chang Ming-Huang	Male 31~40 Year Old	Taiwan	2018.06.29	2019.06.27	3 years	-	-	-	-	-	-	-	-	National Taichung University of Science and Technology., Bachelor of Accounting; National Chung-Cheng University, Master of Law; Lecturer of the Zhongshan School of Medicine, Sun Yat-sen University.	Founder of Rich CPA Firm Feature Integration Technology Inc., Independent director ICARES MEDICUS INC., Independent director	-	-	-
Independent Director	Tay Puay Chuan	Male 51~60 Year old	Malaysia	2016.12.05	2019.06.27	3 years	-	-	-	-	-	-	-	-	Bachelor of Laws, University of London, UK; Bukit Oman Royal Police Inspector; Fajar Sawmill Sdn. Bhd., Factory Manager; Syarikat Teong Sheng Sdn. Bhd., Factory Manager; Fadzilah Ong Chee Seong & Associates Lawyer; Member of Parliament of Malaysia. Guan Chong Berhad Sdn. Bhd., Independent Director; Star Foundation, Director.	Founder of Tay Puay Chuan & Co. Sern Kou Resources Sdn. Bhd., Independent Director Homeritz Corporation Sdn. Bhd, Independent Director	-	-	-
Independent Director	Oun Lek Wee	Male 31~40 Year old	Malaysia	2016.12.05	2019.06.27	3 years	-	-	-	-	-	-	-	-	Malaysia Multimedia University, Bachelor of Accounting Ernst & Young Malaysia (Melaka Office) Audit Executive, Manager & Senior Manager ACCA Member MIA Member	Founder of Oun & Partners CPA Firm	-	-	-

Title	Name	Gender /Age	Nationality or location Registered	Date First Elected	Date Elected	Term	Shareholding When Elected		Current Shareholding		Current Shareholding of Spouse and Minor		Shareholding by Nominee Arrangement		Qualification	Current Positions at Parade and positions at Other Companies	Executives, Directors or Supervisors who are spouses or within two degree of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Independent Director	Liao Wei Chuan	Male 51~60 Year Old	Taiwan	2016.12.05	2019.06.27	3 years	-	-	-	-	-	-	-	-	Chung Yuan Christian University, Bachelor of Accounting; Masterlink Securities Group, Underwriting Dev, VP; KGI Securities, Investment Banking Dev, Senior VP; ICBC Securities Underwriting Dev, Senior Executive VP; Taiwan Securities Association, member; Genomics BioSci & Tech. Co.Ltd., Chief Strategy Officer and General Consultant; PHARMIGENE, INC, General Consultant.	Fidelity Investments, General Manager. JOBEN BIO-MEDICAL CO., LTD., Financial Advisor and Chief Representative of Asia Pacific Region JAPAN MEDICAL CO., LTD., Financial Advisor Pharma Essentia Corp., Financial Advisor. I. H ART COMPANY LIMITED, Financial Advisor Cedarwood Villa, General Consultant. China Youth Corps, Steering Committee. Hotel Everrich (Thailand), General Consultant. 尊揚生技股份有限公司總顧問 Minghao Dental Hospital (in preparation), General Consultant.	-	-	-

(B) Supervisor: Not applicable.

(C) Major shareholders of the institutional shareholders:

30 April 2022

Institutional shareholders	Major shareholders
Eng Synergy Management Sdn. Bhd.	Eng Say Kaw 14.29%, Tay Su Siang 58.93%, Eng Chong Len 26.79%
Surging Success Sdn. Bhd.	Chong Yu Chau 50.11%, Eng Xin Yi 49.89%

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

(D) Professional qualifications and independence analysis of Directors and Supervisors:

30 April 2022

Criteria Name	Professional Qualification Requirements and Work Experience	Independent Criteria	Concurrently Serving as an Independent Director at Other Public Companies
Eng Say Kaw	Director Mr. Eng Say Kaw is a Malaysian. He has the work experience required for the company's business. He was the CEO of VI Industries Bhd. and Idealhope Furniture Sdn. Bhd.	As of April 30, 2022, the number and proportion of the company's shares held by myself, spouse, relatives within the second degree (or in the name of others): 2,100,000 shares and 7.34% Other qualifying conditions for independence are as follows: (1) 、(4) 、(6) 、(7) 、(8) 、(9) 、(10) 、(11) 、(12)	0
Eng Synergy Management Sdn. Bhd. Representative: Eng Kai Pin	Mr. Eng Kai Pin, the representative of Eng Synergy Management Sdn. Bhd. He is a Malaysian and has the work experience required for the company's business. He worked as Marketing Manager at Techcential Sdn. Bhd.	As of April 30, 2022, the number and proportion of the company's shares held by myself, spouse, relatives within the second degree (or in the name of others): 10,344,000 shares and 36.14% Other qualifying conditions for independence are as follows: (3) 、(4) 、(5) 、(6) 、(7) 、(8) 、(9) 、(11) 、(12)	0
Surging Success Sdn. Bhd. Representative: Poa Keng Ling	Surging Success Sdn. Bhd representative, Ms Poa Keng Ling. She is a Malaysian and has the work experience required for the company's business. graduated from Universiti Utara Malaysia with a Bachelor of Economics. She was the Personal Assistant to the CEO of LH Kiln Dry & Moulding Sdn. Bhd., the personal assistant for cost and procurement of Techcential	As of April 30, 2022, the number and proportion of the company's shares held by myself, spouse, relatives within the second degree (or in the name of others): 1,890,000 shares and 6.60% Other qualifying conditions for independence are as follows: (2) 、(3) 、(4) 、(5) 、(6) 、(7) 、(8) 、(9) 、(11) 、(12)	0

	Sdn. Bhd., and the deputy manager of cost and procurement of Techcential Sdn. Bhd..		
Chang Ming Huang	Mr. Chang Ming Huang is a Taiwanese. He graduated from the National Taichung University of Science and Technology with a Bachelor of Accounting and from National Chung-Cheng University with a Master of Law. He worked as a lecturer at the Zhongshan School of Medicine, Sun Yat-sen University. An instructor or a higher position in the Department of Commerce, Law. He is currently an accountant at Rich CPA Firm.	As of April 30, 2022, the number and proportion of the company's shares held by myself, spouse, relatives within the second degree (or in the name of others): 0 shares and 0.00% Other qualifying conditions for independence are as follows: (1) 、(2) 、(3) 、(4) 、(5) 、(6) 、(7) 、(8) 、(9) 、(10) 、(11) 、(12)	0
Tay Puay Chuan	Independent Director Mr. Tay Puay Chuan is a Malaysian and graduated from the University of London with a Bachelor of Laws (Honours) degree. He has served as Inspector of Bukit Oman Royal, Factory Manager of Fajar Sawmill Sdn. Bhd , Factory Manager of Syarikat Teong Sheng Sdn. Bhd., Fadzilah Ong Chee Seong & Associates Lawyer, Member of Parliament of Malaysia, Independent Director of Guan Chong Berhad Sdn. Bhd., and Director of Star Foundation. He is an in-service lawyer and the founder of Tay Puay Chuan & Co. Law Firm in May 2013.	As of April 30, 2022, the number and proportion of the company's shares held by myself, spouse, relatives within the second degree (or in the name of others): 0 shares and 0.00% Other qualifying conditions for independence are as follows: (1) 、(2) 、(3) 、(4) 、(5) 、(6) 、(7) 、(8) 、(9) 、(10) 、(11) 、(12)	2
Oun Lek Wee	Independent Director Mr. Oun Lek Wee is a Malaysian. He have work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the Business of the company. He is also a member of the Malaysian MIA Institute of Accountants. He is also the founding partner of Oun & Partners accounting firm.	As of April 30, 2022, the number and proportion of the company's shares held by myself, spouse, relatives within the second degree (or in the name of others): 0 shares and 0.00% Other qualifying conditions for independence are as follows: (1) 、(2) 、(3) 、(4) 、(5) 、(6) 、(7) 、(8) 、(9) 、(10) 、(11) 、(12)	0
Liao Wei Chuan	Independent Director Mr. Liao Wei Chuan is the Taiwanese and graduated from the Chung Yuan Christian University, Bachelor of Accounting. He has over 10 years of work experience in the financial industry. After inspection, the content of the work experience is consistent. He used to be the Masterlink Securities Group, Underwriting Dev, VP; KGI Securities, Investment Banking Dev, Senior VP 、ICBC Securities Underwriting Dev, Senior Executive VP 、Taiwan Securities Association, member 、Genomics BioSci & Tech. Co.Ltd., Chief Strategy Officer and General Consultant 、PHARMIGENE, INC, General Consultant.	As of April 30, 2022, the number and proportion of the company's shares held by myself, spouse, relatives within the second degree (or in the name of others): 0 shares and 0.00% Other qualifying conditions for independence are as follows: (1) 、(2) 、(3) 、(4) 、(5) 、(6) 、(7) 、(8) 、(9) 、(10) 、(11) 、(12)	0

Note 1: Professional qualifications and experience: State the professional qualifications and experience of individual directors and supervisors. If they are members of the audit committee and have accounting or financial expertise, they should state their accounting or financial background and work experience.

Note 2: Please tick the appropriate corresponding boxes if Directors and Supervisors have been met any of the following criteria during the two years term of office and prior to being elected. :

- (1) Not an employee of the Company or any of its affiliates;
- (2) Not a director or supervisor of the Company or any of its affiliates. The same does not apply, however, in cases where the person is an independent director of the Company, its parent company, or any subsidiary, as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary;
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings;
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs;
- (5) Not a director, supervisor, or employee of a corporate/institutional shareholder that directly holds 5% or more of the total number of outstanding shares of the Company or that holds shares ranking in the top five in holdings;
- (6) Not a director, supervisor, officer, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the Company;
- (7) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof;
- (8) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company;
- (9) Not been a person of any conditions defined in Article 30 of the Company Law; and
- (10) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

(5) Board members implement diversity

(A) Ability to make operational judgements; (B) Ability to perform accounting and financial analysis; (C) Ability to conduct management administration; (D) Ability to conduct crisis management; (E) Knowledge of the industry; (F) An international market perspective; (G) Ability to Lead; (H) Ability to make policy decisions.

Title	Name	Nationality	Gender	Age			Core competence							
				31~40	41~50	51~60	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
Chairman	Eng Say Kaw	Malaysia	M	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓
Director	Eng Synergy Management Sdn. Bhd. Legal representative: Eng Kai Pin	Malaysia	M	✓	-	-	✓	✓	✓	✓	✓	✓	✓	✓
Director	Surging Success Sdn. Bhd. Legal representative: Poa Keng Ling	Malaysia	F	-	✓	-	✓	✓	✓	✓	✓	✓	✓	✓
Director	Chang Ming Huang	R.O.C	M	✓	-	-	✓	✓	✓	✓	✓	✓	✓	✓
Independent Director	Oun Lek Wee	Malaysia	M	✓	-	-	✓	✓	✓	✓	✓	✓	✓	✓
Independent Director	Tay Puay Chuan	Malaysia	M	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓
Independent Director	Liao Wei Chuan	R.O.C	M	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓

The specific management objectives of the diversity of the board of directors and their achievement are as follows :

Management Perspective	Achievement
The number of directors who also serve as company managers shall not exceed one-third of the number of directors	achieved
Professional knowledge and skills	achieved
The number of independent directors exceeds one third of the number of directors	achieved
Board members include at least one female director	achieved

(6) Independence of the Board of Directors:

The company has set up 3 independent directors, accounting for 43% of all directors. The company has obtained the declaration that it complies with the eligibility requirements stipulated in the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies” from all independent directors, and meets the independence requirements. The independent directors of the company and their spouses, minor children and Nominee Arrangement do not hold shares of the company. There is no relationship between the directors, the supervisors, or the directors and supervisors, and there is no relationship between spouses and relatives within the second degree of kinship.

After reviewing the filing documents of insider shareholding and the above declaration, neither the directors nor independent directors of the company have any of the conditions stipulated in Article 26-3, Item 3 and Item 4 of the Securities and Exchange Act.

3.2.2 President, Vice President of the Company and its affiliates

30 April 2022; Unit: Thousand Shares ; %

Title	Name	Gender	Nationality	Date Elected	Shareholding		Spouse and Minor Shareholdings		Shareholding by Nominee Arrangement		Education and Experience	Current Positions at Other Companies	Spouse or Relative Within Two Degrees of Consanguinity Serving as a Manager or Director			Status of Manager obtains employee stock options
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
CEO	Eng Kai Pin	Male	Malaysia	2016.12.5	78	0.27	-	-	-	-	Malaysia Muar Chung Hwa High School Techcential Sdn. Bhd. Marketing Manager	Techcential International Ltd, CEO Techcential Sdn. Bhd., Director Woodgress Sdn. Bhd., Director Idealtage Development Sdn. Bhd., Director EHL Cabinetry Sdn. Bhd., Director TC Home Sdn. Bhd., Director & CEO TC Home Corporation, Director & CEO	ESK B Excutive Director	Eng Kai Jie	Brother	-
CFO	Tan Kok Bee	Male	Malaysia	2016.12.5	30	0.10	-	-	-	-	UK LCCI Accounting Advanced Diploma Malaysia MIA registered accountant Leong Hup Holdings Bhd., Account Manager UDS Capital Bhd., Account Manager Mamee Double-decker (Malaysia) Bhd., Account Manager Techcential Sdn. Bhd., Finance Manager	-	-	-	-	-
HR & Admin Manager	Tan Leng Im	Female	Malaysia	2001.6.11	-	-	-	-	-	-	UK London Chamber of Commerce and Industry Accounting Junior Certificate LH Kiln Dry & Moulding Sdn.Bhd., Account Executive Techcential Sdn.Bhd., Account Executive; HR & Admin Executive	-	-	-	-	-
R&D Manager	Koh Chin Joo	Male	Malaysia	2003.10.13	-	-	-	-	-	-	SPM, Malaysia Four Stars Enterprise - Interior Desinger Workshop Founder Yeu Hong Furniture Industries Sdn. Bhd., Leader of Production Techcential Sdn. Bhd., R&D Executive	-	-	-	-	-
IA Manager	Yee Lee Ching	Female	Malaysia	2018.05.15	-	-	-	-	-	-	Kaohsiung Medical University, Degree of Psychology	-	-	-	-	-
ESK B Excutive Director	Eng Kai Jie	Male	Malaysia	2010.2.10	70	0.24	-	-	-	-	Malaysia Inti University, Business & Administrative Course Techcential Sdn. Bhd., Executive of Quality Control & Production; VP of HR	Techcential Sdn. Bhd., Director Idealtage Development Sdn. Bhd., Director TC Home Sdn. Bhd., Director	CEO	Eng Kai Pin	Brother	-

Title	Name	Gender	Nationality	Date Elected	Shareholding		Spouse and Minor Shareholdings		Shareholding by Nominee Arrangement		Education and Experience	Current Positions at Other Companies	Spouse or Relative Within Two Degrees of Consanguinity Serving as a Manager or Director			Status of Manager obtains employee stock options
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
											& Admin; Manager of Costing & Purchasing	TC Home Corporation, Director ESK Wood Products Sdn. Bhd., Director.	CEO of TC	Eng Kai Jian	Brother	
TC - Manager of Costing & Purchasing	Poa Keng Ling	Female	Malaysia	2001.6.11	38	0.13	-	-	-	-	Universiti Utara Malaysia, Bachelor of Economic LH Kiln Dry & Moulding Sdn.Bhd., PA of CEO Techcential Sdn.Bhd., Executive of Costing & Purchasing Techcential Sdn. Bhd., Manager of Costing & Purchasing	-	-	-	-	-
CEO of EHL	Lim Swee Soon	Male	Malaysia	2019.11.14	-	-	-	-	-	-	Malaysiaj Informative College, Diploma of Marketing Hgs Components Enterprise, Owner Hock Guan Seng Sdn Bhd, Director	-	-	-	-	-
CEO of TC	Eng Kai Jian	Male	Malaysia	2019.05.10	-	-	-	-	-	-	University of Nebraska – Lincoln, Degree in Marketing Techcential Sdn Bhd Marketing Manager	-	CEO ESK B Excutive Director	Eng Kai Pin Eng Kai Jie	Brother Brother	

3.2.3 If the chairman and the general manager or the person with equivalent position (the top manager) are the same person, each other's spouse or relatives, the reasons, rationality, necessity and corresponding measures should be explained and its affiliates: None.

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

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

31 December 2021 Unit: NTD Thousand

Title	Name	Remuneration								Total Remuneration (A+B+C+D) as a % of Net Income		Relevant remuneration received by Directors who are also employees								Total Compensation (A+B+C+D+E+F+G) as A % of Net Income		Compensation Paid to Directors from Nonconsolidated Affiliates	
		Base Compensation (A)		Severance Pay and Pension (B)		Directors' Remuneration (C) (Note 1)		Allowances (D)				Compensation, Bonuses, and Allowances (E)		Severance Pay and Pension (F)		Employees' Bonuses (G)							
		The Compan y	Compani es in the Consolida ted Financial Report	The Co mpa ny	Comp anies in the Consolida ted Financ ial Report	The Compa ny	Compa nies in the Consolida ted Financ ial Report	The Comp any	Compa nies in the Consolida ted Financ ial Report	The Compa ny	Compa nies in the Consolida ted Financ ial Report	The Company	Compa nies in the Consolida ted Financ ial Report	The Compa ny	Compa nies in the Consolida ted Financi al Report	The Company		Companies in the Consolidated Financial Report		The Company	Companies in the Consolidate d Financial Report		
Cash	Stock (Fair Market Value)	Cash	Stock (Fair Market Value)																				
Chairman	Eng Say Kaw	-	1,719	—	—	-	-	-	-	-	1,719 (6.66%)	—	—	—	—	—	-	—	—	—	—	1,719 (6.66%)	—
Director	Eng Synergy Management Sdn. Bhd. Representative: Eng Kai Pin	-	-	—	—	-	-	-	-	-	-	—	1,558	-	-	-	-	-	-	—	1,558 (6.03%)	—	
Director	Surging Success Sdn. Bhd. Representative: Poa Keng Ling	-	-	—	—	-	-	-	-	-	-	—	1,224	-	-	-	-	-	-	—	1,224 (4.74%)	—	
Director	Chang Ming-Huang	270	270	—	—	-	-	-	-	270 (1.04%)	270 (1.04%)	—	—	-	-	-	-	-	-	270 (1.04%)	270 (1.04%)	—	
Independent	Tay Puay Chuan	261	261	-	-	-	-	6	6	267 (1.03%)	267 (1.03%)	—	-	-	-	-	-	-	-	267 (1.03%)	267 (1.03%)	-	
Independent	Oun Lek Wee	261	261	-	-	-	-	2	2	263 (1.02%)	263 (1.02%)	—	-	-	-	-	-	-	-	263 (1.02%)	263 (1.02%)	—	
Independent	Liao Wei Chuan	390	390	-	-	-	-	-	-	390 (1.51%)	390 (1.51%)	—	-	-	-	-	-	-	-	390 (1.51%)	390 (1.51%)	—	

Remuneration Table

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

(B) Compensation to Supervisors: Not Applicable.

(C) Remuneration of President and Vice Presidents

31 December 2021, Unit: NTD Thousand

Title	Name	Salary (A)		Severance Pay and Pension (B)		Bonus and Allowances (C)		Employees' Bonus (D)				Total Compensation (A+B+C+d) as a % of Net Income		Compensation Paid to President and Vice Presidents From Non-consolidated Affiliates
		The Company	Companies in the Consolidated financial report	The Company	Companies in the Consolidate d financial report	The Company	Companies in the Consolidated financial report	The Company		Companies in the Consolidated financial report		The Company	Companies in the Consolidated financial report	
								Cash	Stock (Fair Market Value)	Cash	Stock (Fair Market Value)			
CEO	Eng Kai Pin	—	1,451	—	—	—	107	—	—	—	—	—	1,558 (6.03%)	—
ESK B Excecutive Director	Eng Kai Jie	—	1,139	—	—	—	85	—	—	—	—	—	1,224 (4.74%)	—
CEO of TC	Eng Kai Jian	—	932	—	—	—	103	—	—	—	—	—	1,035 (4.00%)	—
TC - Manager of Costing & Purchasing	Poa Keng Ling	—	901	—	—	—	100	—	—	—	—	—	1,001 (3.88%)	—
CEO of EHL	Lim Swee Soon	—	901	—	—	—	—	—	—	—	—	—	901 (3.49%)	—

Remuneration Table

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

NT\$15,000,000 (includes) ~ NT\$30,000,000 (not included)	—	—
NT\$30,000,000 (includes) ~ NT\$50,000,000 (not included)	—	—
NT\$50,000,000 (includes) ~ NT\$100,000,000 (not included)	—	—
Over NT\$ 100,000,000	—	—
Total	0	5

(D) Remuneration of the top five top executives

Title	Name	Salary (A)		Severance Pay and Pension (B)		Bonus and Allowances (C)		Employees' Bonus (D)				Total Compensation (A+B+C+d) as a % of Net Income		Compensation Paid to President and Vice Presidents From Non-consolidated Affiliates
		The Company	Companies in the Consolidated financial report	The Company	Companies in the Consolidate d financial report	The Company	Companies in the Consolidated financial report	The Company		Companies in the Consolidated financial report		The Company	Companies in the Consolidated financial report	
								Cash	Stock (Fair Market Value)	Cash	Stock (Fair Market Value)			
CEO	Eng Kai Pin	—	1,451	—	—	—	107	—	—	—	—	—	1,558 (6.03%)	—
ESK B Executive Director	Eng Kai Jie	—	1,139	—	—	—	85	—	—	—	—	—	1,224 (4.74%)	—
CEO of TC	Eng Kai Jian	—	932	—	—	—	103	—	—	—	—	—	1,035 (4.00%)	—
TC - Manager of Costing & Purchasing	Poa Keng Ling	—	901	—	—	—	100	—	—	—	—	—	1,001 (3.88%)	—
CEO of EHL	Lim Swee Soon	—	901	—	—	—	—	—	—	—	—	—	901 (3.49%)	—

Names of executives distributing employees' bonuses:

Unit: NTD Thousand ; %

	Title	Name	In Stock (Fair Market Value)	In Cash	Total	% of net income after tax
Manager	CEO	Eng Kai Pin	-	-	-	-
	ESK B Executive Director	Eng Kai Jie				
	TC - Manager of Costing & Purchasing	Poa Keng Ling				
	CEO of TC	Eng Kai Jian				
	CEO of EHL	Lim Swee Soon				
	CFO	Tan Kok Bee				

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

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

Unit: NTD Thousand

	Year 2020		Year 2021	
	Amount	%	Amount	%
Remuneration of Directors, President and Vice Presidents	7,225	11.77	5,691	22.03
The Company's Consolidated Net Income	7,090	11.55	5,719	22.14

(2) Policy, standards and combination for payment of remuneration, establishment of procedure of remuneration, and correlation between the business performance and future risk:

Item	Directors	CEO
Policy, standards and combination for payment of remuneration	If there are earnings for the year, the company shall set aside no over 3% of the profit as employee compensation and only 5% of profit as compensation for the Directors. However, if the company has accumulated losses in previous years, it shall reserve an amount of the pre-tax profit for offsetting the accumulated losses. The employee compensation referred to in this Article 14.4 shall distribute as stock or cash and may be distributed to the Board to resolve employees of the subsidiaries on time.	
Establishment of procedure of remuneration	The Company pursuant the Remuneration Committee Charter, article 7, Periodically assessing the degree to which performance goals for the directors, supervisors, and managerial officers of this Corporation have been achieved, and setting the types and amounts of their individual compensation, with the consideration of the external and general industry standard for the determination of such remuneration. The committee shall deliberate before the matter is submitted to the board of directors for discussion.	
Correlation between the business performance and future risk	The board of directors will evaluate the effectiveness of the board of directors and its members according to the "Board of Directors Performance Evaluation Form" and "Board of Directors Member Evaluation Form" after the end of the year. If the average total score is over 80 points, the directors' remuneration will be distributed proportionally according to the regulations of the company's articles of association. The "Board Member Performance Evaluation Form" is a reference for the Compensation Committee to evaluate individual remuneration.	Based on the "Manager Performance Evaluation Form", the general manager will distribute the results based on the KPI indicators of various departments, and then distribute the dividends according to the employee bonus amount planned by the manager's compensation plan. Adjust according to the ratio.

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

3.4.1 The state of operations of the Board of Directors:

The Board of Directors held a total of 9 meetings from the fiscal year 2021 to the printing date of this Annual Report. The attendance of Directors is as below.

Title	Name	Number of Actual Attendance	Number of Delegate Attendance	Rate of Actual Attendance (%)	Note
Chairman	Eng Say Kaw	9	0	100%	-
Director	Eng Synergy Management Sdn. Bhd. Representative: Eng Kai Pin	9	0	100%	-
Director	Surging Success Sdn. Bhd. Representative : Poa Keng Ling	8	0	98.4%	-
Director	Chang Ming Huang	9	0	100%	-
Independent Director	Tay Puay Chuan	9	0	100%	-
Independent Director	Oun Lek Wee	9	0	100%	-
Independent Director	Liao Wei Chuan	9	0	87.5%	-

Other matters that require reporting:

- A. When the below matters have occurred, the date, series, motion content, opinions from Independent Directors, and the Company's handling on such opinions shall be noted in the minutes of the Board of Directors meeting:
- (i) the matters listed in Article 14-3 of Securities and Exchange Act have occurred: Please refer to Annual Report (Chinese Version) Pg.18 for further details.
 - (ii) in addition to the pre-opening matters, other board matters that have been objected to or retained by independent directors and have a record or written statement : Not Applicable.

The Date of Board of Director's meeting	The Important Resolutions (Securities and Exchange Act- Article 14, paragraph 3)		The opinions of independent directors
2021/03/22	1	The Distribution of 2020 Employee and Director remuneration.	No opinion
	2	2020 Consolidated Financial Statements and Annual Report.	No opinion
	3	Annual Earnings Distributions for the year 2020.	No opinion
	4	The 2020 Statements of Internal Control System.	No opinion
	5	The assessment of the Independence and the 2021 annual remuneration of Certified Public Accountant.	No opinion
	6	The Amendment of “Rules and Procedures of Shareholders’ Meetings”.	No opinion
	7	The proposal of increase share capital by issuing ordinary shares and the 2nd Non-Guaranteed Convertible Corporate Bond in Taiwan R.O.C.	No opinion
	8	2021 Annual Shareholders’ meeting.	No opinion
	The company's handling of independent directors' opinions : Not applicable.		
	Resolution result: All the present directors and independent directors passed without objection.		
2021/05/10	1	The amendments of increase share capital by issuing ordinary shares and the 2nd Non-Guaranteed Convertible Corporate Bond in Taiwan R.O.C.	No opinion
	2	A securities underwriter to assist in compliance with the relevant laws and regulations of the Republic of China Securities.	No opinion

	The company's handling of independent directors' opinions : Not applicable.		
	Resolution result: All the present directors and independent directors passed without objection.		
2021/07/19	1	Change the time of the 2021 Annual Shareholders' Meeting	No opinion
	The company's handling of independent directors' opinions : Not applicable.		
	Resolution result: All the present directors and independent directors passed without objection.		
2021/08/26	1	2021 First-Half Consolidated Financial Statements.	No opinion
	2	The company will not distribute 2021 First-Half Annual Earnings.	No opinion
	3	The amendments of increase share capital by issuing ordinary shares and the 2nd Non-Guaranteed Convertible Corporate Bond in Taiwan R.O.C.	No opinion
	The company's handling of independent directors' opinions : Not applicable.		
	Resolution result: All the present directors and independent directors passed without objection.		
2021/11/06	1	Company Business Plan and Budget for 2022.	No opinion
	2	Audit Plan for 2022.	No opinion
	3	The "Measures for Employee Stock Subscription".	No opinion
	4	The manager and employees' subscription of new shares.	No opinion
	5	Performance assessments of Directors and managerial officers for the year 2021 July– December.	No opinion
	The company's handling of independent directors' opinions : Not applicable.		
	Resolution result: All the present directors and independent directors passed without objection.		
2021/11/17	1	Increase Paid-Up Capital of the subsidiary EHL Cabinetry Sdn Bhd (EHL).	No opinion
	The company's handling of independent directors' opinions : Not applicable.		
	Resolution result: All the present directors and independent directors passed without objection.		
2021/12/09	1	A securities underwriter to assist in compliance with the relevant laws and regulations of the Republic of China Securities.	No opinion
	The company's handling of independent directors' opinions : Not applicable.		
	Resolution result: All the present directors and independent directors passed without objection.		
2022/03/22	1	The Distribution of 2021 Employee and Director remuneration.	No opinion
	2	2021 Consolidated Financial Statements and Annual Report.	No opinion
	3	The appropriation of profit or loss.	No opinion
	4	The 2021 Statements of Internal Control System.	No opinion
	5	The change of CPA.	No opinion
	6	The assessment of the Independence and the 2022 annual remuneration of Certified Public Accountant.	No opinion
	7	Increase Paid-Up Capital of the subsidiary EHL Cabinetry Sdn Bhd (EHL).	No opinion
	8	The amendment of "Rules and Procedures of Shareholders' Meetings".	No opinion
	9	The amendment of "Corporate Social Responsibility Best Practice Principles".	No opinion
	10	The amendment of "the Corporate governance - code of practice".	No opinion
	11	The amendment of "Computerized Information System Processing Cycle".	No opinion
	12	The Management Procedures for Asset Acquisition and Disposition.	No opinion
	13	Re-election of Directors (including independent directors).	No opinion

	14	Release of the Directors' Participation in Competing Businesses.	No opinion
	15	Discuss shareholders' proposals and candidates' nomination for Director Lists.	No opinion
	16	2022 Annual Shareholders' meeting.	No opinion
	The company's handling of independent directors' opinions : Not applicable.		
	Resolution result: All the present directors and independent directors passed without objection.		
2022/05/12	1	2022 Q1 Consolidated Financial Statements.	No opinion
	2	Appoint Chief Executive Officer of EHL Cabinetry Sdn Bhd.	No opinion
	3	The schedule plan through greenhouse gas inventory and verification.	No opinion
	4	Increase Paid-Up Capital of the subsidiary EHL Cabinetry Sdn Bhd (EHL).	No opinion
	The company's handling of independent directors' opinions : Not applicable.		
	Resolution result: All the present directors and independent directors passed without objection.		

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

Date	Name of Director	Content	Reason	Results
2021/03/22	Chang Ming Huang Tay Puay Chuan, Oun Lek Wee Liao Wei Chuan	The Distribution of 2020 Employee and Director remuneration.	Due to personal interest	Except for the aforesaid directors, the chairman consulted the remaining attending directors and passed the case without objection.
2021/11/06	Eng Say Kaw Eng Kai Pin Poa Keng Ling	Performance assessments of Directors and managerial officers for the year 2021 July–December	Due to personal interest	Except for the aforesaid directors, the chairman consulted the remaining attending directors and passed the case without objection.

C. Disclose of how the board performance evaluation has been conducted each year, with a description of the evaluation method provided:

(i) In order to assist the board of directors in understanding its operational effectiveness and functioning, strengthening directors' remuneration and performance, and coordinating with the requirements of the competent authority, the company expects to conduct board evaluations start from Year 2020. The board evaluation 2021 as below:

Evaluation cycle (Note 1)	Evaluation period (Note 2)	Evaluation scope (Note 3)	Evaluation method (Note 4)	Evaluation content (Note 5)
Once a year	01/01/2021 – 31/12/2021	Board of Directors Board Members Functional Committee.	Internal self-evaluation by the board The self-evaluation by directors	Board of Directors & Functional Committee Performance Evaluation

Note: (1) To fill in the execution cycle of the board evaluation. For example: once a year.

(2) To fill in the period covered by the board of directors' appraisal. For example, the evaluation for the board of directors' performance from January 1 to December 31, 2021.

(3) The evaluation scope includes performance assessments and rewards evaluation of Directors and Functional Committee.

(4) The evaluation methods include performance evaluation through internal self-evaluation by the board of directors and the self-evaluation by directors

(5) The assessment content shall include at least the following items according to the assessment scope:

Evaluation Item	Evaluation scope			
	Board of Directors	Member of the board of directors	Self-evaluation by directors	Functional Committee
A	Participation in company	Compliance with relevant	Mastery of company goals	Participation in company

	operations.	laws and regulations.	and tasks	operations.
B	Improve the quality of board decisions.	Participation in company operations.	Directors' responsibilities	Functional committee responsibility awareness.
C	Board of directors composition and structure.	-	Participation in company operations.	Improve the decision-making quality of functional committees.
D	Director selection and training.	-	Internal relationship management and communication.	Functional committee composition and member selection.
E	Internal Control	-	Professional and training for directors.	Internal Control
F	-	-	Internal Control	-

D. Objectives of how to strengthen the powers of the board of directors, and the summary:

1. The company has three independent directors, and the Audit Committee is established by all the independent directors. The convener is Mr Oun Lek Wee.
2. The Remuneration Committee is established by all the independent directors. The convener is Mr Tay Puay Chuan.

3.4.2 The state of operations of the Audit Committee

The Audit Committee has held 7 meetings from this fiscal year 2021 to the printing date of this Annual Report. The attendance of Independent Directors is as below:

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

Other matters that require reporting:

1. When the below matters have occurred, the date, series, motion content, opinions from Independent Directors, and the Company's handling on such opinions shall be noted in the minutes of the Board of Directors meeting:
 - a. the matters listed in Article 14-5 of Securities and Exchange Act have occurred: Please refer to Annual Report (Chinese Version) Pg.21 for further details.
 - b. In addition to the previous items, the resolution didn't pass by Audit Committee but passed by a majority of not less than two-thirds of all Directors: -

The Date of Audit Committee meeting	The Important Resolutions (Securities and Exchange Act- Article 14 , paragraph 5)		The opinions of independent directors
2021/03/22	1	2020 Consolidated Financial Statements and Annual Report.	No Opinion
	2	Annual Earnings Distributions for the year 2020.	No Opinion
	3	2020 Statements of Internal Control System.	No Opinion
	4	The assessment of the Independence and the 2021 annual remuneration of Certified Public Accountant.	No Opinion
	5	The amendments of "Rules and Procedures of Shareholders' Meetings".	No Opinion
	6	The proposal of increase share capital by issuing ordinary shares and the	No Opinion

		2nd Non-Guaranteed Convertible Corporate Bond in Taiwan R.O.C.	
	The company's handling of independent directors' opinions: Not applicable.		
	Resolution result: All the present directors and independent directors passed without objection.		
2021/05/10	1	2021 Q1 Consolidated Financial Statements	No Opinion
	2	The amendments of increase share capital by issuing ordinary shares and the 2nd Non-Guaranteed Convertible Corporate Bond in Taiwan R.O.C.	No Opinion
	The company's handling of independent directors' opinions: Not applicable.		
	Resolution result: All the present directors and independent directors passed without objection.		
2021/08/26	1	2021 First-Half Consolidated Financial Statements	No Opinion
	2	The company will not distribute 2021 First-Half Annual Earnings.	No Opinion
	3	The amendments of increase share capital by issuing ordinary shares and the 2nd Non-Guaranteed Convertible Corporate Bond in Taiwan R.O.C.	No Opinion
	The company's handling of independent directors' opinions: Not applicable.		
	Resolution result: All the present directors and independent directors passed without objection.		
2021/11/06	1	2021 Q3 Consolidated Financial Statements.	No Opinion
	2	Company Business Plan and Budget for 2022.	No Opinion
	3	Audit Plan for 2022.	No Opinion
	The company's handling of independent directors' opinions: Not applicable.		
	Resolution result: All the present directors and independent directors passed without objection.		
2021/11/17	1	Increase Paid-Up Capital of the subsidiary EHL Cabinetry Sdn Bhd (EHL).	No Opinion
	The company's handling of independent directors' opinions: Not applicable.		
	Resolution result: All the present directors and independent directors passed without objection.		
2022/03/22	1	2021 Consolidated Financial Statements and Annual Report.	No Opinion
	2	The appropriation of profit or loss.	No Opinion
	3	The 2021 Statements of Internal Control System.	No Opinion
	4	The change of CPA.	No Opinion
	5	The assessment of the Independence and the 2022 annual remuneration of Certified Public Accountant.	No Opinion
	6	Increase Paid-Up Capital of the subsidiary EHL Cabinetry Sdn Bhd (EHL).	No Opinion
	7	The amendments of "Rules and Procedures of Shareholders' Meetings".	No Opinion
	8	The amendments of "Corporate Social Responsibility Best Practice Principles".	No Opinion
	9	The amendments of "the Corporate governance - code of practice".	No Opinion
	10	The amendments of "Computerized Information System Processing Cycle".	No Opinion
	11	The amendments of the Management Procedures for Asset Acquisition and Disposition.	No Opinion
	The company's handling of independent directors' opinions: Not applicable.		
	Resolution result: All the present directors and independent directors passed without objection.		
2022/05/12	1	2022 Q1 Consolidated Financial Statements.	No Opinion
	2	Appoint Chief Executive Officer of EHL Cabinetry Sdn Bhd.	No Opinion
	3	Increase Paid-Up Capital of the subsidiary EHL Cabinetry Sdn Bhd	No Opinion

		(EHL).	
	The company's handling of independent directors' opinions: Not applicable.		
	Resolution result: All the present directors and independent directors passed without objection.		

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

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

Items	Implementation Status			Deviations from “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Description	
1. Does the Company established and disclosed its corporate governance principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”?	V		The Company has established "Code of Practice for Corporate Governance" in accordance with the TWSE Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and adheres to the importance of corporate governance such as safeguarding shareholders' rights, strengthening the functions of the Board, setting up the independent directors, respecting the interests of stakeholders enhancing information transparency. The company has also has established the "Rules of the Shareholders' Meeting", the "Director's Election Rules", the "Internal Control System", the "Integrity Code of Practice", the "Integrity Operation Procedures and Conduct Guidelines" and " Ethical Code of Conduct, etc., to strengthen information transparency and strengthen the functions of the Boards to promote the operation of corporate governance.	No significant difference
2. Ownership structure and the rights and interests of shareholders				
i. Does the Company have Internal Operation procedures for handling shareholders’ suggestions, concerns, disputes, and litigation matter? If so, these procedures been implemented accordingly?	V		(i) The Company has a spokesperson and acting spokesperson by the Code of Practice for Corporate Governance on the Listed List, which handles shareholder suggestions, doubts, disputes and litigation matters.	No significant difference
ii. Does the Company possess a list major shareholders and beneficial owners of these major shareholders?	V		(ii)The stock agency regularly manages and updates a list of the ultimate controllers of the major shareholders.	No significant difference
iii. Has the Company built and implemented a risk control system and firewall between the Company and its affiliates?	V		(iii)The Company has planned the “Group Business, Specific Company and Related Persons Transaction Procedures” and “Relationship Transaction Management Measures” and implemented them accordingly.	No significant difference
iv. Has the Company established internal rules prohibiting insider trading on undisclosed information?	V		(iv)The Company has established a "Procedure to Prevent Internal Trading Management Procedures" to prohibit insiders from using market unpublished information to buy and sell securities.	No significant difference
3. Composition and Responsibilities of the Board of Directors				
i. Has the Board of Directors established a diversity policy for the composition of its members and has it been implemented accordingly?	V		(i) Regarding the diversified composition of the board of directors, it presented the new candidates nominated by the existing board of directors during the shareholders’ meeting for election. Diversity is one of the critical aspects of nomination consideration. Current board members all have professional expertise either in the relevant industries or in business operation and finance. (Please refer to Pg 15 for board members to	No significant difference

Items	Implementation Status			Deviations from “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Description	
<p>ii. Other than Remuneration Committee and Audit Committee which are required by law, has the Company voluntarily established other functional committees?</p> <p>iii. Has the Company established a method of evaluation the performance of its Board of Directors and has the performance evaluation been implemented annually and submitted to its Board of Directors as a reference for individual director’s remuneration and renewal nomination?</p>	V		<p>implement diversity).</p> <p>(ii) The company has set up a Remuneration Committee and an Audit Committee at present.</p>	No significant difference
iv. Does the Company regularly evaluated the independence of the CPAs?	V		<p>(iii) The company planned the "Management of Performance Appraisal of Directors and Managers" on 5 December 2016 (the latest revision date of the Board of Directors was 12 August 2020), which will be evaluated regularly every year. To assist the board of directors in understanding its operational effectiveness and functioning, strengthening directors’ remuneration and performance, and coordinating with the competent authority, the company expects to conduct board evaluations starting in 2020. The performance evaluation results of the board of directors and individual members show that the board of directors is operating well in 2021, and we submitted it to the board of directors on 22 March 2022.</p> <p>(iv) The company evaluates the independence of KPMG accountants every year. The company refers to Article 47 of the Accountants Act and the Republic of China Accountant Professional Ethics Code Bulletin No. 10 "Integrity, Fairness, Objectivity and Independence" to determine the independence and suitability of the Evaluation Form and contents, and got the “Independence Statement” issued by the accountants; the audit committee discussed and approved another proposal and the board of directors about the appointment of accountants. Audit Committee has approved the most recent evaluation of the independence and suitability of the CPA and Board of Directors on March 22, 2022.</p>	No significant difference
4. Has the Company assigned competent and appropriate personnel and designated corporate governance officer to be in charge of matters related to corporate governance (including but not limited to providing information required by directors and supervisors related to business operations, handling matters relating to Board of Directors’ meetings and General Shareholders’ Meeting pursuant to the laws, handling corporate registration and amendment registration, and recording minutes of the Board of Directors’ meetings and General Shareholders’ Meeting)?	V		<p>The company does not allocate or appoint a corporate governance director. The corporate governance secretary is assisted by the corporate governance-related matters (including providing information required by directors and independent directors, handling matters related to the Board meetings and shareholders meeting, assisting directors and supervisors to comply with laws and regulations, preparing minutes for the Board meeting and shareholders’ meetings, etc.). The company will depend on the necessity of setting up a governance director will be evaluated.</p>	No significant difference

Items	Implementation Status			Deviations from “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Description	
5. Has the Company established a communication with its stakeholders (including but not limited to shareholders, employees, customers and suppliers) or created a stakeholders’ section on the Company’s website? Does the Company respond appropriately to stakeholders’ question on major issues of corporate social responsibility?	V		Techcential International Ltd values the importance of communication with interested parties (including but not limited to shareholders, employees, customers, supplies, etc.) and keeps a balance on rights and obligations between each interested party. There is an “Area for Interested Parties” on the corporate website related parties could contact the company via email: investor@techcential.com . The company has a dedicated person to manage the establishment of the company's financial business-related information and corporate governance information for the benefit of shareholders and stakeholders.	No significant difference
6. Has the Company appointed professional registration for its General Shareholders’ Meeting?	V		The company designate SinoPac Securities Corporation Stock Agency service deal with shareholder affairs.	No significant difference
7. Information Transparency				
i. Has the Company established a corporate website to disclose information regarding its financial, business, and corporate governance status?	V		(i)The company official website (https://www.techcential-international.com/home-page-eng/) has been set up and contains the information regarding the company’s finance, operations, and corporate governance.	No significant difference
ii. Does the Company adopted other methods to disclose channels (e.g., maintaining an English website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investor conference etc.)	V		(ii) The company has a dedicated person responsible for the collection and disclosure of company information and implementing the spokesperson system. And set up an English company website (https://www.techcential-international.com/home-page-eng/) in 2020.	No significant difference
iii. Does the Company perform public announcement and registration of annual consolidated financial reports within two months after the end of fiscal year and also publicly announces and registers the quarterly financial reports of the Q1, Q2, Q3 and monthly operating status within the prescribed period?	V		(iii) The company handles according to the time limit set by the OTC company, announces and declares the annual financial report within three months after the fiscal year, announces and declares the Q1, Q2, and Q3 financial reports, and files information on operating revenue for the preceding month by the 10th day of each month.	No significant difference
8. Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices? (including but not limited to employee rights, employee care, investors relations, supplier relations, stakeholder rights, continuing education of directors and supervisors, implementation of risk management policies and criteria for risk evaluation, implementation of customer relation policies, and the purchase of liability insurance for	V		(i) Status of employee rights and employee wellness: The company provides employees with adequate education and training so that employees can fully reflect the channels of opinion and provide employees with reasonable benefits and remuneration according to local laws and regulations. (ii) Employment Care: Besides handling the relevant regulations of the local government, the company sometimes organizes gatherings, recreations, and other activities for staff. (iii) Investor Relations: The company has established a spokesperson system	No significant difference No significant difference No significant difference

Items	Implementation Status			Deviations from “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and reasons												
	Yes	No	Description													
directors and supervisors.)			to respond to shareholders’ questions. Investors may contact the Company via email and Line, relevant information is also timely disclosed through the Market Observation Post System (MOPS) and company website. The company attended investor conferences by invitation in 2021:													
			<table><tr><th>Investor Conferences Date</th><th>Hold or Be invited</th><th>Description</th></tr><tr><td>110/01/19</td><td>Be Invited</td><td>SinoPac Securities Corporation invited the company to conduct an online Institutional Investor Conference</td></tr><tr><td>110/04/13</td><td>Be Invited</td><td>First Securities to participate the online Investor Conference.</td></tr><tr><td>110/04/16</td><td>Be Invited</td><td>Taipei Exchange to participate the “TPEX Corporate Day”</td></tr></table>		Investor Conferences Date	Hold or Be invited	Description	110/01/19	Be Invited	SinoPac Securities Corporation invited the company to conduct an online Institutional Investor Conference	110/04/13	Be Invited	First Securities to participate the online Investor Conference.	110/04/16	Be Invited	Taipei Exchange to participate the “TPEX Corporate Day”
			Investor Conferences Date		Hold or Be invited	Description										
			110/01/19		Be Invited	SinoPac Securities Corporation invited the company to conduct an online Institutional Investor Conference										
			110/04/13		Be Invited	First Securities to participate the online Investor Conference.										
			110/04/16		Be Invited	Taipei Exchange to participate the “TPEX Corporate Day”										
			(iv) Supplier relation: To adheres the spirit of mutual trust and mutual benefit, and conducts audit and management of suppliers based on honesty, the company helps the supplier to grow together and create a win-win situation under the various environmental protection treaties and social responsibilities.		No significant difference											
			(v) Interests of stakeholders: The company implements the spokesperson system to improve the relationship between shareholders. Shareholders have the right to give opinions on the company's operating performance, and the company will respect and try to meet the requirements of all stakeholders (shareholders, employees, customers, suppliers).		No significant difference											
			(vi) The continuing education status for directors in 2021: All the company’s directors (including 3 independent directors) have attended 6-hour professional training courses. (Please refer to "Other important information that may facilitate a better understanding of the Company’s corporate governance—Directors Profession Enhancement Status").		No significant difference											
			(vii)Risk management policies and criteria for risk evaluation: The company has an internal control system and related management measures, and is implemented according to the measures to reduce and prevent any possible risks.		No significant difference											
(vii)Customer policy: The marketing department is responsible for dealing with customer requests and complaints.	No significant difference															
(ix)Company procurement of liability insurance for directors: The company	No significant difference															

Items	Implementation Status			Deviations from “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Description	
			has obtained Directors’ and officers’ (D&O) liability insurance and report at the board meeting on January 1, 2021. (Please refer to “Other important information that may facilitate better understanding of the Company’s corporate governance – D&O insurance”).	
<p>9. Regarding TWSE corporate governance:</p> <p>According to the results of the company's self-assessment of corporate governance in 2021, there are no major differences. The company updates its own assessment of corporate governance matters at any time according to the actual situation. Except for non-applicable index items, most of them conform to the spirit of corporate governance. The company has not yet commissioned other professional organizations for evaluation. In the future, it will cooperate with the needs of the company and the regulations of the competent authority, and will be reviewed and improved regularly every year.</p>				

3.4.4 The state of operations of the Remuneration Committee

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

(A) Member of the Remuneration Committee:

Title	Criteria Name	Professional Qualification Requirements and work experience	Independent Criteria	Concurrently Serving as a Member of the compensation committee at Other Public Companies	Note
Independent Director	Tay Puay Chuan	Tay Puay Chuan is a Malaysian citizen. He has holds a Bachelor of Laws with Honours from the University of London, UK, a lawyer in service, and the founder of Tay Puay Chuan & Co.	As of April 30, 2022, the number and proportion of the company's shares held by myself, spouse, relatives within the second degree (or in the name of others): 0 shares and 0.00% Amount of remuneration for providing business, legal, financial, accounting and other services to the company or its affiliates in the last two years: NTD 0 Other qualifying conditions for independence are as follows: (1) 、(2) 、(3) 、(4) 、(5) 、(6) 、(7) 、(8) 、(9) 、(10)	2	-
Independent Director	Oun Lek Wee	Oun Lek Wee is a Malaysian, a member of the Malaysian MIA Institute of Accountants, and a founding partner of Oun & Partners.	As of April 30, 2022, the number and proportion of the company's shares held by myself, spouse, relatives within the second degree (or in the name of others): 0 shares and 0.00% Amount of remuneration for providing business, legal, financial, accounting and other services to the company or its affiliates in the last two years: NTD 0 Other qualifying conditions for independence are as follows: (1) 、(2) 、(3) 、(4) 、(5) 、(6) 、(7) 、(8) 、(9) 、(10)	0	-
Independent Director	Liao Wei Chuan	Liao Wei Chuan is a Taiwanese and has more than ten years of work experience in the financial industry. After inspection, the content of the work experience is consistent.	As of April 30, 2022, the number and proportion of the company's shares held by myself, spouse, relatives within the second degree (or in the name of others): 0 shares and 0.00% Amount of remuneration for providing business, legal, financial, accounting and other services to the company or its affiliates in the last two years: NTD 0 Other qualifying conditions for independence are as follows: (1) 、(2) 、(3) 、(4) 、(5) 、(6) 、(7) 、(8) 、(9) 、(10)	0	-

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

- (1) Not an employee of the Company or any of its affiliates;
- (2) Not a director or supervisor of the Company or any of its affiliates. The same does not apply, however, in cases where the person is an independent director of the Company, its parent company, or any subsidiary, as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary;
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings;
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the fifth degree of kinship, of any of the persons in the preceding three subparagraphs;
- (5) Not a director, supervisor, or employee of a corporate/institutional shareholder that directly holds 5% or more of the total number of outstanding shares of the Company or that holds shares ranking in the top five in holdings;
- (6) Not a director, supervisor, officer, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the Company;
- (7) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof;
- (8) Not been a person of any conditions defined in Article 30 of the Company Law.

2. The state of operations of the Remuneration Committee:

- (1) The Remuneration Committee is comprised of three members.
- (2) The term of the Remuneration Committee commences from June 27, 2019 and ends on June 26, 2022. The Remuneration Committee has held 3 meetings from the fiscal year 2021 to the printing date of this Annual Report, and the attendance of Remuneration Committee is as below:

Title	Name	Number of Actual Attendance	Number of Delegate Attendance	Rate of Actual Attendance (%)	Note
Independent Director	Tay Puay Chuan	3	0	100%	-
Independent Director	Oun Lek Wee	3	0	100%	-
Independent Director	Liao Wei Chuan	3	0	100%	-

Other matters that require reporting:

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

The Date of meeting	The Important Resolutions		The Date of meeting
2021/03/22	1	The Distribution of 2020 Employee and Director remuneration.	No Opinion
	The company's handling of independent directors' opinions: Not applicable.		
	Resolution result: All the present directors and independent directors passed without objection.		
2021/11/06	1	The "Measures for Employee Stock Subscription.	No Opinion
	2	The proposal of the manager and employees' subscription of new shares.	No Opinion
	3	Performance assessments of Directors and managerial officers for the year 2021 July– December.	No Opinion
	The company's handling of independent directors' opinions: Not applicable.		
	Resolution result: All the present directors and independent directors passed without objection.		
2022/03/22	1	The Distribution of 2021 Employee and Director remuneration.	No Opinion
	The company's handling of independent directors' opinions: Not applicable.		
	Resolution result: All the present directors and independent directors passed without objection.		

- (3) Information on members of the Nomination Committee and information on its operation: The Company does not have a Nomination Committee.

3.4.5 The status of Company's implementation of promoting sustainable development.

Items	Implementation Status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Description	
1. Does the company establish a governance structure to promote sustainable development, and set up a full-time (part-time) unit to promote sustainable development, and the board of directors authorizes the senior management to handle it, and the board of directors supervises the situation?		V	(i) The company has not established a "sustainable development committee". Human resources and administrative units currently assist the company to be a responsible compliance with laws and regulations and social responsibility governance-related matters, authorize senior management to deal with it, and report the situation to the board of directors. The necessity of setting up a full-time (part-time) corporate social responsibility unit will be evaluated depending on the company. (ii) The directors shall exercise the due care of good administrators to urge the company to carry out its corporate social responsibility initiatives, examine the results from time to time, and continually make adjustments to ensure the thorough implementation of its corporate social responsibility policies. We advise the board to give full consideration to the interests of stakeholders, including the following matters, in the company's performance of its corporate social responsibility initiatives. To identify the company's corporate social responsibility mission or vision, and declare its corporate social responsibility policy, systems, or relevant management guidelines; making corporate social responsibility the guiding principle of the company's operations and development, and ratifying concrete promotional plans for corporate social responsibility initiatives; Enhancing the timeliness and accuracy of the disclosure of corporate social responsibility information.	The company has not established a "sustainable development committee". The necessity of setting up a full-time (part-time) corporate social responsibility unit will be evaluated depending on the company.
2. Does the company follow the principle of materiality to conduct risk assessments on environmental, social and corporate governance issues related to the company's operations, and formulate relevant risk management policies or strategies?		V	The company has established a "Code of Practice for Corporate Social Responsibility" to serve as a guide for corporate social responsibility. The company promotes corporate social responsibility to employees from time to time in departmental meetings and executive meetings. The company handles the promotion and implementation of corporate social responsibility policies by the administrative department, and report to the board regularly. The company has established a reasonable salary remuneration policy, and will combine the performance appraisal system with the corporate social responsibility policy in a timely manner to fulfill social responsibility.	No significant difference
3. Sustainable Environmental Development (i) Has the Company set an environmental management system designed to industry characteristics?		V	(i) The company has not implemented an effective environmental management system, the laws and regulations on which it is based, and has not passed the relevant international verification standards recently. The company will gradually establish an environmental management	The company has not implemented an effective environmental management system, The company will gradually establish an

Items	Implementation Status			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Description	
<p>(ii) Is the Company committed to improve resource efficiency and to the use of renewable materials with low environmental impact?</p> <p>(iii) Does the company assess the potential risks and opportunities of climate change to the company now and in the future, and take measures to cope with climate-related issues?</p> <p>(iv) Does the Company collect and calculate relevant data on greenhouse gas, water consumption and the total weight of waste over the past two years and set policies for energy saving and carbon emission reduction, greenhouse gas reduction, water consumption reduction and other waste management?</p>	V		<p>system that conforms to the characteristics of the industry, depending on the situation in future.</p> <p>(ii) The company has not yet implemented and disclosed the specific data and achievement of the improvement of energy efficiency and the use of renewable materials. But the company makes good use of the efficiency of various resources to reduce the load on the environment.</p> <p>(iii) The company has not yet assessed the potential risks and opportunities of climate change for the enterprise now and in the future. But the company implements energy-saving actions, such as turning off lights and controlling the temperature of air conditioner, etc. To reduce energy waste, and advocating the energy-saving and carbon reduction concepts of personnel in various departments from time to time to achieve energy conservation and greenhouse gas reduction policies and reduce. The impact on the environment is good at fulfilling corporate environmental responsibility.</p> <p>(iv) According to local laws and regulations, the company does not need to apply for a pollution facility installation permit or a pollution discharge permit, but it still needs to report to the competent authority every two years to report the exhaust system test and evaluation report, and every five years to the competent authority. Professional organizations H & S Solution & Service Trading Sdn. Bhd. and PAC Testing & Consulting Sdn. Bhd. for processing currently commission the declaration of chemical gas suspension hazard health test report. It will establish an environmental management system that conforms to the characteristics of the industry one after another depending on the situation in the future.</p>	<p>environmental management system that conforms to the characteristics of the industry, depending on the situation in future.</p> <p>No significant difference</p> <p>No significant difference</p> <p>No significant difference</p>
<p>4.Preserving Public Welfare</p> <p>(i)Has the Company established management policies and procedures in accordance with applicable laws and regulations and International Bill of Human Rights?</p> <p>(ii) Does the company formulate and implement reasonable employee benefit measures (including remuneration, vacation and other benefits, etc.), and appropriately reflect business</p>	V		<p>(i) The company complies with relevant regulations and follows international human rights conventions, such as gender equality, the right to work, and the prohibition of discrimination. Its human resources policy emphasizes achieving equality and fairness in employment conditions, compensation, benefits, exhortation, assessment, and promotion opportunities.</p> <p>(ii) The company has planned and implemented reasonable employee welfare measures (for example: providing medical allowances for employees to go to the clinics that cooperate with the company every year,</p>	<p>No significant difference</p> <p>No significant difference</p>

Items	Implementation Status			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Description	
performance or results in employee compensation?			and providing 14 days of paid sick leave; serving in the company for over 3 years) and above employees to purchase accident insurance, etc.) with the Malaysian Labor Act. The company will allocate the surplus in proportion every year, and cooperate with the performance evaluation form carried out by the management to distribute incentives to employees. In terms of workplace diversity and equality, to achieve equal pay for equal work and equal promotion opportunities for men and women, and to promote sustainable and inclusive economic growth. In 2021, the average proportion of female employees was 16.83%, and the average proportion of supervisors was 1%.	
(iii)Has the Company provided safe and healthful work environments for the employees, including safety and health training to the employees on a regular basis?	V		(iii) The company regularly reviews and maintains the safety and health of the work environment to improve the safety and health of employees, so as to reduce the harm to the safety and health of employees.	No significant difference
(iv)Has the Company established effective training programs for the employees to foster career skills?	V		(iv) The company conducts annual education and training to employees, and establishes effective career development capabilities for employees.	No significant difference
(v)Regarding customer health and safety, customer privacy, marketing and labelling of products and services, does the company follow relevant regulations and international standards, and formulate relevant consumer protection policies and grievance procedures?	V		(v) The company follows relevant regulations and international standards for customer health and safety, customer privacy, marketing and labelling of products and services to protect relevant rights and interests. The company also has relevant consumer protection and grievance procedures and has posted them on the company's website.	No significant difference
(ix)Do the contracts entered with any of the major suppliers include terms stipulating mutual compliance with corporate social responsibility policy, and that the contract may be terminated or rescinded any time if the supplier has violated such policy and has caused significant negative impact on the environment and society of the community of the supply source?	V		(ix) Although the company has not signed a contract with the major suppliers, it conducts on-the-spot visits to the supplier's location regularly under the internal control system to check whether it complies with corporate social responsibility. If it finds a violation of the policy, it will end business with the relevant supplier.	No significant difference
5. Does the company make reference to internationally-prepared reporting standards or guidelines for preparing sustainable development reports and other reports that disclose non-financial information? Did the pre-report report obtain the confidence or assurance opinion of the third-party verification unit?		V	The company's related operations comply with the Malaysian laws and regulations. At present, there are no sustainable development reports or other reports that disclose the company's non-financial information. The need to prepare corporate social responsibility reports will be evaluated depending on the company's needs.	The company's has no sustainable development reports or other reports that disclose the company's non-financial information. The need to prepare corporate social responsibility reports will be evaluated depending on the company's needs.
6. If the Company has established Code of Practice on sustainable development based on “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies”, please describe any discrepancy between the principles and their implementation:				

Items	Implementation Status			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Description	
The Company has established a "Code of Practice on sustainable development", which is gradually handled in accordance with the " Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies ",				
7. Other important information to facilitate better understanding of the Company’s practice on sustainable development:				
The company regularly contributes to school groups every year, and responds to local group fund-raising in order to promote the principles of "Chinese culture preservation" and "support Chinese education". Encourages employees to make good use of resources, promote energy conservation and recycling any materials when possible.				

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

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

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

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

3.4.8 Other significant information that will provide a better understanding of the state of The Company's implementation of corporate governance:

1. The important information of the company is immediately disclosed through the Market Observation Post System (MOPS).
2. The company has established a corporate governance section on the company's website, which discloses relevant information such as the board of directors, the audit committee, the remuneration committee, major internal policies, and the communication between the independent director and the internal audit director and certified public accountant in the year 2021.
3. Directors Profession Enhancement Status:

31 December 2021

Title	Name	Training Date (2021)		Organizing agency	Training/Speech Title	Hours	Total Hours
		Start	End				
Chairman	Eng Say Kaw	10/11/2021	10/11/2021	Accounting Research and Development Foundation in Taiwan 財團法人中華民國會計研究發展基金會	最新公司治理政策解析	3	6
		10/11/2021	10/11/2021	Accounting Research and Development Foundation in Taiwan 財團法人中華民國會計研究發展基金會	設置「公司治理人員」稽核法遵實務	3	
Director	Eng Synergy Management Sdn. Bhd. Representative: Eng Kai Pin	10/11/2021	10/11/2021	Accounting Research and Development Foundation in Taiwan 財團法人中華民國會計研究發展基金會	最新公司治理政策解析	3	6

Title	Name	Training Date (2021)		Organizing agency	Training/Speech Title	Hours	Total Hours
		Start	End				
		10/11/2021	10/11/2021			3	
				Accounting Research and Development Foundation in Taiwan 財團法人中華民國會計研究發展基金會	設置「公司治理人員」稽核法遵實務	3	
Director	Surging Success Sdn. Bhd. Representative: Poa Keng Ling	10/11/2021	10/11/2021	Accounting Research and Development Foundation in Taiwan 財團法人中華民國會計研究發展基金會	最新公司治理政策解析	3	6
		10/11/2021	10/11/2021	Accounting Research and Development Foundation in Taiwan 財團法人中華民國會計研究發展基金會	設置「公司治理人員」稽核法遵實務	3	
Director	Chang Ming Huang	07/09/2021	07/09/2021	全聯會專教會講習會	虛擬貨幣與洗錢防制新篇章	3	6
		29/03/2021	29/03/2021	全聯會專教會講習會	資本額查核簽證常見缺失	3	
Independent Director	Tay Puay Chuan	19/08/2021	19/08/2021	Taiwan Corporate Governance Association 社團法人中華公司治理協會	公司治理與資訊揭露制度—論內部人重要責任	3	6
		06/08/2021	06/08/2021	Taiwan Corporate Governance Association 社團法人中華公司治理協會	我們與內線交易的距離	3	
Independent Director	Oun Lek Wee	21/10/2021	21/10/2021	Malaysian Institute of Accountants	MIA Webinar Series: Transfer Pricing	6	17

Title	Name	Training Date (2021)		Organizing agency	Training/Speech Title	Hours	Total Hours
		Start	End				
		22/02/2021	22/02/2021	Malaysian Institute of Accountants	MIA Webinar Series: Latest Tax Considerations & issues for SMEs	4	
		03/02/2021	03/02/2021	Malaysian Institute of Accountants	MIA Webinar Series: Implications on latest Public Rulings	7	
Independent Director	Liao Wei Chuan	01/12/2021	01/12/2021	Accounting Research and Development Foundation in Taiwan 財團法人中華民國會計研究發展基金會	企業傳承與公司治理	3	6
		17/11/2021	17/11/2021	Accounting Research and Development Foundation in Taiwan 財團法人中華民國會計研究發展基金會	從經營權爭奪實際案例探討公司治理	3	

4. CFO and Internal Audit manager profession enhancement status in 2021.

CFO profession enhancement status:

Title	Name	Training Date (2021)		Organizing agency	Training/Speech Title	Hours	Total Hours
		Start	End				
CFO	Tan Kok Bee	12/08/2021	13/08/2021	實踐大學	透過數位治理及永續報告強化企業資訊揭露	3	12
		12/08/2021	13/08/2021	實踐大學	新版公司治理暨董事會績效評鑑實務解析	3	
		12/08/2021	13/08/2021	實踐大學	企業併購之會計與稅務議題	3	
		12/08/2021	13/08/2021	實踐大學	常見企業價值評估方法介紹	3	

Internal Audit manager and acting internal audit manager profession enhancement status:

Title	Name	Training Date (2021)		Organizing agency	Training/Speech Title	Hours	Total Hours
		Start	End				
Internal Audit manager	Yee Lee Ching	25/10/2021	25/10/2021	The Institute of Internal Auditors-Chinse Taiwan 中華民國內部稽核協會	從案例談內部稽核新定位-倫理道德與法律的交會	6	12
		04/10/2021	04/10/2021	The Institute of Internal Auditors-Chinse Taiwan 中華民國內部稽核協會	強化三道防線功能與董事會運作機制（含舉報機制）之解析	6	
Acting Internal Audit Manager	Chua Siow Ling	04/11/2021	04/11/2021	Accounting Research and Development Foundation in Taiwan 財團法人中華民國會計研究發展基金會	內部稽核人員作好「電腦稽核」實務研討【銷貨收款循環篇】	6	12
		20/10/2021	20/10/2021	The Institute of Internal Auditors-Chinse Taiwan 中華民國內部稽核協會	生產循環實務與稽核重點	6	

5. D&O insurance

Insured Object	Insurance Company	Insurance Amount (\$)	Insurance Period	Status	Date of Board Meeting	Remarks
All directors and supervisor	AIG Taiwan	US\$ 3 Million	From 2021/01/01 To 2021/12/31	Continued	2021/03/22	-

3.4.9 Internal control system implementation status

(A) Statement of Internal Control System

Techcential International Ltd
Statement of Internal Control System

Date: March 22, 2022

Based on the findings of self-assessment, Techcential International Ltd states the following with regard to its internal control system in 2021:

1. TIL is fully aware that establishing, operating and maintaining an internal control system are the responsibilities of its Board of Directors and management. The aim of the internal control system is to provide reasonable assurance to operating effectiveness and efficiency (including profitability, performance and safeguarding of assets), reliability of financial reporting and compliance of applicable laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can only provide reasonable assurance of accomplishing the aforementioned three objectives. Moreover, the effectiveness of an internal control system may be subject to changes of environmental or circumstances. Nevertheless, the internal control system of TIL contains self-monitoring mechanism and TIL takes corrective actions whenever a deficiency is identified.
3. TIL evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control System by Public Companies (herein below, the “Regulations”). The criteria adopted by the Regulations identify five components of internal control based on the process of management control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring. Each component further contains several items. Please refer to the Regulations for details.
4. TIL has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.
5. Based on the findings of the evaluation mentioned in the preceding paragraph, TIL believes that, as of December 31, 2021, its internal control system (including its supervision and management of subsidiaries), as well as its internal controls to monitor the achievement of its objectives concerning operational effectiveness and efficiency, reliability of financial reporting, and compliance with the applicable laws and regulations, were effective in design and operation, and reasonably assured the achievement of the above-stated objectives.
6. This Statement will be integral part of TIL’s Annual Report for the year 2021 and Prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171 and 174 of the Securities and Exchange Law.
7. This Statement has been passed by the Board of Directors in their meeting held on March 22, 2022 with zero of seven attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Techcential International Ltd & its subsidiaries



Chairman: Eng Say Kaw



CEO: Eng Kai Pin



(B) Those who entrust an accountant to review the internal control system shall disclose the accountant's review report: none.

3.4.10 In the most recent year and up to publication of this report, when the company and its internal personnel were penalized according to laws or the Company had punished its personnel for violating the internal control system, and the result of the penalty might have significant impacts on shareholders' rights or securities prices. Therefore, the content of the penalty, the major deficiencies and the improvements shall be stated: Not Applicable.

3.4.11 Major Resolutions of Shareholders' Meeting and Board Meetings.

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

Date	Major Resolutions		State of Implementation
2021/08/13	1	Discussion Item: To amend the Procedures for Financial Derivative Transaction.	The result of the resolution has been followed
	2	Discussion Item: To amend "Procedures for Election of Director".	The result of the resolution has been followed
	3	Discussion Item: To amend "Rules and Procedures of Shareholders' Meeting".	The result of the resolution has been followed

(B) Major Resolutions of Board Meetings:

Date	Major Resolutions	
2021/03/22	1	The Distribution of 2020 Employee and Director remuneration.
	2	2020 Consolidated Financial Statements and Annual Report.
	3	Annual Earnings Distributions for the year 2020.
	4	the 2020 Statements of Internal Control System.
	5	The assessment of the Independence and the 2021 annual remuneration of Certified Public Accountant.
	6	The amendments of "Rules and Procedures of Shareholders' Meetings".
	7	The proposal of increase share capital by issuing ordinary shares and the 2nd Non-Guaranteed Convertible Corporate Bond in Taiwan R.O.C.
	8	2021 Annual Shareholders' meeting.
2021/05/10	1	The amendments of increase share capital by issuing ordinary shares and the 2nd Non-Guaranteed Convertible Corporate Bond in Taiwan R.O.C.
	2	A securities underwriter to assist in compliance with the relevant laws and regulations of the Republic of China Securities.
2021/07/19	1	Change the time of the 2021 Annual Shareholders' Meeting.
2021/08/26	1	2021 First-Half Consolidated Financial Statements.
	2	The company will not distribute 2021 First-Half Annual Earnings.
	3	The amendments of increase share capital by issuing ordinary shares and the 2nd Non-Guaranteed Convertible Corporate Bond in Taiwan R.O.C.
2021/11/06	1	Company Business Plan and Budget for 2022
	2	Audit Plan for 2022
	3	The "Measures for Employee Stock Subscription".
	4	The proposal of the manager and employees' subscription of new shares.
	5	Performance assessments of Directors and managerial officers for the year 2021 July–December.
2021/11/17	1	Increase Paid-Up Capital of the subsidiary EHL Cabinetry Sdn Bhd (EHL).
2021/12/09	1	A securities underwriter to assist in compliance with the relevant laws and regulations of the Republic of China Securities.

2022/03/22	1	The Distribution of 2021 Employee and Director remuneration.
	2	2021 Consolidated Financial Statements and Annual Report.
	3	The appropriation of profit or loss.
	4	The 2021 Statements of Internal Control System.
	5	The change of CPA.
	6	The assessment of the Independence and the 2022 annual remuneration of Certified Public Accountant.
	7	Increase Paid-Up Capital of the subsidiary EHL Cabinetry Sdn Bhd (EHL).
	8	The amendments of “Rules and Procedures of Shareholders’ Meetings”.
	9	The amendments of “Corporate Social Responsibility Best Practice Principles”.
	10	The amendments of “the Corporate governance - code of practice”.
	11	The amendments of “Computerized Information System Processing Cycle”.
	12	The amendments of the Management Procedures for Asset Acquisition and Disposition.
	13	Re-election of Directors (including independent directors).
	14	The amendments of the Directors' Participation in Competing Businesses.
	15	Shareholders' proposals and candidates' nomination for Director Lists.
	16	2022 Annual Shareholders' meeting.
2022/05/12	1	2022 Q1 Consolidated Financial Statements.
	2	Chief Executive Officer of EHL Cabinetry Sdn Bhd.
	3	The amendments of the schedule plan through greenhouse gas inventory and verification.
	4	Increase Paid-Up Capital of the subsidiary EHL Cabinetry Sdn Bhd (EHL).

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

3.4.13 A summary of resignations and dismissals, during the most recent fiscal year and up to the date of printing of the annual report, of persons connected with the Company's financial reports:

The CEO of EHL Cabinetry Sdn. Bhd, Lim Swee Soon, submitted his resignation to the board of directors because of future career plan. The board of directors accepted his resignation on May 12, 2022, and approved the appointment of the new CEO of EHL, Eng Kai Jie.

Table of resignation and dismissal

15 May, 2022				
Title	Name	Assume Date	Resignation Date	Reason of resignation and dismissal
CEO of EHL	Lim Swee Soon	20.03.2020	12.05.2022	Future career plan

3.5 CPA Service Fees

Unit: NTD Thousands

Audit Firm	CPA	Service Period	Audit Fees	Non-Audit Fees	Total	Note
KPMG	Charlotte Chao	01.01.2021~31.12.2021	3,600	-	3,600	-
	Lisa Kuang	01.01.2021~31.12.2021				

3.5.1 Information of Audit & Non-Audit Services Fees

Unit: NTD Thousand

Audit Firm	CPA	Audit Fees	Non-Audit Fees					Service Period	Note
			System Design	Register-aton	Human Resources	Others	Subtotal		
KPMG	Charlotte Chao	3,600	-	-	-	-	-	01.01.2021~31.12.2021	-
	Lisa Kuang								

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

3.5.3 Audit fees reduced more than 15% year over year: None.

3.6 Information on replacement of Certified Public Accountant:

3.6.1 About the former accountant

5.01 About the former accountant

Replacement date	Approved by the Board of Directors on 22 March 2022.		
Replacement reason and description	The company comply with the internal discussion of KPMG, that the certified public accountants should be changed from accountants Ms. Charlotte Chao and Ms. Lisa Kuang to accountants Phyllis Chang and Lisa Kuang.		
Describe whether the Company terminated or the CPA did not accept the appointment	Litigant		CPA
	Condition		The Company
	Voluntary termination of appointment		Not applicable
	No longer accept (continue) appointment		Not applicable
Other issues (except for unqualified issues) in the audit reports within the last two years	NA		
Differences with the Company	Ya		Accounting principles or practices
			Disclosure of Financial Statements
			Audit scope or steps
			Others
	Na	V	
	Description		

Other Revealed Matters (Should be disclosed according to item 1-4~7, subparagraph 6, article 10 of Regulations Governing Information to be Published in Annual Reports of Public Companies)	NA
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3.6.2 About the Successor Accountants:

Name of accounting firm	KPMG
Name of CPA	Phyllis Chang and Lisa Kuang
Date of appointment	January 1, 2022
Consultation results and opinions on accounting treatments or principles with respect to specified transactions and the Company's financial reports that the CPA might issue prior to the engagement.	None
Succeeding CPA's written opinion of disagreement toward the former CPA	None

3.6.3 Reply letter from the former accountant on items 1 and 2-3 of Article 10, Subparagraph 6 of these Standards: Not applicable.

3.7 The name and title of any Company Chairperson, President and Manager Responsible for Finance or Accounting who have held positions at the appointed CPA firm or its affiliates in the past year shall be disclosed along with their tenure period at said CPA firm or affiliates: None.

3.8 Changes in Shareholding and Pledge of Stock Rights of Directors, Supervisors, Officers and Major Shareholder holding more than 10% of the share for the most recent year to the date of the annual report printed.

3.8.1 Change in shares holding and shares pledged of Directors, Officers, and Major Shareholders.

Title	Name	Year 2021		Year-To-Date 30 April 2022	
		Shares Increase (Decrease)	Pledged Shares Increase (Decrease)	Shares Increase (Decrease)	Pledged Shares Increase (Decrease)
Chairman	Eng Say Kaw	—	—	—	—
Director	Eng Synergy Management Sdn Bhd	500,000	—	—	—
	Representative: Eng Kai Pin	70,000	—	—	—
Director	Chang Ming Huang	—	—	—	—
Director	Surging Success Sdn. Bhd.	—	—	—	—
	Representative: Poa Keng Ling	30,000	—	—	—
Independent Director	Oun Lek Wee	—	—	—	—
Independent Director	Tay Puay Chuan	—	—	—	—
Independent Director	Liao Wei Chuan	—	—	—	—
Manager	Eng Kai Pin	70,000	—	—	—
Manager	Eng Kai Jie	70,000	—	—	—
Manager	Tan Kok Bee	30,000	—	—	—
Manager	Poa Keng Ling	30,000	—	—	—
Manager	Lim Swee Soon	—	—	—	—

3.8.2 Stock transfer with related parties: None.

3.8.3 Stock pledges with Related Parties: None.

3.9 Relationships of related party, spouse, kinships within the second degree among the top 10 shareholders.

April 30, 2022; unit:share ; %

Name	Shareholding		Spouse and minor Shareholding		Shareholding by nominee arrangement		Title, name, or relationship between the top 10 shareholders and their spouse or relatives within two degrees of consanguinity		Note
	Shares	%	Shares	%	Shares	%	Title (or Name)	Relationship	
Eng Synergy Management Sdn. Bhd. Representative: Eng Say Kaw	10,344,000	36.14	—	—	—	—	Eng Say Kaw	Same person	—
							Golden Encore Holdings Sdn. Bhd.	Second-class relatives	—
							Youlen Enterprise Sdn. Bhd.		—
							Only Inspiration Sdn. Bhd.		—
Eng Say Kaw	2,100,000	7.34	—	—	—	—	Eng Synergy Management Sdn. Bhd.	Same person	—
							Golden Encore Holdings Sdn. Bhd.	Second-class relatives	
							Youlen Enterprise Sdn. Bhd.		
							Only Inspiration Sdn. Bhd.		
Surging Success Sdn. Bhd. Representative: Eng Xin Yi	1,890,000	6.60	—	—	—	—	—	—	—
Bank SinoPac As Custodian for Conceptscope Resources Sdn. Bhd investment account.	1,881,000	6.57	—	—	—	—	—	—	—
Only Inspiration Sdn. Bhd. Representative: Eng Say Ben	1,654,000	5.78	—	—	—	—	Eng Say Kaw	Second-class relatives	—
							Eng Synergy Management Sdn. Bhd.		—
							Golden Encore Holdings Sdn. Bhd.		—
							Youlen Enterprise Sdn. Bhd.		—
Youlen Enterprise Sdn. Bhd. Representative: Lau Miow Xiang	1,431,620	5.00	—	—	—	—	Eng Say Kaw	Second-class relatives	—
							Eng Synergy Management Sdn. Bhd.		—
							Golden Encore Holdings Sdn. Bhd.		—
							Only Inspiration Sdn. Bhd.		—
Golden Encore Holdings Sdn. Bhd. Representative: Eng Ai Ten	1,276,000	4.46	—	—	—	—	Eng Say Kaw	Second-class relatives	—
							Eng Synergy Management Sdn. Bhd.		—
							Youlen Enterprise Sdn. Bhd.		—
							Only Inspiration Sdn. Bhd.		—
XG Pan	702,947	2.46	—	—	—	—	—	—	—
Bank SinoPac as Custodian for Techcential International Ltd Overseas Foreign Employees Collective Investment Account.	552,000	1.93	—	—	—	—	—	—	—
BX Jian	229,650	0.80	—	—	—	—	—	—	

3.10 The number of shares of one enterprise held by the company, the directors, supervisors, officers of the company and the enterprise directly or indirectly controlled by the company.

April 30, 2022; Unit: Shares; %

Affiliated Company (Note)	Ownership by Parade		Direct/Indirect Ownership by Directors and Management		Total Ownership	
	Shares	%	Shares	%	Shares	%
Techcential Sdn. Bhd.	10,000,000	100.00	-	-	10,000,000	100.00
TC Home Sdn. Bhd.	2,000,000	100.00	-	-	2,000,000	100.00
EHL Cabinetry Sdn. Bhd.	20,211,111	84.00	3,900,000	16.00	24,111,111	100.00
TC Home Corporation	100	100.00	-	-	100	100.00
ESK Biomass Sdn. Bhd.	8,000,012	100.00	-	-	8,000,012	100.00
ESK Wood Products Sdn. Bhd.	3,000,000	100.00	-	-	3,000,000	100.00

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

4.0 Capital Raising

4.1 Capital and Shares

4.1.1 History of Capitalization

(A) Types of Stock

April 30, 2022; Unit: Shares

Types of Stock	Authorized Capital			Remarks
	Outstanding issued Shares	Unissued Shares	Total	
Common Stock	28,625,000	21,375,000	50,000,000	Tpex

(B) Issue of Shares:

April 30, 2022; Unit: Thousand Shares; NTD Thousand

Year & Month	Issue Price (NTD)	Authorized Capital		Capital Stock		Remarks		
		Shares	Amount	Shares	Amount	Source of Capital	Non-monetary Capital Expansion	Others
June 2016	10	50,000	500,000	0.001	10	Establishment	-	-
October 2016	10	50,000	500,000	21,000	210,000	Conversion	-	-
January 2018	10	50,000	500,000	23,625	236,250	Cash	-	-
December 2021	10	50,000	500,000	28,625	286,250	Cash	-	-

(C) Shelf Registration: None.

4.1.2 Composition of Shareholders

April 30, 2022; Unit: Person; Shares; %

Shareholder Composition	Government Agencies	Financial Institutions	Other Juridical Persons	Natural Persons	Foreign Institutions and Foreign Persons	Total
Number of Shareholders	-	5	6	813	12	836
Shares Held	-	2,459,169	88,876	7,156,335	18,920,620	28,625,000
%	-	8.591%	0.311%	25.000%	66.098%	100%

Remarks: Share held by PRC: 0%.

4.1.3 Distribution of Shareholding

(A) Common Shares

April 30, 2022; Unit: Person; Shares; %

Shareholder Ownership	Number of Shareholders	Shares Held	Percentage of Shareholding
1 to 999	97	6,662	0.02
1,000 to 5,000	546	997,209	3.48
5,001 to 10,000	66	485,119	1.69
10,001 to 15,000	31	375,146	1.31
15,001 to 20,000	12	209,389	0.73
20,001 to 30,000	19	483,116	1.70
30,001 to 40,000	13	449,981	1.57
40,001 to 50,000	9	403,395	1.41
50,001 to 100,000	21	1,416,027	4.95
100,001 to 200,000	12	1,737,739	6.07
200,001 to 400,000	1	229,650	0.80
400,001 to 600,000	1	552,000	1.93
600,001 to 800,000	1	702,947	2.46
800,001 to 1,000,000	-	-	-
1,000,001 and above	7	20,576,620	71.88
Total	836	28,625,000	100.00

(B) Preferred Shares: Not applicable.

4.1.4 List of Major Shareholders:

April 30, 2022; Unit: Shares

Name of Major Shareholders	Shares	Shareholding	Percentage (%)
Eng Synergy Management Sdn. Bhd.		10,344,000	36.14
Eng Say Kaw		2,100,000	7.34
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
Only Inspiration Sdn. Bhd.		1,654,000	5.78
Youlen Enterprise Sdn. Bhd.		1,431,620	5.00
Golden Encore Holdings Sdn. Bhd.		1,276,000	4.46
XG Pan		702,947	2.46
Bank SinoPac as Custodian for Techcential International Ltd Overseas Foreign Employees Collective Investment Account.		552,000	1.93
BX Jian		229,650	0.80

4.1.5 Market Price, Net Value, Earnings, and Dividends per share.

Item		Year 2020	Year 2021	2022 Q1 (Note 8)
Market Price Per Share(Note1)	Highest	38.70	30.95	20.15
	Lowest	21.45	18.40	17.60
	Average	29.04	24.61	18.66
Net Value Per Share (Note2)	Before Distribution	15.61	12.53	13.94
	After Distribution	13.61	12.53	13.94
Earnings Per Share	Weighted-Average Number of Shares	23,625	24,022	28,625
	Earnings Per Share(diluted)(note3)	2.60	(1.08)	0.96
Dividend Per Share	Cash Dividends		47,250	-
	Stock Dividends	-	-	-
		-	-	-
	Accumulative Dividends (Note4)		-	-
Rate on Investment	Price /Earnings Ratio (Note5)		11.17	(22.79)
	Price/Dividend Ratio (Note6)		14.52	-
	Cash Dividend Yield (Note7)		0.07	-

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

Note 2: Please based on the number of issued shares at the end of the year and the distribution according to the resolution of the board of directors or the shareholders' meeting of the following year.

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

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

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

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

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

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

4.1.6 Dividend Policies and Implementation

(A) Dividend Policies under the Article of Incorporation

The company supplies customised products in a specific market and is in the growth stage. The Board shall prepare the dividend proposal by considering the profit of the year, overall development, financial plans, capital needs, industry projections, and the company's prospects and so on, and submit the proposal for the members' approval. If there are profits, the Board shall set aside from the company's profits for each fiscal year, when making the profit distribution recommendation:

- (i) A reserve for payment of tax for the relevant financial year;
- (ii) An amount to offset losses incurred in previous years; and
- (iii) A special surplus reserve as required by the applicable securities authority of the ROC under the Applicable Public Company Rules.

If there should be any remaining profits subject to resolving by the Directors, after combining all or part of the accumulated undistributed profits in the previous years. And in the reversed special surplus reserve, the combined amount shall allocate as dividends to the members in proportion to their shareholdings. According to the company law of the Cayman Islands and the Public Company Rules, and after having considered the financial, business, and operational factors of the company, the dividends shall not be less than 10% of profit after tax of the relevant year, provided that if in any year, the company has net loss or the amount of the accumulated undistributed profits is less than 20% of the paid-in capital of the company, the company may not distribute any dividend to the members. Way of cash dividends may make the distribution or by stock dividends or a combination thereof, provided that the cash dividends shall not be less than 10% of the total amount of dividends payable.

According to M&A Article 14.9, the company may distribute earnings or offset losses after the H1 of the financial year.

(B) Proposal (issued) for dividend distribution of recent & current year:

The distribution of dividend in the 2020:

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

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

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

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

The distribution of dividend in the 2021:

Cash dividend for the 2021 H1: The board of directors has passed a resolution on August 26, 2021 not to distribute dividends.

Cash dividend for the 2020 H2: It is planned not to issue cash dividends because of after-tax-loss in 2021.

The company's 2021 appropriation of profit or loss table is as below:

Items	Total NTD
Beginning retained earnings	50,518,195
Net loss after tax	(25,827,445)
Statutory reserve (10%)	-
Surplus reserve	(24,690,750)
Distributable net profit	-
Distributable items: Interim Dividend	-
Distributable items: Dividend	-
Ending retained earnings	-

(C)Explanation on Expected Major Changes: There are no major changed in the expected dividend policy of the company.

4.1.7 Impact to business performance and earnings per share resulting from stock dividend distribution: Not applicable.

4.1.8 Remuneration of employees, directors and supervisors.

(A) Description regarding employee's compensation and Directors' remuneration in the Company's current Memorandum and Article of Incorporation:

If there are earnings for the year, the company shall set aside no over 3% of the profit as employee compensation and only 5% of profit as compensation for the Directors. However, if the company has accumulated losses in previous years, it shall reserve an amount of the pre-tax profit for offsetting the accumulated losses.

The employee compensation referred to in this Article 14.4 shall distribute as stock or cash and may be distributed to the Board to resolve employees of the subsidiaries on time.

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

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

(C) Board Resolution for the Distribution of Remuneration:

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

On March 22, 2022, the Board of Directors passed the 2021 Employee and Directors' remuneration. The Company has a loss in 2021 for the current period, and will not distribute remuneration to employees and directors.

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

(D) The actual distribution of remuneration to employees, directors, and supervisors (including the number of distributed shares, amount, and share price) in previous year, and whose differences (if any) with the recognized remuneration to employees, directors, and supervisors should be disclosed along with the differences, reasons and status:

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

4.1.9 The situation of the Company's repurchase of its own shares: Not Applicable.

4.2 Corporate Bonds:

Corporate Bond	The 1st Non-Guaranteed Convertible Corporate Bond in Taiwan R.O.C.	The 2nd Non-Guaranteed Convertible Corporate Bond in Taiwan R.O.C.
Issued Date	December 3, 2019	November 11, 2021
Denomination	NT\$100,000	NT\$100,000
Place of issue and transaction	Republic of China	Republic of China
Issuing price	101% of the denomination value.	101% of the denomination value.
Total Amount	NT\$200,000 thousand	NT\$120,000 thousand
Interest rate	The coupon interest rates are 0%	The coupon interest rates are 0%
Period	3 years. validity: December 3, 2022.	3 years. validity: November 11, 2024.
Guarantee agency	Not applicable.	Not applicable.
Trustee	Bank SinoPac	Bank SinoPac
Underwriting agency	SinoPac Securities	First Securities
Certified attorney	Far East Law Offices, Charles Chou	Far East Law Offices, Charles Chou
Certified Accountant	KPMG CPA: Charlotte Chao, Lisa Kuang	KPMG CPA: Charlotte Chao, Lisa Kuang
Repayment method	In case of conversion into the Company's common shares in accordance with the Regulations for Issuance or in a case where the Company exercises the right of repurchase in accordance with the Regulations for Issuance or where the Company redeems before expiry in accordance with the Regulations for Issuance or where the Company buys back for revocation, the Company shall pay back in cash in a lump-sum based on the face amount of the bonds upon expiry of the bonds.	In case of conversion into the Company's common shares in accordance with the Regulations for Issuance or in a case where the Company exercises the right of repurchase in accordance with the Regulations for Issuance or where the Company redeems before expiry in accordance with the Regulations for Issuance or where the Company buys back for revocation, the Company shall pay back in cash in a lump-sum based on the face amount of the bonds upon expiry of the bonds.
Outstanding principal	NT\$4,800 thousand	NT\$120,000 thousand
Redemption or advance payment	Please refer to the company's first unsecured corporate bond issuance	Please refer to the company's second unsecured corporate bond issuance

		and conversion method in the Republic of China.	and conversion method in the Republic of China.
Restrictions		Not applicable.	Not applicable.
Credit rating agency name, rating date, corporate debt rating and other results		Not applicable.	Not applicable.
With other rights	The amount of ordinary shares, overseas depository receipts or other marketable securities converted (exchange or subscription) as of the date of publication of the annual report.	NT\$195,200 thousand has been repaid.	No record of conversion as of the publication date of the annual report.
	Issuance and conversion (exchange or subscription) method	Please refer to the company's first unsecured corporate bond issuance and conversion method in the Republic of China.	Please refer to the company's second unsecured corporate bond issuance and conversion method in the Republic of China.
Issuance and conversion, exchange or stock subscription methods, possible dilution of equity conditions and impact on existing shareholders' equity		Until the creditors request execution of the rights of conversion, the subject convertible corporate bonds do not function to dilute the equity of the Company. A creditor may, at his or her discretion, choose to proceed with conversion at a timepoint at his or her most advantageous point and has the deferred effect in dilution of the equity. In terms of the impact on existing shareholders' equity, although the subject convertible corporate bonds will increase the Company's liabilities before conversion, where the subject convertible corporate bonds are converted into common shares, in addition to the effect of reducing liabilities, the subject convertible corporate bonds will, as well, increase the shareholders' equity and thus increase the net worth per share. In the long-term, profit (loss), the shareholders' equity would become better safeguarded.	Until the creditors request execution of the rights of conversion, the subject convertible corporate bonds do not function to dilute the equity of the Company. A creditor may, at his or her discretion, choose to proceed with conversion at a timepoint at his or her most advantageous point and has the deferred effect in dilution of the equity. In terms of the impact on existing shareholders' equity, although the subject convertible corporate bonds will increase the Company's liabilities before conversion, where the subject convertible corporate bonds are converted into common shares, in addition to the effect of reducing liabilities, the subject convertible corporate bonds will, as well, increase the shareholders' equity and thus increase the net worth per share. In the long-term, profit (loss), the shareholders' equity would become better safeguarded.
Name of the entrusted custodian institution to		Not applicable.	Not applicable.

exchange the subject		
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Status of convertible bonds:

Unit: NT\$

Year		2021		Year-To-Date April 30,2022	
Bond type		The 1st Non-Guaranteed Convertible Corporate Bond in Taiwan R.O.C. (Year 2019)	The 2nd Non-Guaranteed Convertible Corporate Bond in Taiwan R.O.C. (Year 2021)	The 1st Non-Guaranteed Convertible Corporate Bond in Taiwan R.O.C. (Year 2019)	The 2nd Non-Guaranteed Convertible Corporate Bond in Taiwan R.O.C. (Year 2021)
The market prices of the convertible corporate bonds	Highest	101.15	100.75	100.25	101.00
	Lowest	95.55	98.00	100.25	96.35
	Average	99.43	99.74	100.25	99.09
Conversion Price		32.50	21.70	32.50	21.70
Date of issuance and conversion prices upon issuance		03/12/2019, NTD 40.8	11/11/2021, NTD 22.8	03/12/2019, NTD 40.8	11/11/2021, NTD 22.8
Ways of fulfilling conversion obligation		Issuance of new shares	Issuance of new shares	Issuance of new shares	Issuance of new shares

4.3 Preferred Shares: Not Applicable.

4.4 Depositary Receipts: Not Applicable.

4.5 Employee Stock Option Plan: Not Applicable.

4.6 Employee Restricted Stock Awards: Not Applicable.

4.7 Status of New Shares Issuance due to mergers or acquisition of shares another company: Not Applicable.

4.8 Financing Plan and Implementation:

4.8.1 The 1st Non-Guaranteed Convertible Corporate Bond in the Republic of China.

4.8.1.1 Contents of the plan:

- (A) Date and file number of approval by the Financial Supervisory Commission,
Executive: 14 November 2019, approved by The Financial Supervision and
Administration Commission approved under letter No. 1080335239.
- (B) The total fund amount needed for the plan : NT\$202,000 thousand

(C) Fund source : The 1st Non-Guaranteed Convertible Corporate Bond in Taiwan R.O.C.,
2,000 copies, each with a denomination of NT\$100 thousand. During
the three-year period, the coupon rate is 0%,
issued at 101% of the denomination, and the total amount issued
is NT\$202,000 thousand.

(D) Items under the plan and scheduled progress

Unit: NTD Thousand

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

(E) Change plan: none.

4.8.1.2 Execution:

1. Execution

Unit: NTD Thousand

Item	Execution		Expected use of the funds	Status
Loan Repayment	Used amount	Estimated	125,000	Completed in 2019 Q4
		Actual	125,000	
	Completion	Estimated	100%	
		Actual	100%	
Reinvestment Subsidiry	Used amount	Estimated	45,000	Due to the delay in the delivery schedule of the manufacturer and the progress of the plant decoration project, the implementation was completed in 2019Q1.
		Actual	45,000	
	Completion	Estimated	100%	
		Actual	100%	
Replenishing Operationg Fund	Used amount	Estimated	32,000	Completed in 2019 Q4
		Actual	32,000	
	Completion	Estimated	100%	

		Actual	100%	
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2. Comparison with the original expected benefit

(1) Loan Repayment

The Company has completed the repayment of the bank loans in 2019Q4. After the Company handled the 1st Non-Guaranteed Convertible Corporate Bond in the Republic of China in 2019, the Company's interest expenses for 2019-2020 were NT\$ 6,054 thousand and NT\$ 2,238 thousand. The benefits of repaying bank borrowings should have already appeared because the interest expense of bank borrowings has dropped significantly.

(2) Reinvestment Subsidiary

A. Original expected benefit

The company expects the NT\$ 45,000 thousand of the previously raised funds will reinvest in EHL Cabinetry Sdn. Bhd, which holds 70% of the shares, for machinery and equipment, raw materials, and operating capital. It will position EHL as the production base of cabinets in the United States according to the company's operation plan and market demand. The company expects that the investment gains and losses recognized will be NT\$ (294) thousand and NT\$25,566 thousand by EHL in 2020 and 2021.

The operating status estimated by EHL (before revision) and the actual operating status of the reinvestment plan are listed below:

Units : NT\$ thousand ; %

Item	2019 (Note 1)		2020		2021	
	estimate	actual	estimate	actual	estimate	actual
Operating revenues	-	86,292	96,300	0	369,360	6,119
Operating cost	-	(82,428)	(87,345)	(9,263)	(308,880)	(31,115)
Gross profit (loss)	-	3,864	8,955	(9,263)	60,480	(24,996)
Operating expenses	(1,875)	(2,082)	(7,268)	(10,647)	(13,598)	(10,450)
Operating net profit (loss)	(1,875)	1,782	1,688	(19,910)	46,883	(35,446)
Profit before tax (loss)	(1,988)	1,671	(368)	(23,109)	42,615	(38,916)
Profit after tax (loss)	(1,988)	1,247	(368)	(22,671)	31,958	(30,120)
Shareholding ratio	80%	100%	80%	70%(註 2)	80%	70%(註 2)

Recognize investment income (loss)	(1,590)	1,509	(294)	(10,896)	25,566	(21,084)
Accumulated investment income recognized (loss)	(1,590)	1,509	(1,884)	(9,387)	23,682	(39,735)

Note 1: : EHL changed its name to EHL Cabinetry Sdn. Bhd. (formerly known as EHL Trading Sdn. Bhd.) in October 2019 and transformed its business from raw material procurement to American cabinetry manufacturing.

Note 2: The board of directors passed a resolution to obtain 100% equity from TC on February 13, 2020, and completed the equity transfer on June 26, 2020. In order to introduce strategic investors and knowing that professional managers are needed for the long-term development of the kitchen cabinet business. EHL increased capital and issued new shares for 3 times (on April 1, 2020, July 2, 2020, and December 1, 2020) and each capital increase is RM1mil respectively. The company gave up its preemptive rights, and Mr Lim fully subscribed to the new shares issued by EHL. Hence, the final shareholding of TIL is 70%.

The above table shows the estimated benefits and achievements of the EHL. Because of the effect of the Sino-US trade war, the company planned to raise funds in 2019Q4 and should start the project according to the schedule of fund utilization. Yet, because of delayed machinery delivery status and unsmooth factory construction progress, EHL couldn't start trial production in 2020Q1 based on the schedule. However, 2020 will be affected by the COVID-19 pandemic. The local government implemented a movement control order to control the spread of the COVID-19 pandemic on March 18, 2020. After resuming work on June 10, 2020, EHL conducted assembly tests on the machinery and equipment that local machinery and equipment manufacturers can assemble. In the meantime, the Malaysian government still implemented a conditional movement control order which does not allows foreigners to come in. Therefore, the installation and testing schedules have delayed part of the installation until 2020Q4. And American customers who were expected to the factory for evaluation in early 2020, because of the COVID-19 pandemic and government control policies, EHL process evaluation was hindered and could not be installed because of failing to generate revenue in 2020. The operating gross loss was NT\$ (9,263) thousand, the operating net loss was NT\$ (19,910) thousand, the pre-tax net loss was NT\$ (23,109) thousand and the after-tax net loss was NTS (22,671) thousand in 2020.

Malaysian government announced on January 1, 2021 to extend the 7th movement control order to March 31, 2021. The foreigners not allowed to enter Malaysia for an EHL process evaluation. The company will cooperate with an American cabinet company in Malaysia in 2021Q2 to obtain an order for furniture parts, and is expected an order for the whole cabinet in 2021Q4. EHL is currently developing a new product -Ready to assembly (RTA). The furnished furniture has

been in contact with the American furniture importer in Malaysia. It is currently in the proofing stage and is expected to obtain orders in 2022Q1. However, EHL is in the initial stage of operation and the COVID-19 pandemic has not slowed down, and is not profitable in the 2021. The operating gross loss will be NT\$ (24,996) thousand, the operating net loss will be NT\$ (35,446) thousand, the pre-tax net loss will be NT\$ (38,916) thousand, and the after-tax net loss will be NT\$ (30,120) thousand in 2021.

B. Revised Estimated Benefit

Because of delayed machinery delivery status and unsmooth factory construction progress, EHL couldn't start trial production in 2020Q1 based on the schedule.. The local government implemented a movement control order to control the spread of the COVID-19 pandemic on March 18, 2020. After resuming work on June 10, 2020 EHL conducted assembly tests on the machinery and equipment that local machinery and equipment manufacturers can assemble. In the meantime, the Malaysian government still implemented a conditional movement control order which not allowed foreigners to come in. Therefore, the installation and testing schedules have delayed part of the installation until 2020Q4. After many attempts, some foreign machinery and equipment manufacturers entered Malaysia in 2020Q4, but they were required to follow the SOP and 14-day isolation was required, and it could not perform the installation progress instantly. And for those foreign machinery and equipment manufacturers could not enter the country, EHL had to contact the manufacturers through video calls and they provided technical guidance with assist of local experts to complete the installation in 2021Q1. The company considers that the project and amount of the reinvestment plan have not changed. It is reasonable to delay the production line and mass production schedule because of the COVID-19 pandemic.

The Malaysian government has gradually relaxed the movement control order with the gradual increase in the vaccination rate. The government in 2021 instructed the manufacturing industry to resume operations following the resumption conditions issued by the Ministry of Health and the proportion of employees receiving 2 doses of the vaccine on August 19, 2021. EHL's employees were arranged for the 2nd vaccination in early September, and it restored the operational capacity to 100% from September 13. EHL has started the cabinet production line and shipped a small amount. According to the market research

report "Global Furniture Market: 2020-2024" (Global Furniture Market: 2020-2024), the scale of the global furniture market is forecast to grow to US\$113.61 billion by 2024 and is expected to grow at a CAGR of 4% in 2020-2024. It. The main factors behind the market growth are the increase in residential and commercial construction, the growth of organized retail, and the consumer population in developing countries Dynamic changes, looking forward to the hot US real estate market in the future, coupled with the fact that the US still implements anti-dumping and countervailing duty policies on Chinese cabinets, and other factors, it can also drive the overall market demand for American cabinets. Therefore, the adjusted and revised estimated benefits are listed below, which have been in report to the board of directors in October 2021, without the need to handle changes in the plan and submit it to the shareholders' meeting for ratification.

EHL's estimated operating conditions (revised)

Units : NT\$ thousand ; %

Item	2022	2023	2024	2025	2026
	estimate	estimate	estimate	estimate	estimate
Operating revenues	175,178	279,190	340,612	376,907	433,443
Operating cost	(155,421)	(237,312)	(286,114)	(305,295)	(351,089)
Gross profit	19,757	41,878	54,498	71,612	82,354
Operating expenses	(14,827)	(19,212)	(23,213)	(25,687)	(29,540)
Operating net profit	4,930	22,666	31,285	45,925	52,814
Profit before tax	943	19,394	27,685	42,391	48,750
Profit after tax	943	19,394	27,685	42,391	48,750
Shareholding ratio	70%	70%	70%	70%	70%
Recognize investment income	660	13,576	19,380	29,674	34,125
Accumulated investment income recognized (loss)	(20,051)	(6,475)	12,905	42,579	76,704

C. Revised Estimated Benefit

Item	2022	
	Estimate	Actual Q1
Operating revenues	175,178	64,989

Operating cost	(155,421)	(54,043)
Gross profit (loss)	19,757	10,946
Operating expenses	(14,827)	(18,268)
Operating net profit (loss)	4,930	(7,322)
Profit before tax (loss)	943	(8,310)
Profit after tax (loss)	943	(8,310)
Shareholding ratio	70%	70%
Recognize investment income (loss)	660	(5,817)
Accumulated investment income recognized (loss)	(20,051)	(45,039)

EHL received orders and started trial production in September 2021 and shipped in December 2021. EHL's revenue accounted for 15% of the company's total revenue in 2022Q1. It shows that EHL's operations are getting on track. In addition, some departments and management details of EHL's production are yet to be planned and sorted out. The current production capacity has not reached the ideal state of use, and it has not yet realized the relevant economic benefits, which have affected the performance of operating gross profit, and the operating net profit is still at a loss. However, all colleagues at EHL have made concerted efforts to optimize the production line and use the production capacity at a reasonable level. They have also stepped up the management of all aspects of the company to reach the balance of profit and loss soonest.

D. Impact on shareholders' equity

The company's 1st Non-Guaranteed Convertible Corporate Bond in Taiwan R.O.C. has been implementing 100% to repay bank borrowings and replenish working capital as of 2019Q4. The reinvested subsidiary has completed the installation test and production in 2021Q1. With the gradual control of the pandemic, the future economic development and real estate recovery in the United States will also drive the overall market demand for American-style cabinets. We expect it can still achieve benefits in the future. There should be no significant impact on the shareholders' equity of the company.

(3) Replenishing Operationg Fund

The company has completed the replenishment of working capital in 2019Q4. Although the debt ratio increased slightly because of issuing 1st Non-Guaranteed Convertible Corporate Bond 2019 in Taiwan R.O.C. In terms of the ratio of long-term funds to real estate, plant and equipment, it has increased from 241.41% to 331.93%. Therefore, the benefits of this fundraising to improve the financial structure should be apparent. In terms of solvency, the current ratios in 2019Q3 and the year of 2019 were 177.17% and 315.03%, and the quick ratios were 118.18% and 215.50%, which were both higher than those before fundraising. And the company's operating income, operating gross profit, operating profit and net profit after tax in 2019H2 increased by 10.76%, 20.74%, 15.54% and 3.93% respectively compared with 2018H2; the operating income in 2019H2, Gross operating profit, net operating profit and net profit after tax increased by 9.25%, 9.38%, 10.50% and 12.66% respectively compared with the 2019H1. Therefore, the benefit of this fundraising to enrich working capital should be apparent.

4.8.2 The increase share capital by issuing ordinary shares and the 2nd Non-Guaranteed Convertible Corporate Bond in the Republic of China.

4.8.2.1 Contents of the plan:

(A) Date and file number of approval by the Financial Supervisory Commission: 18 October 2021, approved by The Financial Supervision and Administration Commission approved under letter No. 11003598271.

(B) The total fund amount needed for the plan : NT\$202,828 thousand

(C) Fund source :

(1) 5,000 thousand new shares were issued for a capital increase in cash, with a face value of NT\$10 per share, and we tentatively set the issue price per share at NT\$15.96. It is expected to raise funds of NT\$79,800 thousand. Adjusted to NT\$16.25 per share because of changes in market prices, the total raise amount is NT\$81,250 thousand.

(2) The 2nd Non-Guaranteed Convertible Corporate Bond in Taiwan R.O.C., 1,200 copies, with a face value of NT\$100 thousand with a total face value of NT\$120,000,000, the issuance period is 3 years, and the coupon rate is 0%. Auction has publicly underwritten the conversion company's bonds and is an issue at 101% of the par value. The total amount raised is NT \$121,578 thousand.

(D) Items under the plan and scheduled progress

Unit: NTD Thousand

Item	Estimated Completion	Total	Scheduled progress
			2021 Q4
Repayment of the principal (including interest compensation) due for the 1 st Non-Guaranteed Convertible Corporate Bond in Taiwan R.O.C.	2021 Q4	196,176	196,176
Enrich working capital	2021 Q4	6,652	6,652
Total		202,828	202,828

(E) Change plan: none.

4.8.2.2 Execution:

1. Execution

Unit: NTD Thousand

Item	Execution		Expected use of the funds	Status
Repayment of the principal (including interest compensation) due for the 1 st Non-Guaranteed Convertible Corporate Bond in Taiwan R.O.C.	Used amount	Estimated	196,176	Completed in 2021 Q4
		Actual	196,176	
	Completion	Estimated	100%	
		Actual	100%	
Enrich working capital	Used amount	Estimated	6,652	Completed in 2021 Q4
		Actual	6,652	
	Completion	Estimated	100%	
		Actual	100%	

2. Compared with the original expected benefit

This financing plan will use NT\$ 202,828 thousand to repay the principal (including interest compensation) of the 1st Non-Guaranteed Convertible Corporate Bond in the ROC. It has reduced the total liabilities from NT\$ 581,851 thousand to NT\$ 516,241 thousand in 2021. Therefore, the benefits of issuing the 2nd Non-Guaranteed Convertible Corporate Bond should have already appeared.

5.0 Operational Highlights

5.1 Business Activities

5.1.1 Business Scope

The company is a holding company, and the principal activities of the subsidiary with substantial operational functions are the design, manufacture, and sales of American-style wooden bedroom furniture and kitchen cabinets. In addition, the company has also invested in the procurement and processing of upstream raw materials - board and rubber wood through a new reinvestment business.

(A) Sales Breakdown of main business segments

Unit: NTD in Thousands; %

Products	Year 2020		Year 2021	
	Amount	%	Amount	%
Wooden Furniture	1,119,566	88.87	836,193	93.51
Others	140,284	11.13	58,034	6.49
Total	1,259,850	100.00	894,227	100.00

(B) Current Main Product of Techcential International Ltd.

(1) Bedroom furniture

- Techcential Sdn Bhd (TC) is the main operating of the company. The company mainly designs, manufactures, and sells 5-piece wooden bedroom furniture, including bed frames, nightstand, dresser, chest, and mirror.

(i) Painting :



(ii) PU Paper: Increasing the strength of material development and style design of PU paper products.



(iii) RTA furniture: Ready to assembly (RTA) furniture will become one of the global forward-looking markets in the next few years. The company has developed RTA bedroom furniture sets and RTA kitchen cabinet RTA bedroom furniture samples for customers in India, and will also start shipping in December.



(2) Kitchen cabinets:

- EHL Cabinetry Sdn. Bhd (EHL) invested in the manufacturing business of kitchen cabinets in the 2019Q4 and is expected to start production and shipment in the 2021Q2. The products mainly include five-piece sets of “doors, frames, drawer heads, drawer surfaces, and cabinet bodies”. The raw materials used are mainly solid wood-birch and plywood.



(3) Board and rubberwood:

- The company also invested in the procurement, processing, and sales of raw materials – board and rubberwood.



(C) Prospective New Products Development

(a) Development of diversified products: The company has over 21 years of experience in bedroom furniture manufacturing and has accumulated many resources and customers. Therefore, it intends to invest in the research and development of diversified product.

5.1.2 Industry Overviews

(A) Current Development of Furniture Industry

(a) Global Furniture Market

According to the "World Furniture Outlook 2020" report released by the International Industrial Research Center of Milan (CSIL) (Figure 1), the global furniture output growth rate during the financial crisis has increased over the past decade. This is because of the global urban population, resident income, and investment in the construction industry. The report's survey of the 100 most important furniture-producing countries in the world shows that after the storm of the economic recession in 2009, global furniture trade rebounded in 2010 and returned to the pre-recession level, rising from US\$106 billion to US \$117 billion in 2011. The global furniture trade volume continued to grow and reached US\$ 150 billion in 2018, accounting for approximately 1% of the global manufacturing trade. According to the CSIL, the reduction in furniture consumption in 2020 affected all world geographical regions, but the pandemic induced contraction was limited in size because consumers often allocated to furniture portions of the income usually intended for leisure activities. Technavio has been monitoring the furniture market, and they poised it to grow by US\$ 134.70 billion during 2021-2025, progressing at a CAGR of over 4% during the forecast period.

Figure 1. 2014-2020 World Furniture Consumption

Unit: US\$ billion



Source: CSIL "World Furniture Outlook for 2020"

The world's furniture output value has gradually recovered with the continued recovery of the global economy since 2016. As of 2019, it has rebounded to US\$490 billion, and the world furniture market has entered a stage of steady growth. The China Business Industry Research Institute predicts (Figure 2) that the output value of the global furniture market will reach US\$556.1 billion in 2022. Urbanization is high, and residents have strong spending power in developed countries and regions such as Europe, America, Japan, and South Korea. Consumers usually have higher requirements for comfortable living conditions. There is a large demand for the renovation of old houses and rental furniture, and there is a stable demand for furniture. The rapid economic development in emerging market countries has increased the income of residents, the demand for improved living conditions has increased, and the demand for furniture has continued to grow. According to the data (Figure 3), the global furniture market will reach US\$650.7 billion in 2027, an increase of US\$140.9 billion compared with 2020, an increase of 27.64%. Although the spread of the COVID-19 pandemic has affected the trade situation of the furniture industry in 2020. But the global furniture industry will integrate, and the overall development quality of the industry will improve.

Figure 2. Global Furniture Market Output Value Scale Statistics in 2016~2022.



Sources : CSIL 、Institute Development in China

Figure 3. Global furniture market size forecast in 2020-2027



According to CSIL, the World furniture market will resume in 2021 with a furniture consumption level well above the pre-pandemic values, and it is expected to further increase in 2022 and 2023. Over one third of the world's furniture consumption is presently imported. The leading importers on a global level are the United States, Germany, France, and the United Kingdom, and the preliminary data for 2021 shows increases (in current US\$) in furniture imports for all these countries. More than 75% of furniture imports to the US originated from Asia (mainly from China, Vietnam, and Malaysia). Of the total US furniture imports from Asia, the share from China has decreased because of trade tensions, in favour of imports from Asia (Vietnam and Malaysia) in particular.

Technavio has been monitoring the wooden furniture market, and they poised it to grow by NT\$48.48 billion during 2021–2025, progressing at a CAGR of almost 3% during the forecast period. The main factors are the growth of the real estate and construction industries and the increase in office space.

(b) North-America Furniture Market

The global furniture market will see steady growth in 2021. The U.S. Department of Commerce released retail sales data from January to December in 2021. This showing that the total sales of furniture and household products were about US\$ 145.9 billion, an increase of 26.3% over the same period last year. According to the import and export data from the U.S. International Trade Commission, total furniture imports will exceed US\$ 15 billion in 2021H1, a 55% increase from last year. The sales area is the United States. The company's sales in the United States accounted for 88.86% of sales revenue in 2020. According to statistics from the Census Bureau, this month's sales of US furniture and home furnishings (Figure 4) have shown a long-term steady growth trend. Besides, the 2016–2019 quarterly performance growth rate published by the Home Furnishings Business in May 2019, the 2019Q1, was insufficient growth, and the remaining quarters grew by over 3% (Figure 4).

Figure 4. 2017-2021 US furniture and homeware seller monthly sales.

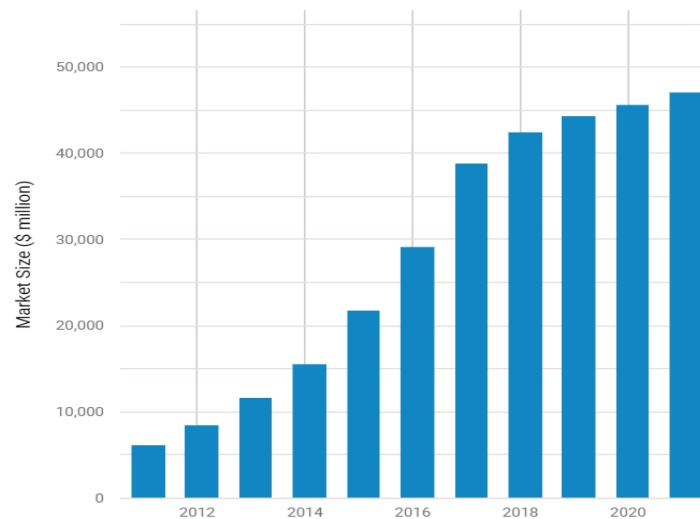
Unit: US\$ million



Source : US Census Bureau ; YCHARTS Financial Service Database. (2021/12)

The US household products market is an enormous, complex, and diversified market. It derives different sales channels from various customer groups, including international brand stores, supermarkets, comprehensive room supply stores, used furniture stores, chain stores, and online sales. Among them, online sales have become the future market for furniture distributors. The rise of e-commerce has changed the entire consumer industry. According to US Census Bureau statistics, consumer spending on e-commerce platforms in 2020Q2 was US\$ 211.5 billion, a quarterly increase of 31.8%. It showed that the COVID-19 pandemic has sped up online shopping. According to data from the United States Department of Commerce, between 2020Q1 and Q2, US e-commerce sales increased by over 30%, showing that the COVID-19 pandemic has promoted more online shopping activities. US e-commerce now accounts for 16.1% of retail sales, up from 11.8% in Q1. The Technavio research "Online Household Furniture Market in the US 2011-2021" shows that the US online furniture sales market has sped up its growth from 2011 to 2021. The market size for online household furniture sales in the United States was \$55.6 billion, a 17.9% increase in 2021.

Figure 5. Online Household Furniture Sales in the US —2011-2021



Source : Online Household Furniture Sales in the US — Market Size 2011-2021
(2021/11/04)

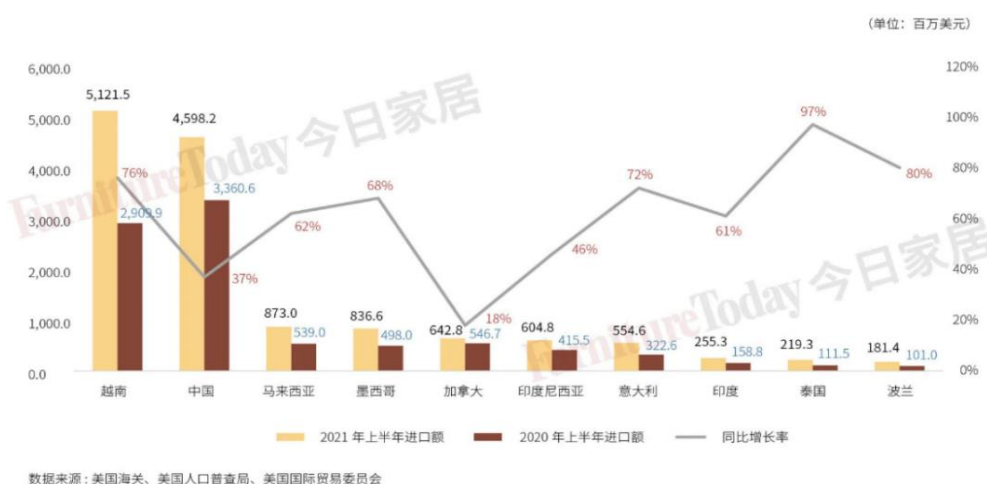
Apart from the online channels, physical furniture is also a significant trend in the US furniture market. The US furniture industry is dominated by furniture retail and followed by furniture importers. In January 2021, the retail sales of the furniture industry in the United States continued the strong trend at the end of the previous year, and the month's sales achieved double-digit growth year-on-year and month-on-month. According to the preliminary estimates of the US Department of Commerce, the total sales of the US furniture retail industry were 11.35 billion in January, an increase of 12% from the US\$ 10.14 billion in December 2020, and the increase rate was as much as 11.7% in January 2020. Similarly, in the three months from November 2020 to January 2021, the sales of the furniture retail industry in the United States increased by 36% year-on-year, compared with the previous year's August-October, an increase of 1.7%. The scale of online household furniture in the U.S. market will grow by 3.1%, with sales reaching US\$ 47.1 billion in 2021. The year-on-year increase in retail sales in the furniture industry reflects the continued demand for products in this category and people's interest in related housing renovation projects.

The US home furnishing industry is facing a severe supply chain crisis, but it is still extremely hot on the demand side, although affected by the COVID-19 pandemic. US Customs, the US Census Bureau, and the US International Trade Commission have released furniture import and export data for the 2021H1. The total value of U.S. furniture imports exceeded US\$ 15 billion, a sharp increase of 55% compared to the

2020H1 and an increase of nearly 30% compared to the same period in 2019 before the pandemic in the 2021H1.

Vietnam achieved a slight advantage in exporting furniture to the United States over China for the first time in 2020. According to a survey by Furniture Today (Figure 6), Vietnam's furniture shipments to the United States reached US\$ 5.1 billion, a substantial increase of 76% year-on-year in 2021H1. That puts it above longtime behemoth China, which sent over nearly \$4.6 billion in furniture for the first half of the year. The overtake between Vietnam and China marks one of the most dramatic shifts in recent history. But the gap between the two remains small, and current circumstances may tip the scales back in China's favor. Vietnam now infamously began shutting down in late July because of a COVID-19 outbreak. The total amount of furniture exported to the United States from China in the 2021H2, when the pandemic is stable, is likely to exceed Vietnam, and it will take the first place. Malaysia and Indonesia made the top 10 once again, exporting \$873 million and \$604 million, respectively.

Figure 6. Top 10 source countries for U.S. furniture imports in 2020 and 2021H1.



Source : U.S. Customs, United States Census Bureau, United States International Trade Commission

Figure 7. Top ten categories of U.S. furniture imports in 2020 and the 2021H1.



Source : U.S. Customs, United States Census Bureau, United States
International Trade Commission

(c) Asean Furniture Market

According to data from the World's Richest Countries and CSIL research institutions, China is the largest furniture exporter. The total export of furniture has shown an increasing trend, and its exports to the United States have increased year by year. Although China is the largest furniture exporter in Asia, with the local government's protection against forests and cost-rising issues, buyers from various countries have looked for another purchase pipeline that provides the same quality but at a lower price.

According to The Star Online report, Malaysia has established itself as one of the most trade-friendly countries, exporting a competitive range of products and services to over 200 countries and territories worldwide. The Malaysia External Trade Development Corp (Matrade) said the country is an integral part of the global supply chain. The World Trade Organization (WTO) recognized Malaysia as the world's 25th largest trader and the 26th and 24th largest importers and exporters, respectively, in 2021.

Malaysia is the link between China, India, and ASEAN markets. Malaysia is undoubtedly the most promising trade center in the region, with an annual economic growth rate of 6%. With the establishment of the rules under the framework of the ASEAN Free Trade Zone and the World Trade Organization, the Malaysia International Furniture Fair has increasingly become a link between the Asian

furniture industry and the international furniture market and has also become a growth point for the Asian furniture market. With the rise of shipping, Malaysia's strategic geographical location has made it the focus of the convergence of the East and the West and has also become the gateway for the Asian furniture industry to the global market. According to the Malaysian International Furniture Fair (MIFF), Malaysia ranks among the top 10 furniture exporters in the world, with 80% of the furniture produced for export, and the United States, Republic of Singapore and Japan are the largest export destinations. In recent years, exports from Malaysia to the Saudi Arabia, United Arab Emirates and Philippines have grown significantly. They have to focus on the markets in Algeria, Athena, Puerto Rico, and Libya.

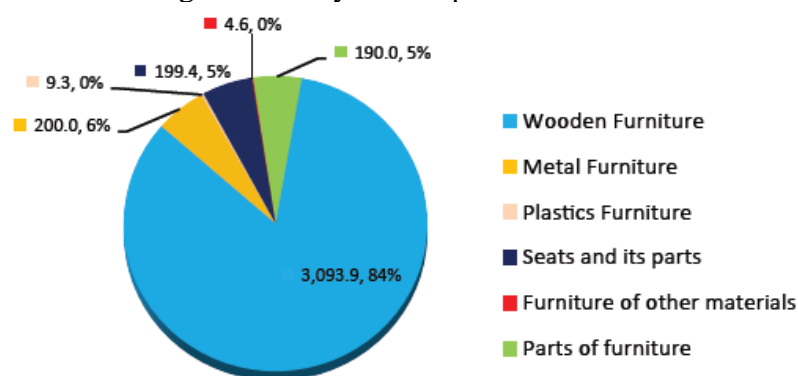
Figure 8 Malaysia's Top 10 Exports of Furniture, By Country.

Data sorted by value of 2021
As at 28.4.2022

COUNTRY	2021 ^p		2021 (Jan-Mar) ^p		2022 (Jan-Mar) ^p		
	Value (RM Mil.)	Share %	Value (RM Mil.)	Share %	Value (RM Mil.)	Share %	Change %
TOTAL EXPORTS	12,577.3	100.0	3,662.6	100.0	3,697.2	100.0	0.9
1 UNITED STATES OF AMERICA 美国	7,275.9	57.8	2,153.8	58.8	2,067.6	55.9	-4.0
2 REPUBLIC OF SINGAPORE 新加坡	734.7	5.8	168.6	4.6	222.0	6.0	31.7
3 JAPAN 日本	689.4	5.5	193.4	5.3	223.6	6.0	15.6
4 AUSTRALIA 澳洲	466.9	3.7	152.8	4.2	153.7	4.2	0.6
5 UNITED KINGDOM 英国	436.9	3.5	125.3	3.4	123.5	3.3	-1.4
6 CANADA 加拿大	287.6	2.3	96.5	2.6	85.3	2.3	-11.6
7 INDIA 印度	216.5	1.7	64.3	1.8	77.8	2.1	21.0
8 SAUDI ARABIA 沙地阿拉伯	183.2	1.5	59.0	1.6	43.3	1.2	-26.6
9 UNITED ARAB EMIRATES 阿联酋共和国	170.5	1.4	50.7	1.4	48.0	1.3	-5.3
10 PHILIPPINES 菲律宾	160.2	1.3	36.5	1.0	60.2	1.6	64.7

Sources : Malaysian Furniture Council Newsletter (2022/4)

Figure 9 Malaysia's Exports of Details.

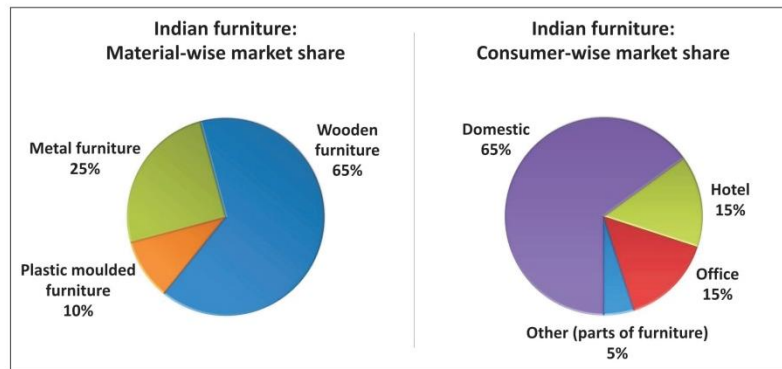


Sources : Malaysian Furniture Council Newsletter (2022/4)

With India slated to become another economic powerhouse, this will bring the life of its 1 billion population to another stage. As the country rapidly urbanises, this

drives up the demand of wooden furniture as it increases year after year. Overall furniture imports increased 20% from US\$ 62.59 million in 2018 to 2021 within three years. It has however becoming increasingly reliant on imported products due to the scarcity of skilled labour and lack of modernisation and new design. As the economy reopens and develops, the increasing number of hotels, restaurant and tourist attraction is predicted to bolster demand of the Indian furniture market. With the government's push of the hospitality sector, it is obvious that comfortable, aesthetically superior furniture is the choice for 4 – 5 star hotels. Due to the growing anti-China sentiment, it is up to Malaysian players to pivot itself as a prominent supplier to India in the near future.

Figure 10. Indian Furniture: Material-wise market share



Sources : Malaysian Furniture Council Newsletter (2022/4)

(B) Furniture supply Chain Stakeholders

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

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

The upstream industry handles raw materials such as wood and board (such as MDF and chipboard) and other auxiliary materials (such as paint, cartons, and hardware). Because of its rich natural resources, Malaysia has many furniture suppliers that provide production materials and components to the international furniture market. Mid-stream manufacturing is mainly in furniture design, cutting, stamping, assembly, sanding,

painting, drying, veneering, edge sealing, packaging. The furniture was designed by downstream brand distributors and commissioned by the manufacturer. The downstream is mainly furniture wholesalers or retail. Nowadays, large-scale international furniture distributors have integrated wholesale and retail under their brands, such as Ashley (the top furniture retail sales volume in the United States in 2020), Coaster, and Lifestyle.

(C) Development trends and competition of furniture industry

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

5.1.3 Development of Technology and Products

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

They entrusted the company with producing wooden bedroom furniture. The company's R & D department had 21 employees at the end of April 2022. The R&D department is engaged in furniture design, improvement, proofing, assembly testing, production process, and product quality improvement responsibilities. The company will continue to train R&D personnel and invest resources to research and improve production process technology and equipment as future growth momentum.

(B) R&D personnel and their academic experience

Year		2019	2020	2021	Year-To-Date April 30, 2022
Education	Master & Above	-	-	-	-
	Degree	9	9	9	10

Unit: Person

	High School & Below	13	13	14	11
Total		18	22	23	21

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

Unit: NTD Thousand; %

Item \ Year	2019	2020	2021
R&D Expenses	8,371	8,477	6,377
Consolidated net operating income	1,386,627	1,259,850	894,227
%	0.60	0.67	0.71

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

Year	R&D Results	Function and effectiveness
2019	PU Paper products	Increasing the strength of material development and style design of PU paper products, which are more favoured by young consumers.
2020	Automatic drawer assembly machine, bedside frame automatic assembly machine, automatic feeding and in-line edge banding machine	With the improvement of the process, the process can be completed in a centralized manner to save labor costs and improve processing efficiency.
2021	Hanging wire automatic reciprocating electrostatic spraying machine	It significantly improves the quality stability of suspension paint products, and can save labor costs.

5.1.4 Long-Term and Short-Term Business Development Strategies

(A) Short-term goals

(a) Actively pursue direct procurement of raw materials

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

(b) Actively pursue new customers and the US market

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

(c) Putting in place automated manufacturing equipment

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

(d) Reinvested in the kitchen cabinet manufacturing business

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

(B) Long-term goals

(a) Development of diversified products

- The company has over 20 years of experience in bedroom furniture manufacturing and has accumulated many clients. Therefore, to invest in the R&D of diversified products and reduce the risk of a single product.

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

- Because of the well-ordering of American customers and the popular PU product series developed by US customers from the subsidiary Techcential Sdn Bhd, the Q4 performance has repeatedly achieved high capacity utilization rates and exceeded 90% in 2020. In reviewing the current usage of the company's factory buildings, the company's own factory buildings and leased factories occupy an area ratio of approximately 2:1, and the storage space is also in a tight state. Considering the company's long-term development plan, the demand for PU products is strong and the company plans to expand its operating regulations and production lines in the next three years. Besides, they hope to increase the production line area, increase the storage space, and cooperate with outsourcing manufacturers. It is better to coordinate the outsourcing manufacturers' factories in the neighboring area. Reducing transportation costs and facilitating smooth movement also improve the efficiency of production.

5.2 Market and Sales Overview

5.2.1 Market Analysis

(A) Revenue by Geographic Region

Unit: NTD in Thousands; %

Regions	Year 2019		Year 2020		Year 2021	
	Revenue	%	Revenue	%	Revenue	%
Domestic Sales	220,746	15.92	140,284	11.13	86,037	9.62
Overseas Sales	1,165,881	84.08	1,119,566	88.87	808,190	90.38
Total	1,386,627	100.00	1,259,850	100.00	894,227	100.00

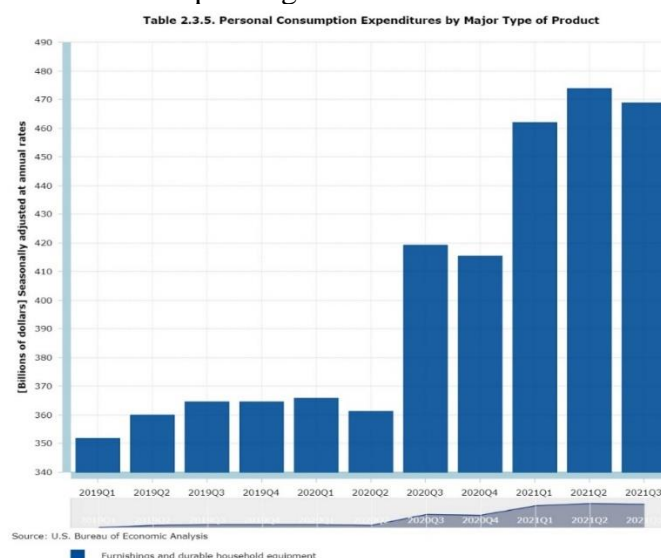
(B) Market Share

Malaysia is the world's 10th largest exporter of furniture and furniture components, with an export value of RM 10.41 billion (about US\$ 2.467 billion) in 2021. The five main export markets are the United States, Japan, Singapore, the United Kingdom and Australia. The company is mainly engaged in the design, manufacture, and sale of American-made wooden bedroom furniture. The company is currently one of the top five exporters of wooden bedroom furniture in Malaysia. The U.S. furniture market is vast. According to the U.S. Department of Commerce (DOC), furniture and homeware retailers' sales in November 2021 increased by 11.1% compared with the same period in 2020. Malaysia continues to be the fifth largest furniture and bedding supplier to the US, reaching US\$1.71 billion in November 2021.

(C) The future supply and demand situation and growth of the market

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

Figure 11: The amount of spending on furniture and household equipment.



Sources : U.S. Bureau of Economic Analysis

The United States is the world's largest consumer of furniture. The US furniture market is promising, benefiting from the increase in new housing construction, personal disposable income, and the expectation that the demand for furniture will continue to thrive in the next few years. According to statistics from the Bureau of Economic Analysis (US Department of Commerce) on personal consumption expenditures in the United States, from 2018Q1 until 2019Q3, the amount of spending on furniture and household equipment in the United States has shown a growth trend (Figure 11). The United States has a large housing area and a high per capita income. The immigration of people to the United States has brought an extensive amount of new housing construction each year. Americans have the habit of relocating and changing furniture regularly, which means the demand for furniture remains high. According to CSIL, the world furniture market has recovered in 2021, and the level of furniture consumption is much higher than that before the pandemic. We expect it to grow further in 2022 and 2023.

(D) Core Competency

(a) An experienced management team

- The company's management team has been involved in furniture manufacturing for many years and has considerable experience in American furniture production. It requires high sensitivity to master the product manufacturing processes and market

strategies and positioning. It can cooperate with upstream and downstream parts of the industry and satisfy the customer's request.

(b) Direct purchase of raw materials

- Malaysia is rich in natural resources and has many furniture suppliers that provide production materials and parts. So, our company focuses on local procurement. Furthermore, to reduce the risk of material shortages and shorten the procurement lead time, timely delivery is required. There are also changes in raw material prices that can be grasped immediately.

(c) Research and development design and product customization

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

(d) Flexible mass production

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

(E) Advantages and disadvantages of Future Developments and Proposed

(a) Favorable Factors

(i) Rising demand in the U.S. market

- The US furniture market is promising, benefiting from the increase in new housing construction, personal disposable income, and the expectation that the demand for furniture will continue to thrive in the next few years. The company manufactures American-style bedroom furniture, and the United States is the principal sales area. In the future, the income of Americans will continue to thrive.

(ii) Geographical benefits

- Malaysia is one of the world's top 3 natural rubberwood producers. Rubberwood is the raw material for the company's wooden furniture. The

company has geographical advantages. Raw materials can be directly sourced and purchased locally to reduce the risk of material shortages.

(iii) Long-term relationships with significant customers

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

(b) Unfavorable factors and countermeasures

(i) Price fluctuation of raw materials

Measures : The purchase of the KD increased. Some of the KD was used for self-produced furniture, and it was sold as a commodity to local factories. This can increase the bargaining power of purchasers, reduce the cost of incoming goods, and improve the speed of obtaining raw materials and stability. Besides, the company monitors the raw material market and adjusts the inventory safety stock in time with the market trend in response to the risk of fluctuations in raw material prices.

(ii) Global shipping crisis

Measures: The Freight costs and the price of goods are rising because of the Russia-Ukraine war, Global shipping and container circulation issues. TC's products are sold in the United States. Although the shipping policy is mainly FOB, the uneven global shipping supply and demand still affect the shipping situation. TC will pay attention to changes in the international shipping situation and strengthen contacts with customers and shipping companies. And they develop more strategies to secure container supply and ship schedules to deliver on time.

5.2.2 Main Features and Production Process of Major Products

(A) Key Product applications

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

EHL manufacturing business of kitchen cabinets. The products mainly include five-piece sets of “doors, frames, drawer heads, drawer surfaces, and cabinet bodies”. The raw materials used are mainly solid wood-birch and plywood .

(B) Production Processes

The main production process of the company's bedroom furniture products is divided into 6 major processes, as shown in the following figure: White body processing -> Assembly -> Grinding -> Painting -> Packaging -> Store.



The main production process of the company's kitchen cabinet products is divided into 7 major processes, as shown in the following figure: White Body Processing -> UV Roller Coating -> Assembly -> Sanding -> Painting -> Packaging ->Store.



5.2.3 Production Material Sourcing

Major Raw Material	Major Supplier	Supply Situation
Board	Robin Resources 、Allgreen Timber 、Evergreen Fibreboard 、Five Hills	Good

Wood	Goodwood Hectares 、Strategi Mutiara 、Digital Furniture	Good
Paint	Nikkolac 、Lycora 、KH Coating	Good
Packaging	Pine Packaging 、Sothorn Legend 、Max Packaging	Good

5.2.4 Major suppliers and customers

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

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

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

Unit: NTD in Thousands; %

Year 2020				Year 2021				Year 2022 Q1			
Customer	Sales Amount	Ratio to Net Sales (%)	Relationship with the Company	Customer	Sales Amount	Ratio to Net Sales (%)	Relationship with the Company	Customer	Sales Amount	Ratio to Net Sales (%)	Relationship with the Company
Ashley (AFT)	447,631	35.53	None	Ashley (AFT)	200,100	22.38	None	Elements	73,149	20.01	None
Crown Mark	250,387	19.87	None	Elements	171,858	19.22	None	Ashley (AFT)	66,545	18.21	None
Elements	138,427	10.99	None	Crown Mark	165,941	18.56	None	Splendid	60,750	16.62	None
Others	423,405	33.61		Others	356,328	39.84		Crown Mark	40,422	11.06	None
								Others	124,665	34.10	
Net Sales	1,259,850	100.00		Net Sales	894,227	100.00		Net Sales	365,531	100.00	

Ashley Furniture Trading (AFT) is a newly established subsidiary of American furniture maker Ashley Furniture Industries (AFI) in 2019. AFI has more than 700 branches all over the United States, and has become the largest furniture manufacturer in the United States through online marketing and effective promotion methods for market mastery. TC adjusted the production capacity allocation of customer orders to diversify risks. And because of the impact of the pandemic, it suspended the company for about 4 months, resulting in a significant decrease in Ashley's sales revenue compared with the same period last year.

Element is a large-scale furniture importer and wholesaler in the United States, headquartered in Texas, the United States. Its main products include general bed sets,

children's bed sets, restaurant furniture, etc. Since it purchased almost all of its products in Asia, except for the United States. Locally, there are also warehouses in Vietnam, Malaysia and other places. In this issue, Element cooperated with Bobs Discount, the eighth largest furniture wholesaler in the United States, and supply products produced by TC to customers. Since market consumers favored new products, Element has increased orders, resulting in an increase in sales in 2021 compared with 2020.

Crown Mark is a customer of Techcentral. The main products are bedroom sets, dining room sets, and coffee tables. The main sales locations are high points in the United States. TC successfully developed five new models for customers in 2020Q3. The products are popular in the market. With the gradual lifting of the ban across the United States, the demand for furniture in the United States has increased, and customers have placed increased orders. However, because of the impact of the pandemic, the company has suspended work for about four months. The goods could not ship as scheduled, and the orders were reduced because of the increase in ocean freight. Therefore, the overall sales revenue of Crown Mark will be lower in 2021 compared with 2020.

5.2.5 Production Volume and Value in the past 2 years

Unit: Thousand Container; Volume in NTD Thousands

	Year 2020			Year 2021		
Main Products	Production Capacity	Production Volume	Production Value	Production Capacity	Production Volume	Production Value
Wooden Furniture	1,255	967	1,161,000	1,328	687	866,210

Explanation on the changes:

The company added a new packaging line in the 2020Q4, so the production capacity in 2021 will be slightly higher than in 2020. However, the company suspended for about 4 months because of the impact of the pandemic in 2021. It is the reason the significant decrease in output and output value compared with 2020.

5.2.6 Sales Volume and Value in the past 2 years

Unit: Thousand Container; Volume in NTD Thousands

Main Products	Year 2020				Year 2021			
	Domestic Sales		Overseas Sales		Domestic Sales		Overseas Sales	
	Volume	Amount	Volume	Amount	Volume	Amount	Volume	Amount
Wooden Furniture	22	31,304	933	1,119,566	22	33,111	637	803,082

Others	Note 1	108,980	Note 1	-	Note 1	52,926	Note 1	5,108
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Note 1: Other sales include rubber wood trading, kitchen cabinet manufacturing, hardware, recycled scraps, cardboard boxes, etc. Due to the different units of measurement, no quantitative statistics are made.

Explanation on the changes:

The significant decrease in overall sales in 2021 compared to last year is mainly because of the escalating pandemic in Malaysia in 2021. And the suspension of work for about 4 months is in line with the government's enhanced movement control order.

5.3 Employees

Unit: Person/%

Year		2020	2021	Year-To-Date 30 April 2022
Number of Employees	Management staff	16	19	17
	Normal staff	85	102	103
	Production Line	539	583	573
	Total	640	704	693
Average age		31.84	32.64	33.42
Average Years of Service		3.66	4.37	4.83
Education (%)	Doctoral	-	-	-
	Master	0.16	0.13	0.16
	University & College	9.37	11.10	11.18
	High School	10.78	17.15	17.93
	Below High School	79.69	71.62	70.73

5.4 Information on Environmental Protection Expenditures

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

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

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

- No such incident.

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

-No such incident.

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

-No such incident.

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

-No such incident.

5.5 Labor Relationship

5.5.1 Description of Policies and Programs related to Welfare, Learning, Training and Retirement of Employees, as well as various protections of Employee Rights and Benefits:

(A)Fringe Benefits Programs:

Employee benefits include year-end bonuses, employee uniforms, wedding and funeral allowances, medical expense subsidies, year-end evening parties, full-time bonuses, etc., and it held staffing activities and sports competitions to encourage employee morale. It also provides annual health checks and personal accident insurance for employees who have worked for over 3 years. In addition, the company also has long-term service awards to reward employees who have served the company for over 10 or 20 years. Their children can also receive scholarships for academic awards from the company at the end-of-the-year party.

(B) Human Resource Development and Staff Training:

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

HRD Corp advances the aspirations of Malaysian talent development by collecting levies from employers and funding training and development programs for

the Malaysian workforce. HRD Corp's mission development includes driving employment and industrial training for career guidance and consult and providing income-generating opportunities for Malaysians with various skills, backgrounds, and abilities.

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

(C) Retirement Programs

The Employees Provident Fund is a retirement savings plan managed by the government. It is a mandatory contribution in India, Hong Kong, Singapore, Malaysia, Mexico, and other countries, similar to the social security system in the United States. The Employees Provident Fund Act 1991 (Act No.452) established the Employees Provident Fund (EPF/KWSP) in Malaysia. It is a member through mandatory contributes from employers and employees (part of the employee's salary and contributions made by the employer on behalf of the employee) to provide retirement benefits. The Employees Provident Fund provides employers with a convenient framework to fulfill their legal and moral obligations by continuously paying contributions to their employees' retirement fund accounts.

The Minister of Finance Tengku Zafrul Aziz has presented the budget for 2022, which announced several issues related to the Provident Fund Board. In this budget, the government did not declare any withdrawal plan. The government decides the monthly contribution of the Employees Provident Fund (KWSP). The 9% reduction will extend to June 2022.

Although the government did not announce any withdrawal plans in the Budget, because of the comprehensive research and results of the COVID-19 recovery phase, Malaysian households are still suffering from the economic impact, losing their income, and are recovering their lives. Therefore, the Provident Fund Board announced on March 16, 2022, that the RM10,000 EPF Special Withdrawal Fund will be released on April 1 and will be released on April 20. The RM10,000 special withdrawal is open to members under 55 years old to apply until April 30.

The monthly contribution rates of the employee provident fund are:

- (i) Employees: 11% of the monthly salary (employees over 60: 5.5% of the monthly salary), automatically deducted from the employee's salary.
- (ii) Employer: 13% for a monthly salary of RM 5,000 and below; 12% for a

monthly salary of more than RM 5,000.

Handled under the relevant laws and regulations.

(D)Labor Contract, Disputes and protection of employee benefits:

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

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

5.6 Security Risk of Information Technology Management

5.6.1 State the security risk of information technology structure and policy, specific management plans and resources invested in security risk of information technology, etc.

(1) Security risk of information technology structure

In the era of information society and globalization, the relationship between people and computers and the Internet is becoming more and more close, and electronic transactions are becoming more and more popular. However, the company's production and sales are not online real-time operating systems, and the company has an information department that hires relevant professionals to assist in the company's management network, host and related systems. Computer and arrange anti-virus detection, and strengthen various simulation tests and emergency response drills in the computer room to ensure the normal operation of the information system and data preservation, to reduce the risk of system interruption caused by accidents or human negligence.

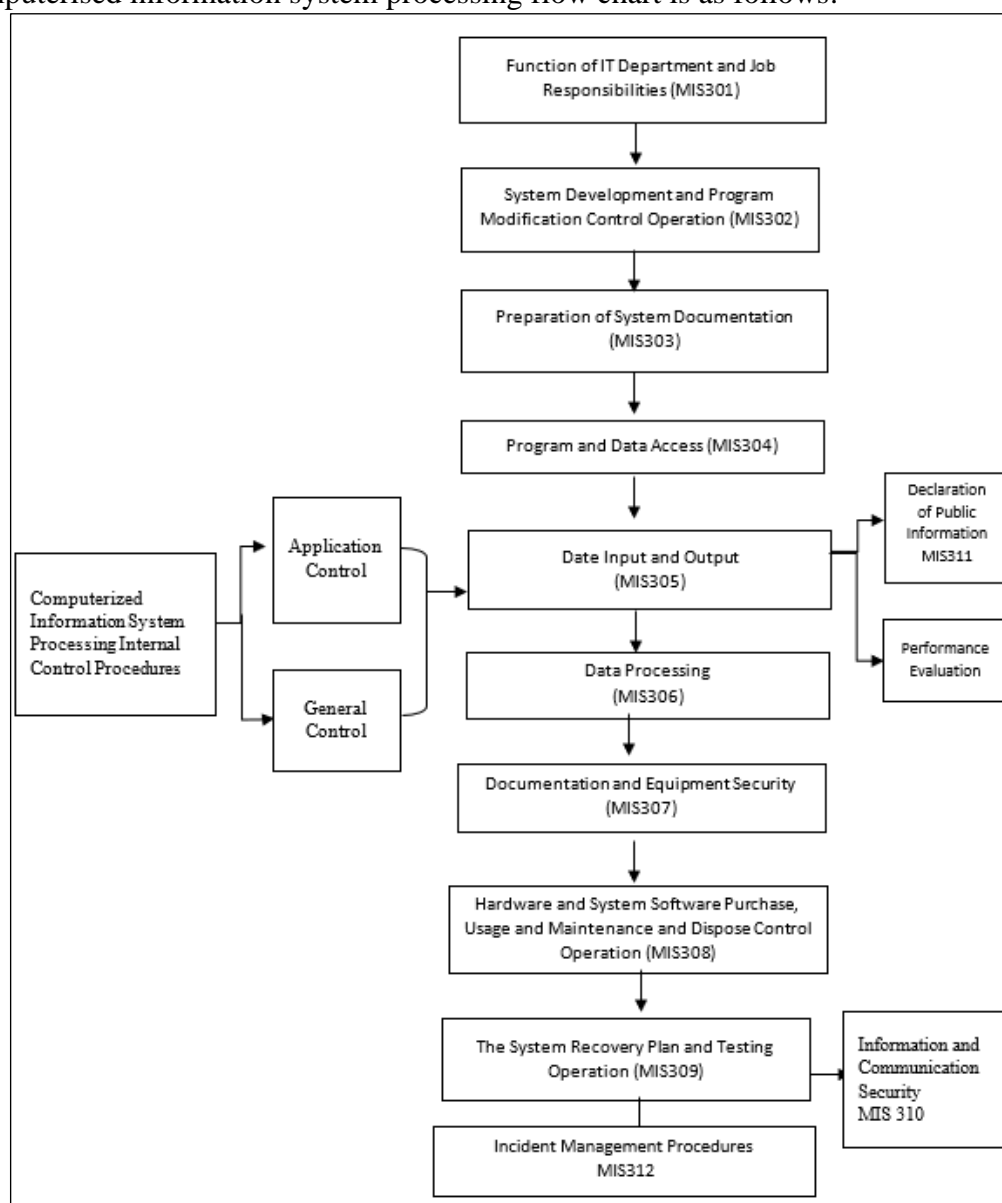
The company has an IT department to ensure the security risk of information technology. In terms of operations, the function of the IT department is to: provide the operational department with data processing and inquiry; provide various reports required by the operation department to simplify manual work; reduce complicated and duplicated routine procedures to increase work efficiency; coordinate with other departments to standardize the transaction procedure document format. Integrate and plan the management and maintenance of all departments' required software and hardware. In terms of operation and management, it aims to stimulate coordination and communication among the departments to have a smooth operation and enhance data consistency; provide management information to help analyze and manage decisions and coordinate with the enterprise's operating plan; assist the audit department and strengthen internal audit control; and enhance the enterprise's competitiveness. The operating procedures for the personnel of the relevant departments are:

Management Information System (MIS)	
Manager	IT executive
a. Assist company to plan the information environment, design, project execution (ERP, SFT, Payroll, FingerTech). b. Plan company's network infrastructure and ensure the plan is up to date, executable and secure. c. Dealing with the vendor/ supplier for related matters about system. d. Assist in internal control and monitor the operation through computer information system. Ensure the data integrity and data confidentiality. e. Authorize and follow up with IT executive	a. Management of the Office's Computer equipment/ software (requisition, monitoring, maintenance, service). b. Network/ File sharing/ Email/ Terminal setting in office and production area. c.Database backup and server storage monitoring. d. Update Server Checking List every day. e. System monitoring and maintenance. f. System and computer training.

regrading requisition, monitoring, maintenance, service of hardware/software in company. f. system training & meeting. g. System monitoring and maintenance.	
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(2) Security risk of information technology policy

The company has also compiled a "computerized information system processing cycle (MIS cycle)", which has been discussed and approved by the board of directors, to further ensure and strengthen the management of information security through specific management plans. The "MIS cycle" describes the control operations and management procedures for each item in the computerised information system processing flow chart. For example, hardware and system software purchase, usage, and maintenance, and disposal control operations, programme and data access control procedures, etc. The computerised information system processing flow chart is as follows:



(3) Specific management plans

The MIS Department has adopted a variety of network security precautions, including firewalls, anti-virus software and other technologies, and the company employees use the company network to set up barriers when browsing external web pages to strengthen network security. If the website is unknown or malicious, the link will not be opened. The company's internal control system has procedures related to computerized information system processing, and we will also announce relevant information use methods and precautions to all employees by email, and the information department will also arrange some information security-related briefings from time to time. To remind company employees to pay attention to network security, and to promote the latest information security information.

The company's security risk of IT assessment is low. As of the publication of the annual report, the company has found no major cyberattacks or incidents that have or may have a significant adverse impact on the company's operations and has not been involving in any legal cases or regulatory investigations related to this.

(4) Resources invested in security risk of information technology

- (1) Employee management and education training
 - A. Personnel safety assessment and management
 - B. Staff responsibility for maintaining information security and official confidentiality
 - C. Information Security Education and Training
- (2) Computerized Information System Security Management
 - A. Content for Computerized Information System Processing Internal Control
 - B. Computerized Information System Processing Flow Chart
 - C · Function of IT Department and Job Responsibilities
 - D. System Development and Program Modification Control Operation
 - E. Preparation of System Documentation Control
 - F. Program and Data Access Control
 - G. Data Input and Output Control
 - H. Data Processing Control
 - I. ocumentation & Equipment Security Control
 - J. Hardware and System Software Purchase, Usage, Maintenance and Dispose Control
 - K · The System Recovery Plan and Testing Control
 - L · Information and Communication Security
 - M · Declaration of Public Information Operation
 - N · Incident Management Procedures

5.6.2 List the losses, impact, and corresponding measures in the most recent year and as of the publication date of the annual report due to major IT security incidents. It shall be stated if could not estimate: None.

5.7 Important Contracts and Agreements

5.7.1 Techcential Sdn Bhd

Contractual nature	Involved Party	Contract date	Content	Restricted terms
Loan Contract	Citibank	2013.07.04 (Corrected by an addendum with date 2013.11.21, 2014.11.21, 2015.11.09, 2016.03.18, 2017.01.16 , 2019.07.04&2021.05.20)	Bank Loan	1. Debt service coverage ratio [net operating profit + depreciation and amortization expenses + interest expense/ (long-term loan due within one year + interest expense)] is not less than 1.3 times. 2. Leverage ratio (total debt/tangible net worth) does not exceed 4.0 times.
Loan Contract	Hong Leong Bank	2013.03.26 (Corrected by an addendum with date 2013.06.10 、 2015.06.23 、 2016.02.02 、 2016.02.17 、 2016.10.07 、 2017.03.28 、 2017.06.19 、 2017.08.28, 2017.10.09 、 2019.07.02 、 2019.10.30 、 2021.06.17)	Bank Loan	1. The debt-to-equity ratio does not exceed 1.5 times. 2. Maintain the operation of the HLB bank account.
Loan Contract	Chailease Finance Co., Ltd.	2019.06.26-2022.06.25	Bank Loan	Bank Loan
Loan Contract	Chailease International Financial Services (Singapore) Pte. Ltd.	2021.05.25-2024.05.24	Bank Loan	NA
Loan Contract	Public Bank	2016.03.18-2021.03.17	Hire Purchase	Bank Loan
Loan Contract	Hong Leong Bank	2018.04.30-2022.04.29	Hire Purchase	NA
Loan Contract	AmBank	2018.04.30-2021.04.29	Hire Purchase	NA
Loan Contract	Hong Leong Bank	2019.06.06-2022.06.05	Hire Purchase	NA
Loan Contract	BMW Credit (Malaysia) Sdn Bhd	2019.06.06-2023.06.05	Hire Purchase	NA
Loan Contract	Hong Leong Bank	2019.10.06-2021.10.05	Hire Purchase	NA
Loan Contract	BMW Credit (Malaysia) Sdn Bhd	2019.11.06-2024.11.05	Hire Purchase	NA
Loan Contract	Public Bank	2019.12.19-2024.12.18	Hire Purchase	NA
Loan Contract	Orix Credit (Malaysia) Sdn Bhd	2020.08.25-2023.08.24	Hire Purchase	NA
Lease contract	Imei Furniture	2019.06.01-2022.05.31	Factory lease	NA

Note 1: The company has complied with the financial ratios and requirements of the above commitments, as of December 31, 2021.

5.7.2 ESK Biomass Sdn Bhd

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

5.7.3 ESK Wood Products Sdn Bhd

Contractual nature	Involved Party	Contract date	Content	Restricted terms
Lease contract	Xia Huat Importers & Exporters Sdn Bhd	2018.10.01-2024.09.30	Factory lease	NA
Loan Contract	Hong Leong Bank	2021.01.21	Bank Loan	
Lease contract	Tey Kok Leong	2021.11.01-2024.10.31	Office lease	NA

5.7.4 EHL Cabinetry Sdn Bhd

Contractual nature	Involved Party	Contract date	Content	Restricted terms
Lease contract	Muar Industries Sdn Bhd	2020.03.04-2025.03.03	Factory lease	NA
Loan Contract	Ambank	2020.03.30-2025.03.29	Hire Purchase	NA
Loan Contract	Ambank	2020.09.18-2025.09.17	Hire Purchase	NA
Loan Contract	Ambank	2020.12.30-2025.12.29	Hire Purchase	NA
Loan Contract	Ambank	2021.03.15-2026.10.14	Hire Purchase	NA
Loan Contract	Ambank	2021.05.08-2026.12.07	Hire Purchase	NA
Loan Contract	BMW Credit (Malaysia) Sdn Bhd	2021.10.02-2026.10.1	Hire Purchase	NA

6.0 Financial Overview

6.1 Five-Year Financial Summary

6.1.1 Condensed Balance Sheets and Condensed Income Statements

(A) Condensed Balance Sheets – IFRSs

Unit: NTD Thousand

Year Item		Five-Year Financial Summary (Note 1)					
		2017	2018	2019	2020	2021	2022Q1
Current Assets		299,650	471,074	552,737	670,779	640,644	654,294
Property, plant and equipment (Note2)		100,409	121,014	144,649	145,666	127,965	129,348
Right-of-use assets		-	-	51,693	106,764	76,164	74,073
Intangible assets		244	285	323	157	43	28
Other assets (Note2)		12,388	27,191	77,776	41,549	40,606	47,538
Total assets		412,691	619,564	827,178	964,915	885,422	905,281
Current liabilities	Before Distribution	128,454	255,305	175,457	495,350	314,157	302,412
	After Distribution	152,079	278,930	227,432	542,600	314,157	302,412
Non-current liabilities		29,059	39,874	260,159	86,501	202,084	195,569
Total liabilities	Before Distribution	157,513	295,179	435,616	581,851	516,241	497,981
	After Distribution	181,138	318,804	487,591	629,101	516,241	497,981
Equity		255,178	323,329	377,480	368,874	358,626	399,018
Share Capital		212,527	236,250	236,250	236,250	286,250	286,250
Capital surplus		3,941	23,735	32,651	34,772	75,279	75,279
Retained earnings	Before Distribution	31,116	44,544	94,057	103,469	30,392	57,905
	After Distribution	7,491	20,919	42,082	56,219	30,392	57,905
Other equity interest		7,594	18,800	14,522	(5,617)	(33,295)	(20,416)
Treasury stock		-	-	-	-	-	-
Non-controlling interests		-	1,056	14,082	14,190	10,555	8,282
Total Equity	Before Distribution	255,178	324,385	391,562	383,064	369,181	407,300
	After Distribution	231,553	300,760	339,587	335,814	369,181	407,300

Sources: Consolidated financial report audited by accountants for 2017~2021.

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

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

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

Note 4: The above post-distribution figures after distribution should be filled in according to the resolutions of the board of directors or the shareholders' meeting of the following year.

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

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

6.1.2 Condensed Income Statements

(A) Condensed Income Statements – IFRS

Unit: NTD Thousand

Item \ Year	Five-Year Financial Summary (Note 1)					
	2017	2018	2019	2020	2021	2022Q1
Operating revenues	875,674	1,082,868	1,386,627	1,259,850	894,227	365,531
Gross profit	152,238	185,448	310,564	244,400	125,317	80,016
Operating income	44,735	53,385	131,816	99,099	21,317	30,067
Non-operating income and expenses	(3,846)	(1,044)	(3,608)	(12,420)	(57,374)	6,058
Profit before income tax	40,889	52,341	128,208	86,679	(36,057)	36,125
Net profit of the continuing operations	30,278	37,189	91,355	54,738	(34,863)	25,020
Loss of the discontinuing operation	-	-	-	-	-	-
Net profit for the year	30,278	37,189	91,355	54,738	(34,863)	25,020
Other comprehensive Income (Loss) for the Year, Net of Income tax	7,016	11,213	(4,698)	(34,235)	(28,222)	13,099
Total Comprehensive Income for the Year	37,294	48,402	86,657	20,503	(63,085)	38,119
Net profit attributed to the owners of parent company	37,294	37,060	92,038	61,387	(25,827)	27,513
Net profit attributed to non-controlling interests	-	129	(683)	(6,649)	(9,036)	(2,493)
Total comprehensive income attributed to owners of the parent company	37,294	48,266	87,760	41,248	(53,505)	40,392
Total comprehensive income attributed to non-controlling interests	-	136	(1,103)	(20,745)	(9,580)	(2,273)
Earnings per share (EPS)	1.44	1.57	3.90	2.60	(1.08)	0.96

Sources: Consolidated financial report audited by accountants for 2017~2021.

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

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

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

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

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

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

(B) Condensed consolidated income statement– ROC's Financial Accounting

Standards: Not Applicable

6.1.3 Names and Opinions of Independent Auditors in recent Five Years.

Year	CPA Firm	Name of CPA	Audit / Review Opinions
2017	KPMG	Charlotte Chao, Lisa Kuang	Unqualified opinion
2018	KPMG	Charlotte Chao, Lisa Kuang	Unqualified opinion
2019	KPMG	Charlotte Chao, Lisa Kuang	Unqualified opinion
2020	KPMG	Charlotte Chao, Lisa Kuang	Unqualified opinion
2021	KPMG	Charlotte Chao, Lisa Kuang	Unqualified opinion
2022Q1	KPMG	Phyllis Chang, Lisa Kuang	Unqualified opinion

6.2 Five-Year Financial Analysis

6.2.1 Financial Analysis

(A) Financial Analysis – IFRS

Unit: NTD Thousand

Item (Note 3) \ Year (Note 1)		Five-Year Financial Summary					
		2017	2018	2019	2020	2021	2022Q1
Financial structure	Debt to assets ratio (%)	38.17	47.64	52.66	60.30	58.30	55.01
	Long-term fund to property, plant and equipment ratio (%)	283.08	301.01	331.93	186.02	279.85	296.37
Liquidity Analysis	Current ratio (%)	233.27	184.51	315.03	135.42	203.92	216.36
	Quick ratio (%)	143.68	123.77	215.50	72.71	89.60	97.44
	Interest coverage ratio (times)	10.92	10.25	15.45	8.82	(2.00)	13.54
Operating performance Analysis	Accounts receivable turnover (times)	10.23	8.64	8.12	8.47	9.38	16.97
	Average cash collection days	36	42	45	43	39	22
	Inventory turnover (times)	5.88	7.12	7.27	4.62	2.40	3.17
	Accounts payable turnover (times)	16.77	18.16	16.80	12.64	8.14	12.75
	Inventory turnover Days	62	51	50	79	152	115
	Property, plant and equipment turnover (times)	8.93	9.78	8.74	5.61	3.92	7.18
	Total assets turnover (times)	2.19	2.10	1.92	1.41	0.97	1.63
Profitability Analysis	Return on total assets (%)	8.34	7.98	13.50	6.89	(2.51)	12.07
	Return on Equity (%)	12.87	12.83	25.52	14.13	(9.27)	25.78
	Pre-tax income to paid-in capital ratio (%) (note 7)	19.47	22.15	54.27	36.69	(12.60)	50.48
	Net Profit margin (%)	3.46	3.43	6.59	4.34	(3.90)	6.84
	Basic Earnings per share (NT\$)	1.44	1.57	3.90	2.60	(1.08)	0.96
Cash flow	Cash flow ratio (%)	20.24	Note 2	77.43	6.67	8.07	註 2
	Cash flow adequacy ratio (%)	Note 1	Note 1	66.79	19.65	33.81	28.29
	Cash flow reinvestment ratio (%)	7.12	Note 2	23.22	Note 2	Note 2	Note 2

Leverage	Operating leverage	1.21	1.21	1.19	1.33	2.59	1.27
	Financial leverage	1.10	1.12	1.07	1.13	2.30	1.11

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

1. Long-term fund to property, plant and equipment ratio: The increase in long-term debt due to the issuance of the 2nd non-guaranteed convertible corporate bonds in this period.
2. Current ratio: Mainly due to the sale of 1st non-guaranteed convertible corporate bonds in this period and the decrease in current debt.
3. Quick ratio: Mainly due to the sale of 1st non-guaranteed convertible corporate bonds in this period and the decrease in current debt.
4. Interest coverage ratio: The main reason is that the COVID-19 pandemic has caused the decrease of overall profit of the group.
5. Inventory turnover (times) and inventory turnover days: Mainly (1) The company has been suspended for more than 3 months in order to comply with the government's movement control order, and the reduction in operating income has led to a relatively drop in operating costs in this period. (2) TC increases inventory levels in preparation for orders in January 2022, and EHL starts production and shipments, but the transaction conditions are DDP, so inventory in transit increases. In conclusion, the decrease in operating costs and the increase in inventories resulted a decrease in the inventory turnover (times) and an increase in the inventory turnover days.
6. Accounts payable turnover (times): Mainly due to the long downtime resulting in a decrease in operating costs in this year, and because EHL began production and shipment, the accounts payable increased compared with last year.
7. Property, plant and equipment turnover (times) : Mainly due to the movement control order the company stopped work from June to mid-September this year, and the sales revenue decreased compared with last year.
8. Total asset turnover rate (times): Mainly due to the movement control order the company stopped work from June to mid-September this year, and the sales revenue decreased compared with last year.
9. Return on total assets (%): Mainly due to the impact of the COVID-19 pandemic on the company's operations, the net profit after tax turned into a loss in this period.
10. Return on Equity (%): Mainly due to the impact of the COVID-19 pandemic on the company's operations, the net profit after tax turned into a loss in this period.
11. Pre-tax income to paid-in capital ratio (%): Mainly due to the impact of the COVID-19 pandemic on the company's operations, the net profit after tax turned into a loss in this period.
12. Net Profit margin (%): Mainly due to the impact of the COVID-19 pandemic on the company's operations, the net profit after tax turned into a loss in this period.
13. Basic Earnings per share (NT\$): Mainly due to the impact of the COVID-19 pandemic on the company's operations, the net profit after tax turned into a loss in this period.
14. Cash flow ratio (%): Mainly due to the sale of 1st non-guaranteed convertible corporate bonds in this period and the decrease in current debt.
15. Operating leverage: Mainly due to the impact of the COVID-19 pandemic on the company's operations, the profit turned into a loss in this period.
16. Financial leverage: Mainly due to the impact of the COVID-19 pandemic on the company's operations, the profit turned into a loss in this period.

Sources: Consolidated financial report audited by accountants for 2017~2021.

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

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

Note 3 : Equations :

1.Capital Structure

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

2. Solvency

- (1) Current ratio = Current assets / current liability
- (2) Quick ratio = (Current assets – Inventory – Prepaid expense) / current liability
- (3) Times interest earned = Net income before tax and interest expense / Interest expense of the year.

3. Operating ability

- (1) Account receivable turnover (including accounts receivable and notes receivable derived from business operations) = Net sales / Average accounts receivable (including accounts receivable and notes receivable derived from the business operation)
- (2) Days sales in accounts receivable = 365 / Account receivable turnover
- (3) Inventory turnover = Cost of goods sold / Average inventory amount
- (4) Account payable turnover (including accounts payable and notes payable derived from the business operation) = Cost of goods sold / Average accounts payable (including accounts payable and notes payable derived from the business operation)
- (5) Average days in sales = 365 / Inventory turnover
- (6) Fixed assets turnover = Net sales / Net fixed assets
- (7) Total assets turnover = Net sales / Total assets

4. Profitability

- (1) Return on assets = (Net income (loss) + interest expense x (1-tax rate)) / Average total assets
- (2) Return on shareholders' equity = Net income (loss) / Net average shareholders' equity
- (3) Return to issued capital stock = Net income before tax / Issued capital stock
- (4) Profit ratio = Net income (loss) / Net sales
- (5) Basic earnings per share = (Net income – preferred stock dividend) / Weighted average stock shares issued (Note 4)

5. Cash flow

- (1) Cash flow ratio = Net cash flow from operating activity / Current liability
- (2) Cash flow adequacy ratio = Net cash flow from operating activity in the past 5 years / (Capital expenditure + Inventory interest + Cash dividend) in the past 5 years
- (3) Cash + reinvestment ratio = (Net cash flow from operating activity – Cash dividend) / (Fixed assets + Long term investment + Other assets + Working capital) (Note 5)

6. Leverage

- (1) Degree of operating leverage = (Net operating income – Variable operating cost and expense) / Operating income (Note 6) °
- (2) Degree of financial leverage = Operating income / (Operating income – interest expense)

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

1. Based on the weighted average number of ordinary shares, rather than the number of issued shares at the end of the year.
2. For those who have cash capital increase or treasury stock trading, it should calculate the weighted average number of shares in consideration of the circulation period.
3. Where there is a capital increase in surplus or a capital increase from capital reserves when calculating the earnings per share of previous years and half-years, retrospective adjustments should be made according to the capital increase ratio, regardless of the period of issuing the capital increase.
4. If the special shares are non-convertible cumulative special shares, the dividend for the current year (regardless of whether it is paying out) shall deduct from the net profit after tax, or net loss after tax shall be increasing. If the special stock is noncumulative, with net profit after tax, it shall deduct the dividend of the special stock from the net profit after tax. If it is a loss, no change is necessary.

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

1. Net cash flow from operating activities refers to the net cash inflow from operating activities in the cash flow statement.
2. Capital expenditure refers to the amount of cash outflow from capital investment each year.
3. It only included the increase in inventory when the ending balance is greater than the beginning balance.

If the inventory decreases at the end of the year, we will calculate it as zero.

4. Cash dividends include cash dividends for ordinary shares and special shares.

5. Gross real property, plant, and equipment refers to the total amount of real property, plant, and equipment before deduction of accumulated depreciation.

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

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

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

6.3 Audit Committee's Review Report for the Most Recent Fiscal Year.

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

AUDIT COMMITTEE' S REVIEW REPORT

Date: 22 March 2022

To: Shareholder' s Annual General Meeting for Year 2022, Techcential International Ltd

Board of Directors has prepared the Company' s 2021 Business Report, Consolidated Financial Statement, and appropriation of profit or loss. The CPA firm of KPMG was retained to audit the Company' s Consolidated Financial Statements. KPMG has completed audit procedures and issued Audit Opinion. Business Report, Financial Statements, and profit allocation proposal have been reviewed and determined to be correct and accurate by Audit Committee members of the Company.

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

The Audit Committee, Chairman:



Mr Oun Lek Wee

6.4 Financial Statement of the Most Recent Fiscal Year: Please refer to Exhibits 1.

6.5 Parent Company only financial Statement for the Most recent Fiscal Year Certified by CPA: Not Applicable.

6.6 The Impact of Cash Flow Difficulties of the Company and Its Affiliates: None.

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

7.1 Financial Status

Unit: NTD Thousand; %

Item \ Year	2020	2021	Variance	
	Amount	Amount	Amount	%
Current assets	670,779	640,644	(30,135)	(4.49)
Property, Plant and Equipment	145,666	127,965	(17,701)	(12.15)
Right of use assets	106,764	76,164	(30,600)	(28.66)
Intangible assets	157	43	(114)	(72.61)
Other assets	41,549	40,606	(943)	(2.27)
Total assets	964,915	885,422	(79,493)	(8.24)
Current liabilities	495,350	314,157	(181,193)	(36.58)
Non-current liabilities	86,501	202,084	115,583	133.62
Total liabilities	581,851	516,241	(65,610)	(11.28)
Share capital	236,250	286,250	5,000	21.16
Capital surplus	34,772	75,279	40,507	116.49
Retained earnings	103,469	30,392	(73,077)	(70.63)
Other equity	(5,617)	(33,295)	(27,678)	492.75
Non-control equity	14,190	10,555	(3,635)	(25.62)
Total equity	383,064	369,181	(13,883)	(3.62)

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

1. Decrease in Right of use assets: Main Department (1) ESKB and ESKW terminated the factory lease in this period, so the right-of-use assets - houses and buildings were debited from the account. (2) Asset impairment recognized by ESKB in the current period. (3) Due to successive depreciation and amortization of right-of-use assets.
2. Decrease in Current liabilities: The main reason is that the bondholders of the 1st convertible bonds have sold back most of the bonds on December 3, 2021.
3. Increase in Non-current liabilities: The main reason is that the company issued the 2nd convertible corporate bonds on November 11, 2021. The issuance period is 3 years. The face value of each bond is NTD100,000, and the total number of issued is 1,200pcs, which are issued at 101% of the face value, and the total face value is NTD 120,000,000.
4. Increase in Share capital: Mainly, the company issued 5,000 new shares on December 8, with a face value of NTD 10, and the new share capital was NTD 50,000 thousand.
5. Increase in Capital surplus: Mainly due to the stock premium arising from the cash increase in the current period, employee stock options and stock options arising from the issuance of the 2nd convertible corporate bonds.
6. Decrease in Retained earnings: The main reason is that the pandemic caused the group to turn from profit to loss in this period, cash dividend NTD47,250,000 and special surplus reserve NTD5,617,000 were withdrawn in 2020.
7. Other equity: Mainly because the exchange rate of Ringgit Malaysia against New Taiwan Dollar continued to decline from January to December 2021 (6.913-->6.6416), so the negative value of the accumulated translation difference in the financial statements increased compared with 2020..

7.2 Financial Performance

7.2.1 Financial performance analysis

Unit: NTD Thousand; %

Item	2020	2021	Difference	
	Amount	Amount	Amount	%
Operating revenues	1,259,850	894,227	(365,623)	(29.02)
Operating costs	1,015,450	768,910	(246,540)	(24.28)
Gross profit	244,400	125,317	(119,083)	(48.72)
Operating expenses	145,301	104,000	(41,301)	(28.42)
Operating income	99,099	21,317	(77,782)	(78.49)
Non-operating income and expenses	(12,420)	(57,374)	(44,954)	361.95
Profit before income tax	86,679	(36,057)	(122,736)	(141.60)
Income tax expense	31,941	(1,194)	(33,135)	(103.74)
Net profit for the year	54,738	(34,863)	(89,601)	(163.69)
Other comprehensive income(loss) for the year, net of income tax	(34,325)	(28,222)	6,013	(17.56)
Total comprehensive income for the year	20,503	(63,085)	(83,588)	(407.69)

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

1. Decrease in operating income: The main reason is that TC stopped work in January 2021 due to the confirmed COVID-19 among employees. In addition, the government re-implemented the movement control order from June to mid-September, and the company suspended operations. During the same period, the current period of downtime was about 4 months, resulting in a decrease in operating income.
2. Decrease in operating costs: The main reason is that the operating costs decreased relatively due to the decrease in operating income.
3. Decrease in operating gross profit: Mainly due to the decrease in operating income and the production of more idle production capacity due to shutdowns in the current period..
4. Decrease in operating expenses: Mainly (1) Sales expenses decreased compared with the same period last year: due to the overall decrease in shipments due to the pandemic. (2) Administrative expenses decreased compared with the same period of last year: (a) TC's profit in the current period was less than that in the same period of last year, so the estimated employee bonuses decreased relatively. (b) Since the company has suspended work for more than 4 months, it has negotiated with the employees to adjust the salary during the suspension period, resulting in a reduction in the salary cost of the current period.
5. Decrease in operating profit: The main reason is that the Group's operating gross profit decreased due to the impact of the COVID-19 pandemic.
6. Decrease in net profit before tax: Mainly due to the decrease in operating gross profit, fixed expenses still exist, and the recognition of fire losses in TC2 and impairment of ESKB assets, resulting in the Group's profit turning into a loss.
7. Decrease in income tax expenses: Mainly because the net profit before tax in the current period turned into a loss.
8. Decrease in net profit after tax: Mainly due to the decrease in operating gross profit, fixed expenses still exist, and the recognition of fire losses in TC2 and impairment of ESKB assets, resulting in the Group's profit turning into a loss.
9. Decrease in total comprehensive income for the year: Mainly due to the decrease in net profit for the current period due to the impact of the pandemic.

7.2.2 Sales forecast and assumptions:

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

7.2.3 Likely influence on company finance in the future and contingency plans:

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

7.3 Cash Flows

7.3.1 Analysis of the Change in Cash Flow in 2021:

Unit: NTD Thousand

Item	2020	2021	Difference	
			Amount	%
Net Cash generate from Operating Activities	33,049	25,343	(7,706)	(23.32)
Net cash used in Investing activities	4,210	(27,891)	(32,101)	(762.49)
Net cash used in Financing activities	37,427	(14,685)	(52,112)	(139.24)
Variance analysis:				
<ol style="list-style-type: none"> 1. Decrease in Net Cash generate from Operating Activities: In order to comply with the movement control order implemented by the Malaysian government, the subsidiary has been suspended for about 4 months due to the impact of the pandemic in 2021. Resulting in a sharp drop in net profit, which will also affect the cash flow from operations. The recovery of funds is good. However, due to the rising trend of global raw material prices and the shortage of container supply, and the official start of production by EHL, the Group's subsidiaries need to increase more inventory levels to prepare for production in 2022. To sum up, the cash flow from operating activities decreased by approximately NTD 7 million compared with that in 2020. 2. Decrease in Net cash used in Investing activities: The cash outflow from investing activities mainly comes from the capital expenditure incurred by EHL to set up plant and equipment in 2021. ESKW is reorganizing its business and disposing of plant and machinery and equipment generates more cash inflows, so that the investment activities Cash inflow decreased by approximately 30 million in 2020. 3. Decrease in Net cash used in Financing activities: (1) In 2021, the Company will increase its capital by 5,000 shares in cash, and obtain an investor price of approximately NTD 80,765 thousand. (2) 1,200pcs convertible bonds were issued for the second time and 1,952pcs convertible corporate bonds were sold back at maturity for the first time, resulting in an overall cash outflow of approximately NTD 78,028 thousand. (3) In 2021, Tesheng increased long-term borrowings of approximately NTD 62,945 thousand, and repaid approximately NTD 96,829 thousand of short-term borrowings used for purchasing materials in 2020, resulting in cash outflows of approximately NTD 33,884 thousand. In summary, the cash flow from financing activities decreased by approximately NTD 52,112 thousand compared with that in 2020. 				

7.3.2 Remedial measures for cash deficit:

The Company has no liquidity problems in the recent fiscal year.

7.3.3 Cash flows analysis for the following year:

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

7.4 Material capital expenditures in the Most Recent Fiscal Year and their Impact on Financial and Business Operations: The Company has no material capital expenditures in recent year.

7.5 Investment policy in Most recent fiscal year, Main Causes for Profits and Losses under the policy, Improvement Plans, and Investment Plans for the following year.

7.5.1 Investment policy:

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

7.5.2 Major causes for profit or losses and improvement plans:

Unit: NTD Thousand

Investee Enterprises	Direct (Indirect) shareholding ratio	Approved investment gains and losses in the most recent year	Reason for profit or loss	Improvement plan
TC	100.00%	11,159	Good operating condition	NA
TCH	100.00%	2,161	Good operating condition	NA
EHL	70.00%	(21,084)	Currently in the stage of setting up the factory, there is no profit to cover the operating expenses.	The operation is normal. The company started operation, production and delivery in 2022.
TCH(US)	100.00%	(9)	Mainly to cooperate with the Group's business reorganization, there is no profit to cover operating expenses.	NA
ESK B	100.00%	(18,182)	Has not reached the break-even point	The operating model is being adjusted, and the machinery and equipment have been rented out, and the loss will be greatly reduced in 2022.
ESK WP	100.00%	3,912	Good operating condition	NA

7.5.3 The Investment plans for the coming year:

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

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

7.6.1 Risk Management

(a) The impact of any fluctuation of interest rates and exchange rates and inflation on Company's profits (Loss) during the current fiscal year up to date of publication of the annual report, and the future countermeasures.

(i) Interest rate changes

Unit: NTD Thousand

Item \ Year	Year 2020		Year 2021	
	Amount	Net sales share (%)	Amount	Net sales share (%)
Interest income	901	0.07	527	0.06
Interest expense	11,078	0.88	12,030	1.35

The company's interest income and interest expenses in the last two years accounted for a low proportion of the current year's net operating income. So changes in market interest rates have not had a significant impact on the company's financial and business conditions.

The company's capital planning is based on the principle of conservative and prudent. The priority in the allocation of working capital is safety. The idle funds are mainly time deposits and demand deposits. The proportion of interest expenses is not high. However, the company still maintains good relations with financial institutions. The financing has established, and the financial unit of the company will pay close attention to the economic development situation on weekdays, and will take corresponding measures when necessary.

(ii) Exchange rate changes

Unit: NTD Thousand

Item \ Year	2020	2021
Gains (losses) on foreign currency exchange	(11,015)	3,427
Gains (losses) on financial assets at fair value through profit or loss	5,570	(4,619)
Total	(5,445)	(1,192)
Proportion of operating income (%)	(0.43)	(0.13)

The foreign exchange gain/ (loss) for the last two years was (NTD3,427) and (NTD11,015 thousand) respectively, which accounted for (0.13%) and (0.43%) of revenues. As the U.S. dollar is showing an upward trend at the end of 2021, more exchange losses will occur on the account.

Our products are exported, and we quote our revenues in US\$. Hence, exchange gain and loss in foreign currency depend on the fluctuation of US\$ against MYR. In addition, the company also pays attention to the fluctuation in the exchange rate market on weekdays. If need for hedging, we can use derivative financial products on time for hedging operations, so exchange rate changes will not cause risks to the company's operations.

(iii) Inflation

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

(b) Policies on high-risk, highly leveraged investments, lending funds to other parties, endorsements, guarantees, and financial derivative transactions, main reasons for the profits or losses generated thereby, and future response measures to be undertaken:

The company is not engaged in high-risk and high-leverage investments.

The Company has laid down "Operational Procedures for Loaning of Company Funds", "Operational Procedures for Endorsements and Guarantees", and "Procedures for Financial Derivative Transactions".

(c) Future R&D plans and projected investment schedules and R&D expenses:

To cope with the growth of the future American wooden furniture market, the company has taken advantage of the professional manufacturer of wooden bedroom furniture to launch its brand. Besides continuously improving production efficiency, it is necessary to strengthen the ability to develop and manufacture products. To meet the different needs of customers, besides the estimated investment of NTD 10 million in 2022. The company will continue to invest in research and development expenses, which will enhance its competitiveness. The future development direction of the company is:

- (1) Actively train R&D talent to improve product design capabilities and manufacturing technology standards.
- (2) Gradually reduce labor costs by introducing automated production equipment through R & D and improved processes.

- (3) It will actively develop environmentally friendly materials that can replace native wood to increase product competitiveness.
- (4) Intention to invest in diversified products to help the company's revenue and reduce the risk of a single product.

(d) The changes of domestic and overseas important policies and laws and its impacts on the Company's financial operations, and the countermeasures:

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

(e) Impacts of Changes in Technology and Industry on Financial Business of the company and Countermeasures:

The company is paying close attention to technological changes and absorbing the most recent market information in order to assess their impact on operations. In recent years, technological and industrial changes have had little influence on the financial world.

Cyber Security Risk

To control or maintain important corporate operating functions, including operation and accounting, etc. functions, of the Company, the Company relies on a network system may be subject to network attack. Malicious hackers will also try to introduce computer viruses or destructive software into the company's network system, interfere with the company's operations, blackmail the company or spy on confidential information

Countermeasures:

- a. the company has an information department that hires relevant professionals to assist in the company's management network, host and related systems. The company has

also compiled a "computerized information system processing cycle (MIS cycle)", to further ensure and strengthen the management of information security through specific management plans.

- b. The MIS Department has adopted a variety of network security precautions, including firewalls, anti-virus software and other technologies, and the company employees use the company network to set up barriers when browsing external web pages to strengthen network security. If the website is unknown or malicious, the link will not be opened.
- c. . The company's internal control system has procedures related to computerized information system processing, and we will also announce relevant information use methods and precautions to all employees by email, and the information department will also arrange some information security-related briefings from time to time. To remind company employees to pay attention to network security, and to promote the latest information security information.

(f) Potential Impacts of Changes in Corporate Image on Corporate Crisis Management and their countermeasures:

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

(g) Anticipated Benefits and Potential Risks of Merges and Acquisitions and their countermeasures:

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

(h) Anticipated Benefits and Potential Risks of Capacity Expansion and their countermeasures:

A complete, prudent and dedicated unit, which has fully considered the benefits of investment recovery and risks has evaluated the expansion of the company's plant.

(i) Potential Risks of Concentrated Procurement and Sales, and countermeasures :

(i) Concentrated purchase of goods:

The company's largest purchase suppliers in 2020 and 2021 accounted for 6.03% and 4.33% of the total purchases. The local furniture industry chain in Muar, Malaysia. Because of the characteristics of the industry, local procurement is mainly used, which is conducive to the control of delivery time. The suppliers who cooperate with the company are all raw material suppliers that have been established for many years. The period is relatively stable. In addition, over two suppliers supply the company's main purchase items. If a supplier cannot provide a supply of goods or the delivery time cannot match, the company will seek other alternative manufacturers or other suitable alternative raw materials. The source of goods is stable, so it can reduce the risk of centralized purchase and material outage.

(ii) Concentrated selling:

The largest sales customers in 2020 and 2021 accounted for 36.84% and 23.30% (AFI & AFT) of the operating revenue. The main reason is that the company focuses on the high-quality production of American-style bedroom furniture, and customers recognize its advantages in manufacturing capabilities. However, the marketing department has been actively developing new customers and planning sales strategies to diversify the risk of sales concentration in recent years. It will reduce the proportion of the largest sales customer to 23.30% compared with the previous period in 2021. The company will be the top five customers accounting for about 75% of revenue in the 2022Q1. In 2022, it will put the kitchen cabinet business into production and delivery 2018. The company will continue to develop new customers and products to reduce the risk of sales concentration.

(j) Potential Impacts and Risks of the Sales or Transfers of Significant Numbers of Shares by the company's directors, supervisor, or major shareholders Holding more than 10% of outstanding shares and their countermeasures:

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

(k) Potential impacts and risks of changes of management right and their countermeasures:

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

(l) Other material risks and countermeasures:

(i) the risk posed by the overall economy, political and economic environment, currency, and laws.

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

(ii) The risk of protecting shareholder rights

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

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

A. Facts and statistics

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

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

The annual report contains certain looking forward statements and information about the company and its affiliates. We base these statements and information on the belief, assumptions, and current information. In this annual report, "expect", "believe", "can", "expect", "future", "intended", "may", "must", "plan", "estimate", "seek", "should", "will", "may", "expected" and similar statements are looking forward statements when applied to the company or

management. Such statements reflect the view of the company's management on future events, operations, liquidity, and funding sources, which may not be realized or may change. These statements are subject to certain risks, uncertainties, and assumptions, including other risk factors described in this annual report. Investors should carefully consider and rely on any looking forward statements involving known and unknown risks and uncertainties. The risks and uncertainties faced by the company may affect the accuracy of looking forward statements, including but not limited to:

- (a) A description of the annual report's references and an operational overview.
- (b) In this annual report, certain statements regarding the price, volume, operation, profit trends, overall market trends, risk management, and exchange rates are made. The company will not update the forward-looking statements in this annual report or change them in response to future events or information. Because of the risks, uncertainties, and assumptions described above, the forward-looking statements and circumstances in this annual report may not occur in the manner expected by the company or even not occur at all. Therefore, investors should not rely on any forward-looking statements.

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

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

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

The company is a holding company that has been establishing with no commercial operations in the Cayman Islands. The company has no other assets and liabilities apart from the equity held by the subsidiary. The company's

subsidiary in Malaysia is the major source of operating profit for the group. The distribution of cash dividends or the retention of surplus reserves will affect the distribution of cash dividends. However, the distribution of cash dividends of subsidiaries will be restricted by the local country's dividends, exchange rate changes will affect revenue repatriation laws, cash transfers, and the control of the foreign exchange, and cannot fully control by the company.

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

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

7.6.2 Litigation and non-litigation matters

- (a) The most recent two years till the printing date of the annual report, conclusive judgment or major litigations, non-litigations, administrative disputes, whose outcome might influence shareholder rights or the price of securities, the disputed facts, subject-matter amount, initial date of litigation, main litigants, and status on the current proceedings: Not Applicable.
- (b) The company's directors, supervisors, general managers, substantive principals, major shareholders and subordinate companies with a shareholding ratio of more than 10%. Involve in any litigation, non-litigation or administrative litigation that has been determined or is currently in the system in the last two years and up to the date of the annual report and the result may have a significant impact on the company's shareholders' equity or securities prices: Not Applicable.
- (c) The company's directors, supervisors, managers, and major shareholders with a shareholding ratio of more than 10% have stipulated in Article 157 of the Securities Exchange Law and the current situation of the company in the last two years and as of the end of the annual report: Not Applicable.

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

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

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

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

(a) Country of registration: Cayman Islands

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

The Cayman Islands is a British overseas possession in the West Indies, in the Caribbean south of Miami, Florida. Georgetown is an administrative, commercial center in Grand Cayman. The Cayman Islands is also one of the world's major financial centers.

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

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

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

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

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

The company law of the Cayman Islands requires that a Cayman company must plan a Memorandum of Association to specify the company name, registered address, and capital composition, but it does not force the company to plan a constitution. Companies in the Cayman Islands will refer to the First Schedule Table A of the company law to plan the company articles of incorporation to regulate the internal operations. Therefore, the company should abide by the articles, Cayman Islands company law, and other relevant regulations. However, the laws and regulations of the Cayman Islands different from those of the Republic of China. The company has revised the articles of incorporation within the limits of the laws and regulations of the Cayman Islands by the relevant laws and regulations of the Republic of China and the competent authorities. However, protecting shareholders' rights still different from that of companies established under the laws of Taiwan.

(3) The validity of the civil judgment

A. Risk of litigation claims

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

B. Risk of recognition and enforcement of judgment

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

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

It schedules the company articles to propose before the company law of the Cayman Islands permits. The company articles do not hinder shareholders from violating the convening procedure or resolution method of the shareholders' meeting within 30 days after the resolution. Besides, to sue in a court of jurisdiction, when seeking appropriate relief for disputes arising from the foregoing matters stipulated in the articles of company and the Taipei District Court of Taiwan could be the court of first instance jurisdiction. Because is an exempted company in the Cayman Islands, if a lawsuit is a field in a Cayman Islands Court, the court will determine whether it has the jurisdiction to hear related disputes. If it has jurisdiction, the content of the relief will determine at its sole discretion.

The company law of the Cayman Islands does not allow minority shareholders

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

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

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

The differences between the laws of the Cayman Islands and the Republic of China laws and the securities trading system may still cause conflict in the application of laws or interpretation doubts. The resolution of conflicts in the application of laws or interpretation doubts remains to be determined by the court. Therefore, investors are reminded that to request the Cayman Islands courts to enforce the judgments of our country or to bring litigation in the Cayman Islands courts or to enforce their related

rights. The Cayman Islands courts will not recognize our country's laws and transaction practices (including but not limited to the method of share transfer and the record of shareholders), so there may be a risk of exercising rights against foreign companies.

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

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

(b) The main operation country: Malaysia

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

Malaysia is rich in natural resources. Besides possessing oil and natural gas, Malaysia has become a major producer of palm oil in the world because of suitable climatic conditions. The rubber output also ranks among the best in the world. Rubber wood can manufacture high-end furniture, making Malaysia a major furniture exporter in the world. Because planting palm and rubber does not require a lot of labour, it used most of the main arable land for planting palm and rubber, while the scale of other agricultural products is relatively small, so rice, vegetables, and fruits still need to be imported. We estimated that Malaysia's gross domestic product in 2021 will be US\$372.894 billion, and the average GDP per capita will reach US\$11,377. The estimated output value of agriculture, industry, and service industry will account for 7.9%, 35.3%, and 56.7% of GDP respectively, in 2021.

Affected by the expansion of the COVID-19 pandemic and its impact on economic activities, private consumption, fixed investment, and government spending fell in Malaysia. The performance turned from a growth rate of 4.44% in 2019 to a recession of 5.65% in 2020. With the easing of the pandemic and the relaxation of various pandemic prevention restrictions, economic activity is expected to pick up gradually. The Malaysian government will benefit from the plan's economic reconstruction and expenditure plans when it launches the 12th five-year "Malaysia Plan" (12MP) in September 2021. Implemented gradually, we expect the economic recovery to speed up and return to pre-pandemic levels in 2022. The real economic growth rate will be 3.00% and 4.50% in 2021 and 2022.

The real GDP growth rate is 4.3%, -5.3%, 4.4% from 2019 to 2021. The trade account is in surplus, although the labor account and income account are both in deficit, the current account maintains a surplus, and the current account surplus accounts for

3.4% of GDP, 4.8%, 4.8%. The Tun Dr. Mahathir government continued to negotiate with rival countries to get better financial conditions for the previous government's infrastructure construction contracts in 2018. The proportion of fiscal deficit to GDP is 3.4%, 7.4%, and 6.2%; the proportion of foreign debt to GDP is 63.3%, 69.6%, and 64.5%, respectively; 6.36 months from 2019 to 2021. Overall, the external mobility is acceptable. Although facing political challenges, Malaysia's economic fundamentals, highly diversified export structure, and current account surplus continue to drive economic growth. The excellent infrastructure, a diversified economy, good and universal education, and the government. The development policy of enhancing the value chain will enable the Malaysian economy to maintain the competitiveness of its economic development.

In terms of the political environment, Malaysia is expected to hold the next general election in 2023. The current government, which is supported by only a majority of the parliament, has lifted the government's dissolution before July 31, 2022 after reaching a cooperation agreement with the opposition in September 2021. Threats to stabilize the changing political situation since the resignation of former Prime Minister Mahathir Mohamad in February 2020. But regardless of the timing and outcome of the next election, it is unlikely that any new government will secure an absolute majority in parliament, so we expect political uncertainty to persist in the future.

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

a. Foreign exchange control

Although Malaysia has foreign exchange control regulations, they are only an appropriate framework to facilitate foreign exchange risk management. But not active foreign exchange restriction, to reduce the operating costs of local Malaysians and foreign investors. Its foreign exchange management structure roughly divides enterprises into resident and non-resident enterprises. Resident enterprises refer to those registered or approved by any agency in Malaysia. As far as the resident company applicable to the Malaysian subsidiary, its use of foreign currency to pay any amount for imported goods and services is not subject to any restrictions; its export income must collect in foreign currency, according to the foreign exchange control regulations attached to the notice stated that the foreign currency income of domestic resident export enterprises can only deposit 25% of the foreign currency income, and the remaining 75% needs to be converted into ringgit from the Bank of Malaysia, In terms

of foreign investment, a resident enterprise that has obtained a quota from Bank of Malaysia can convert the maximum amount of MYR 50 million (based on the entire company group) to convert into foreign currency assets. The company's subsidiaries in Malaysia can freely borrow ringgit and foreign currency from domestic banks, and the use of funds related to currency conversion is not subject to major restrictions by foreign exchange control laws. Therefore, Malaysian foreign exchange control measures will not significantly influence the company's operations.

b. Taxation

It has reduced the corporate income tax to 27% and 25% in 2007 and 2009 since Malaysian Prime Minister Tun Abdullah announced a rolling reduction plan in 2006. Malaysia has implemented the Single Tier Tax System for the taxation of dividend income to replace the original deduction since January 2008. The transition period is from 2008 to 2013. The income tax paid by the company can be fully or partially deductible from the shareholder income tax. The corporate income tax can be fully or partially deductible from the shareholder income tax under the Single Tier Tax System. The corporate income tax paid by the Malaysian company will become the final tax burden under the original calculation deduction system. Malaysia has implemented the Sales and Service Tax (SST) since September 1, 2018, to replace the existing Goods and Service Tax (GST), which will affect all domestic and imported shipments.

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

c. Social Insurance and Provident Fund

Malaysia has a population of about 30 million, and it has the smallest population except for Singapore among the ASEAN countries. Malaysia allows the manufacturing and export-oriented industries to introduce foreign labor but must pay a head tax (annual about 1,250 MYR). But there is a trend of strict restrictions year by year to

solve the labor shortage. Currently, Malaysia mainly permits foreign workers from Indonesia, Thailand, Cambodia, Nepal, Myanmar, Laos, Vietnam, Philippines, India, Turkmenistan, Uzbekistan, Kazakhstan, and other countries, and established a single application in August 2005. It reported officially introduce foreign workers has increased from 700,000 in 2000 to the current 2.35 million. Indonesia accounts for most foreign labor because of its geographical proximity and language communication among them.

(i) Employees Provident Fund Act 1991

According to the Employees Provident Fund Act 1991 (Act No.452), all employers and employees are required pay the Employees Provident Fund (EPF) by this law. The employer provides the contribution rate based on the employee's monthly salary. If the employee's salary is less than RM 5,000, the contribution ratio is 13%. If the employee's salary is higher than RM5,000, the allocation ratio is 12%. For over 60 years old, employees who are not Malaysian are exempt. In response to the COVID-19 related policies adjusted in 2020. It will adjust the employee contribution rate from 11% to 7% from April 2020 until December 2020; the employer portion will remain unchanged. Starting from January 2021, it will reduce the minimum contribution rate of the employee provident fund from 11% to 9% for 12 months. As for the employer's contribution rate, it remains at 13%. As for the employer's contribution rate, it remains at 13%. Finance Minister Tunku Zafrul announced in the Malaysian Budget 2022 that to increase the cash in the hands of the people, the government has reduced the monthly contribution of the Employees Provident Fund (KWSP) to 9%, which extended until June 2022. The Minister of Finance Tengku Zafrul Aziz has presented the budget for 2022, which announced several issues related to the Provident Fund Board. In this budget, the government did not declare any withdrawal plan. The government decides the monthly contribution of the Employees Provident Fund (KWSP). The 9% reduction will extend to June 2022.

(ii) Employee Social Insurance Law

The Social Insurance Organization (SOCISO) implements the Work Injury Insurance Plan and Disability Pension Plan under the Employee Social Insurance Law in 1969. Starting from January 1, 2013, employees under 60 years old have paid social insurance. The employer pays the amount of social

insurance at 1.75% based on the employee's monthly salary and 0.5% by the employee. For employees over 60 years old or those who reached 55 years old when they first registered with SOCSO, the work injury insurance plan is paid by the employer at 1.25% of the employee's monthly salary, and cash provided for the employee's disability or death caused by a work injury and medical protection.

The Work Injury Insurance Plan: The employer pays 1.25% of the employee's monthly salary and provides cash and medical protection for the employee's disability or death because of a work injury (only applicable to employees over 60 years old or employees who have reached the age of 55 when they first register with SOCSO). Disability Pension Plan -pay at 1% of the employee's monthly salary, equally shared by the employer and employee, and protect employees under the age of 55 who lost to work or death for any reason.

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

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

- A. The judgments are not a fixed amount;
- B. The relevant courts of the Republic of China do not have jurisdiction;
- C. The proceedings in the Republic of China did not give notice (to the parties);
- D. The judgments violate the public policy of Malaysia, or fraud or violation of the principles of natural justice obtained the judgment;
- E. The choice of the law of the Republic of China as the governing law of a document is to circumvent others laws, or the choice of the law of the Republic of China as the governing law that not based on the principle of good faith or violates public policy;
- F. The judgments are a tax or fine or similar judgment based on foreign tax law or criminal law;
- G. Fraud obtained;
- H. The right granted by the court's judgment is a non-granting creditor;
- I. The judgments were dismissed on appeal; or

J. The judgment is not final.

7.7 Other Significant Matters: None.

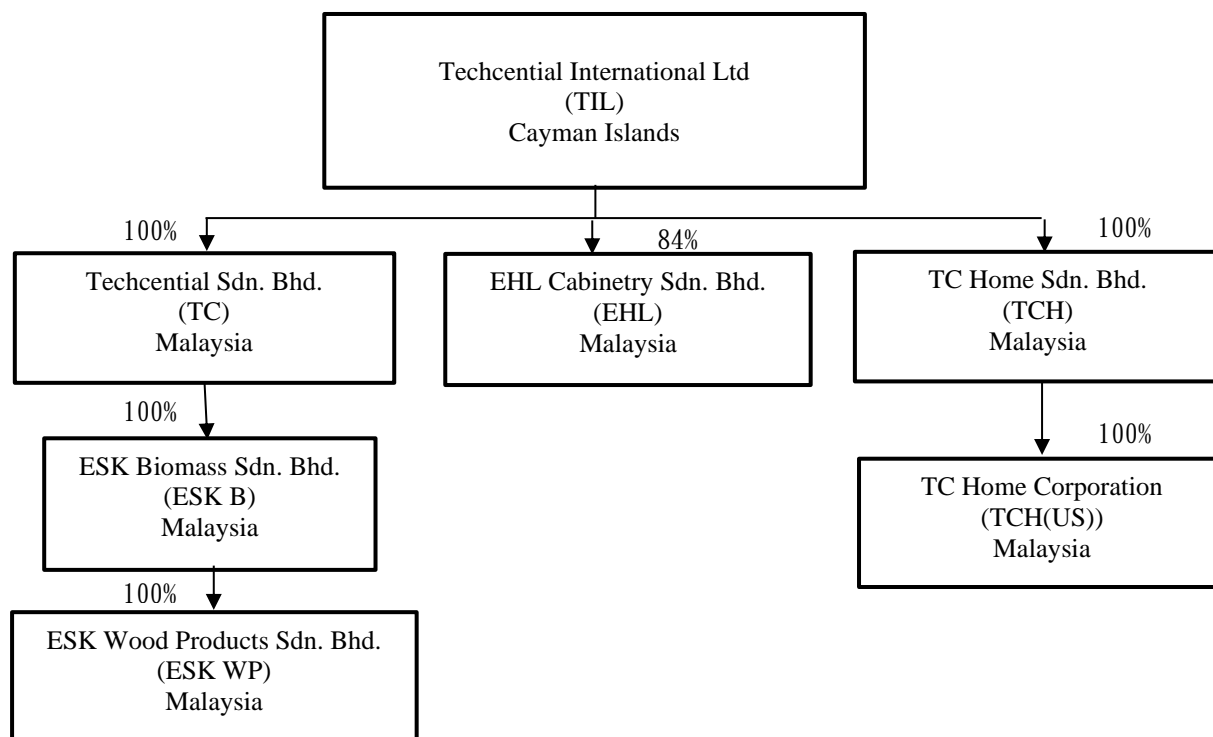
8.0 Special Disclosures

8.1 Chart of Affiliated Companies

8.1.1 Organization

(A) Affiliated Organizational Chart

April 30, 2022



8.1.2 List of Affiliated Companies

April 30, 2022

Name of subsidiary	Set up Date	Address	Paid-up capital (Thousand)	Nature of Business
TC	2001.6.11	PTD 4093 Kaw Perindustrian Parit Jamil, Parit Jawa 84150 Muar, Johor, Malaysia.	MYR 10,000	Manufacturing of American wooden furniture
TCH	2013.1.22	PTD 4093 Kaw Perindustrian Parit Jamil, Parit Jawa 84150 Muar, Johor, Malaysia.	MYR 2,000	Trading
TCH(US)	2015.8.20	c/o Isaacson Isaacson Sheriden Fountain & Leftwich, LLP, 804 Green Valley Road, Suite 200, Greensboro, Guilford County, North Carolina 27408.	US\$ 100 only	Management consultant
EHL	2016.5.20	PTD 4063, Kawasan Perindustrian P.T Jamil, PT. Jawa, 84150 Muar, Johor, Malaysia.	MYR 16,000	Manufacturing of Kitchen Cabinet
ESK B	2018.9.01	No. 35, (1st Floor), Jalan Seroja 8, Taman Seroja, Jalan Abd. Jabar, Parit Jawa, 84150 Parit Jawa, Muar, Johor.	MYR 8,000	Manufacturing & Trading of Rubber Wood
ESK WP	2018.9.01	No. 35, (1st Floor), Jalan Seroja 8, Taman Seroja, Jalan Abd. Jabar, Parit Jawa,	MYR 3,000	Manufacturing & Trading of

		84150 Parit Jawa, Muar, Johor.		Rubber Wood
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8.1.3 Shareholders in common of the company and its affiliates with deemed control and Subordination: Not Applicable.

8.1.4 Business Scope of the company and its affiliates.

Company Name	Investment Year	The function of reinvestment business	Group Positioning and Business Policy
TC	2016	The Research & Development and manufacturing for American wooden furniture.	Group positioning: Professional manufacturing, the main operating base. Business policy : Accept the orders from large American wholesalers and retailers to manufacture American-style wooden bedroom furniture.
TCH	2016	The sales of American-style wooden bedroom furniture.	Group positioning: Plan the new business to be corporate with the group's business reorganization currently. Business Policy: There is currently no operation to be corporate with the group's business reorganization currently.
TCH(US)	2016	The consultant of management	Group positioning: The receive payment of the customers in the U.S. and related expenses. Business policy: There is currently no operation to be corporate with the group's business reorganization currently.
EHL	2016	The manufacture of kitchen cabinet business.	Group positioning: The manufacturing of kitchen cabinet business. Business Policy: Enter the American kitchen cabinet market in response to the opportunity of the United States' implementation of anti-dumping duties on Chinese cabinets.
ESK B	2018	The manufacturing of the rubber wood.	Group positioning: Green fuel - Production of wood pellets. Business policy: At the initial stage of operation, the leftover rubber wood scraps within the group are temporarily processed and manufactured into wood pellets, which are expected to be sold abroad.

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

8.1.5 List of Directors, Supervisors, and Presidents of the company's affiliates

April 30, 2022

Name of Affiliated Companies	Title	Name of Representative	Shareholding	
			Shares	%
Techcential Sdn. Bhd.	Director	Eng Kai Pin	-	-
	Director	Eng Kai Jie	-	-
	Director	Yee Foo Chong	-	-
	CEO	Eng Kai Jian	-	-
TC Home Sdn. Bhd.	Director	Eng Kai Pin	-	-
	Director	Eng Kai Jie	-	-
	Director	Eng Say Kaw	-	-
	CEO	Eng Kai Pin	-	-
TC Home Corporation	Director	Eng Kai Pin	-	-
	Director	Eng Kai Jie	-	-
EHL Cabinetry Sdn. Bhd.	Director	Eng Kai Pin	-	-
	Director	Eng Say Kaw	-	-
	Director	Lim Swee Soon	3,510,000	15%
	CEO	Lim Swee Soon	-	-
ESK Biomass Sdn. Bhd.	Director	Eng Kai Jie	-	-
	Director	Eng Xin Kai	-	-
ESK Wood Products Sdn. Bhd.	Director	Eng Kai Jie	-	-
	Director	Eng Xin Kai	-	-

8.1.6 Operational Highlights of Affiliated Companies

December 31, 2021; Unit: NTD Thousand

Name of Subsidiary	Paid-in Capital (Thousand)	Total Assets	Total Liabilities	Net Worth	Revenues	Operating Income	Net Profit	EPS
Techcential Sdn. Bhd.	MYR 10,000	711,985	254,548	457,437	836,195	44,969	11,159	NA
TC Home Sdn. Bhd.	MYR 2,000	1,036	512	524	-	(62)	2,161	NA
TC Home Corporation	US\$ 100	904	195	709	-	(9)	(9)	NA
EHL Cabinetry Sdn. Bhd.	MYR 13,000	191,677	156,493	35,184	6,119	(35,446)	(30,120)	NA
ESK Biomass Sdn. Bhd.	MYR 8,000	36,372	8,566	27,806	5,574	(5,466)	(18,182)	NA
ESK Wood Products Sdn. Bhd.	MYR 3,000	50,242	23,445	26,797	59,564	3,340	3,912	NA

8.2 Private Placement Securities: None.

8.3 Subsidiaries' Shareholding or Disposition of the company's shares: None.

8.4 Other Supplementary Information Required:

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

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

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

Important matters for shareholder's protection	Differences for articles of incorporation and Reasons	The Influence for Shareholder's Equity
<p>1. The shareholders' meeting shall be held in the Republic's territory of China. The Board of Director meeting or two days after the shareholders get the convene permission from the competent authority and permission from TPEx if the shareholders' meeting is held out of the Republic of China.</p> <p>2. Shareholders continue to hold the issued shares for over one year and over 3% of the total. The proposal and reasons should record, request the Board of Directors to convene an extraordinary shareholders' meeting. The Board of Directors shall not notice to hold and convene after permission from a competent authority within 15 days after the request.</p>	<p>1. Regarding the Company Act of Cayman Islands, there is no special provision for shareholders to convene their meetings. Article 19.6 of the articles of incorporation does not regulate shareholders to report and get permission from the competent authority before convening extraordinary shareholders' meetings.</p> <p>2. Besides that, if the shareholder meeting is held out of the Republic of China, as shareholders convene an extraordinary shareholders' meeting, not need permission from the local competent authority of the Cayman Islands is required. So that, Article 19.6 of the articles of incorporation only stipulates that it should declare the certificate in advance TPEx and Taiwan Stock Exchange (according to its Circumstances apply) approval.</p>	No significant impact to equity.
<p>1. The articles of incorporation should list the electronic way as the channel for voting right. When shareholders' meetings are convening, the shareholder may exercise their voting rights in writing or electronically. If the company convene a shareholder meeting out of the Republic of China, We should mention the shareholder exercises voting rights in writing or electronic way.</p> <p>2. The company exercises voting rights in writing or electronic way. We shall state its exercise method in the shareholder's meeting notice. Shareholders who exercise voting rights in writing or electronic are deemed to be present in person. But on the approach of the shareholders' meeting. The amendment to extraordinary motions and the original motions shall be deemed as an abstention.</p>	<p>The Company Act of Cayman Islands does not mention that it can seem the written or electronic attend the shareholders' meeting and the Cayman Islands Lawyers have found none relevant related case. Article 25.4 of the articles of incorporation stipulate that shareholders shall vote in writing by the previous regulations or when exercising their voting rights in the shareholders' meeting electronically. Deemed to have delegated the chairperson as his proxy, according to its written or electronic document instructions voting right. Based on the status of the deputy, the chairperson matters not mentioned or stated in the personal or electronic documents and/or the amendment to the original proposal proposed at the shareholders' meeting/ neither may exercise the voting rights of the shareholder. To clarify doubtfully, the shareholder exercised voting rights in these ways, should be regarded as an extraordinary motion proposed by the shareholders' meeting and/or amendments to the original motion, which have waived voting rights exercise". And stipulation Article 26.3 of the articles of incorporation</p>	No significant impact to equity.

	for shareholders. Therefore, the voting right of the deputy shall not exceed. There is a 3% limit on the total voting rights of the issued shares.	
<p>The following proposals involving major shareholder rights should be represented by shareholders who have issued over two-thirds of the total shares and a majority of the voting rights of the shareholder present shall agree with the meeting upon. If the total number of shares of present shareholders is less than the aforementioned quota. With a shareholder representing more than half of the total issued shares. With over two-thirds of the voting rights of the shareholders agree to do it:</p> <ol style="list-style-type: none"> 1. The company concludes, change or termination business, commissioned business or contract frequent joint business with others, transfer all or major part of the business or financial property, transfer all the business or property of others, and the significant influence to the company. 2. Alteration of a trading charter. 3. If changes to the articles of incorporation damage the shareholders of special shares for those with rights, a resolution of the special shareholders' meeting is required. 4. Distribution of all or one of dividends and bonuses by issuing new shares. 5. Resolution of disbanding, merger, or division. 6. Those who issued new shares that restrict employee rights. 	<p>1.Regarding the resolution methods of the shareholder's meeting, except for our law to ordinary resolutions and heavy resolutions. Article 1.1 of the Article of incorporation also contains the Company Act of Cayman Islands "special resolutions", that is when the shareholders' meeting, the shareholders who have the right to vote in person attend or vote by proxy or by legal person shareholders or attendance form of legally allowed representatives of non-natural person shareholders after calculating the number of voting rights each shareholder has, at least two-thirds of the voting rights of present shareholders agree to pass a resolution.</p> <p>2. According to the Company Act of Cayman Islands, the following matters should be as a special resolution:</p> <p>(1) Alteration of a trading charter According to the Company Act of Cayman Islands, the amendments special resolutions stipulated by the company law. In Article 12.1 of the articles of incorporation, changing the articles of incorporation is not based on the shareholders' equity. It charged the requirements to the priority under the law of our country. According to Article 13 of the articles of incorporation, if any amendments or changes to the articles of incorporation will harm any kind priority of shares and the relevant amendments or changes shall be subject to the special resolution is passed and should be approved by the shareholders of such damaged shares. And should be approved by a special resolution at a separate shareholder meeting.</p> <p>(2) Disband: According to the Company Act of Cayman Islands, If the company cannot debt is settled when it is due and the resolution is voluntary liquidation and dissolution. In case of dissolution, resolving the shareholders' meeting shall be taken However, if the company was voluntarily liquidated and dissolved because of reasons other than the above. We shall base dissolution on the special provisions of the Company Act of Cayman Islands. Article</p>	No significant impact to equity.

	<p>12.4 (a) of the articles of incorporation, the payment is because the company cannot pay off its debts and resolution of voluntary liquidation and dissolution not by the checklist for shareholder rights protection. It is a serious resolution under the law of our country.</p> <p>(3) Merge: This is because the Company Act of Cayman Islands has the voting method of the defined merger mandatory. Article 12.3(b) of the articles of incorporation “Union” (except as defined in the Company Act of Cayman Islands purchase and/or merger only requires a special resolution) should be a severe resolution passed.</p> <p>3. The differences in the table lie in the importance of matters that are heavily resolved in the articles of incorporation regulated by major resolution and special resolution between the inspection of the above matters and protecting shareholders’ rights and interest. These differences are because the Company Act of the Cayman Islands was born, and the articles of incorporation have the major resolutions of the important matters are listed in the public. The major resolutions and special resolutions in the company charter item, the articles of incorporation have the response is limited.</p>	
<p>1. The supervisor selected by the shareholders’ and at least the supervisor must have a residence in the country.</p> <p>2. The term of the supervisor shall not exceed three years. But have to re-election.</p> <p>3. When all supervisors are dismissed, the board of directors shall convene an interim meeting of shareholders within sixty years.</p> <p>4. The supervisor shall supervise the execution of the company’s business and may investigate the company’s business and financial status and check the books and documents and request the board of directors or managers to submit reports.</p> <p>5. The supervisor made up the shareholder meeting for the board of directors. The various forms should check and opinions should report in the shareholders’ meeting.</p> <p>6. The supervisor may handle the inspection affairs on behalf of the committee by accountants and lawyers.</p> <p>7. The supervisor may attend the board of directors to present opinions. Board of directors</p>	<p>The issuing company has an audit committee, but no supervisory regulations in the articles of incorporation.</p>	<p>No significant impact to equity.</p>

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

	<p>but the agreement between shareholders with the company. Even if it is allowed in the articles of incorporation about minority shareholders file derivative lawsuits against directors. Cayman Group Attorney Island believes that the content will not restrain the directors. However, under the law, all shareholders (including minority shareholders) regardless of their shareholding ratio or holding period, may have started derivative litigation (including litigation against directors.) Once the shareholders have sued, the Cayman Islands court will have full power to decide whether shareholders can proceed with litigation. Of prophecy, the Article stipulates that require minority shareholders (or those who have the required shareholding ratio or shareholders during the holding period) may represent the company's litigation, but whether the lawsuit can be continued, the most still depend on the decision of the Cayman Islands court. According to open related judgments made by the grand court of the Man Island. The court of the Cayman Islands is considering whether to approve the continued derivative litigation. The applicable criterion is whether the Cayman Islands court believes and accepting the request made by the plaintiff on behalf of the company is substantive, the company controls the wrongdoing it advocates, and those controllers can prevent the company from sue it. The Cayman Islands court will real judgment (although the court may refer to the articles of incorporation, this is not the decisive factor.)</p> <p>Regarding the law of the Cayman Islands, the board of directors should be (instead of individual directors) decide on behalf of the company. Therefore, Directors shall be authorized by a resolution of the board of directors. The directors represent the company and sued other directors.</p> <p>The Cayman Islands company law does not give shareholders the board of directors shall decide on specific matters in clear text. But, the Cayman Islands Company Law does not prohibit companies from stipulate. Regulations related to the procedures of board meetings (including directors' rules for convening meetings.)</p>	
1. The company director should perform their business faithfully and do their best to the duty	Anyone who violates and causes damage to the company shall be as far as the law allows	No significant

<p>of care of an excellent manager, if any breach of anyone who suffers in damage shall be liable for damages. If the behavior is when it is done by oneself or others, the shareholder's meeting can resolve, treat the income of the act as the company's income.</p> <p>2. The company's directors perform the business, such as when a violation of the law causes damage to others, respond to others responsible for joint compensation with the company.</p> <p>3. The managers and supervisors within the same liability as the directors of the company.</p>	<p>to a large extent, it shall be liable for the damage. If the directors violate the above regulations, for yourself or others, when any benefit is obtained. In the past, the company should take all appropriate actions and steps to the maximum extent permitted by law, from the directors to make these interests belong to the company. The directors of the company if it violates laws or orders when performing business operations cause the company to have any compensation or damage to anyone's responsibility, the director shall agree with the company on such compensation or damage responsible for joint damages, and for any reason, the director shall not liable for joint compensation with the company. The director shall be responsible for any damage suffered by the company because of its breach of responsibility the loss will be compensating. The manager should be liable for the same damages as the directors.</p> <p>However, the Cayman Islands lawyers are the islands decree reminds:</p> <p>The manager or the supervisor will not be liable to the company or shareholder's responsibility for the same thing by the law of the Cayman Islands. However, if the manager or supervisor may represent the actions of senior executives, they will be responsible for the duty to do the same thing. To avoid doubt, the Cayman Islands company in the service contract with the manager or supervisor. Standardize its responsibilities and obligations to the company and shareholder's service.</p> <p>Similarly, since the articles of incorporation are an agreement between shareholders and the company. The manager or supervisor is not a party to the charter. So, all respond to the manager's or supervisor's claim of a violation. It should regulate the right to compensation for damages in the service contract.</p> <p>As the laws of the Cayman Islands, the articles of incorporation are an agreement between the shareholders and the issuing company, the directors (for whom they act as directors of the issuing company) are not parties to the articles of incorporation. Therefore, the Cayman Islands lawyers believe that the articles of incorporation do not restrict the directors. If the company</p>	<p>impact to equity.</p>
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	wants to make the relevant clauses effective for the directors. The Cayman Islands lawyer believes it should regulate the relevant rights in the contract with the individual directors, such as service contracts.	
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8.6 Up to the most recent fiscal year and the publication date, occurrence of Securities and Exchange Law, Article 36, paragraph 3, subparagraph 2, that any significant impact on shareholders' equity or securities price matters: None

**TEHCENTIAL INTERNATIONAL LIMITED
AND SUBSIDIARIES**

Consolidated Financial Statements

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

**Address: The Grand Pavilion Commercial, Oleander Way, 802 West
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The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

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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 valued.

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

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)

		December 31, 2021		December 31, 2020				December 31, 2021		December 31, 2020	
		Amount	%	Amount	%			Amount	%	Amount	%
11xx	Assets					21xx	Liabilities and Equity				
1100	Current assets:					2100	Current liabilities:				
1110	Cash and cash equivalents (note 6(a))	\$ 199,374	22	237,873	25	2120	Short-term loans (notes 6(b), (f), (i), 7 and 8)	\$ 114,514	13	109,326	11
1170	Current financial assets at fair value through profit or loss (notes 6(b) and 7)	1,439	-	2,775	-	2130	Current financial liabilities at fair value through profit or loss (notes 6(b), (l) and 7)	13	-	640	-
1200	Accounts receivable, net (notes 6(c) and (r))	64,565	7	116,181	12	2170	Current contract liabilities (notes 6(r))	12,045	1	704	-
1220	Other receivables (note 6(d))	1,498	-	908	-	2180	Accounts payable	73,891	8	93,148	10
1310	Current tax assets	5,511	1	933	-	2200	Accounts payable to related parties (note 7)	21,596	2	190	-
1410	Inventories (note 6(e))	334,876	38	275,113	29	2230	Other payables (notes 6(s) and 7)	43,244	5	51,635	5
1476	Prepayments	24,281	3	35,493	4	2280	Current tax liabilities	419	-	9,109	1
1479	Other current financial assets (note 8)	7,275	1	-	-	2321	Current lease liabilities (notes 6(j) and 7)	18,698	2	22,603	2
	Other current assets	1,825	-	1,503	-	2322	Convertible bonds payable, current portion (notes 6(b) and (l))	4,736	1	192,409	20
	Total current assets	<u>640,644</u>	<u>72</u>	<u>670,779</u>	<u>70</u>	2399	Long-term loans, current portion (notes 6(b), (f), (k), 7 and 8))	24,386	3	14,296	2
15xx	Non-current assets:						Other current liabilities	615	-	1,290	-
1536	Non-current financial assets at amortized cost (notes 6(b), (i), (k) and 8)	3,733	1	3,901	-		Total current liabilities	<u>314,157</u>	<u>35</u>	<u>495,350</u>	<u>51</u>
1600	Property, plant and equipment (notes 6(f), (i), (k), 7 and 8)	127,965	14	145,666	15	25xx	Non-Current liabilities:				
1755	Right-of-use assets (note 6(f), (g) and (j))	76,164	9	106,764	11	2500	Non-current financial liabilities at fair value through profit or loss (notes 6(b) and (l))	864	-	-	-
1780	Intangible assets (note 6(h))	43	-	157	-	2531	Convertible bonds payable (notes 6(b) and (l))	111,079	13	-	-
1840	Deferred tax assets (note 6(n))	17,078	2	8,138	1	2540	Long-term loans (notes 6(b), (f), (k), 7 and 8)	39,580	4	14,546	2
1915	Prepayments for equipment (note 6(f))	2,425	-	12,679	1	2570	Deferred tax liabilities (note 6(n))	1,147	-	1,539	-
1920	Refundable deposits (notes 6(k) and 8)	17,370	2	16,831	2	2580	Non-current lease liabilities (notes 6(j) and 7)	44,806	5	65,330	7
	Total non-current assets	<u>244,778</u>	<u>28</u>	<u>294,136</u>	<u>30</u>	2670	Other non-current liabilities	4,608	1	5,086	-
							Total non-current liabilities	<u>202,084</u>	<u>23</u>	<u>86,501</u>	<u>9</u>
							Total liabilities	<u>516,241</u>	<u>58</u>	<u>581,851</u>	<u>60</u>
						2xxx	Equity attributable to owners of parent (notes 6(l), (o) and (p)):				
						31xx	Common stock	286,250	32	236,250	24
						3110	Capital surplus	75,279	9	34,772	4
						3200	Retained earnings:				
						3300	Legal reserve	84	-	84	-
						3310	Special reserve	5,617	1	-	-
						3320	Unappropriated retained earnings	24,691	3	103,385	11
						3350	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	<u>358,626</u>	<u>41</u>	<u>368,874</u>	<u>39</u>
						36xx	Non-controlling interests	10,555	1	14,190	1
						3xxx	Total equity	369,181	42	383,064	40
1xxx	Total assets	<u>\$ 885,422</u>	<u>100</u>	<u>964,915</u>	<u>100</u>	2-3xxx	Total liabilities and equity	<u>\$ 885,422</u>	<u>100</u>	<u>964,915</u>	<u>100</u>

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Comprehensive Income

For the years ended December 31, 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				Exchange differences on translation of foreign financial statements	Total equity attributable to owners of parent	Non- controlling interests	Total equity
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total				
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.

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

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

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

(1) Company history

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

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

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

(Continued)

TECHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- 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. 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: <ul style="list-style-type: none"> ● requiring companies to disclose their material accounting policies rather than their significant accounting policies; ● clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and ● clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company’s financial statements. 	January 1, 2023
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. 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

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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.

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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

Name of investor	Name of subsidiary	Principal activity	Shareholding		Note
			December 31, 2021	December 31, 2020	
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)

TECHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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.

(Continued)

TECHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES
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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.

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(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.

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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 cost, 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.

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At each reporting date, the Group assesses financial assets carried at amortized cost. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

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

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

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

4) Derecognition of financial assets

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

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

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

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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.

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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.

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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

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- 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.

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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.

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(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
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(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 reverse, 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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(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.

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(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	<u>\$ 199,374</u>	<u>237,873</u>

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	<u>1,439</u>
Forward exchange sold	USD 400	USD to MYR	2022.3.9~2022.4.5	<u>(13)</u>
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	<u>2,775</u>

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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	\$ <u>864</u>	<u>640</u>

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	\$ <u>3,733</u>	<u>3,901</u>

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

- 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	<u>(4,667)</u>	<u>(5,274)</u>
	<u>\$ 64,565</u>	<u>116,181</u>

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all 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.

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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

(Continued)

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

(d) Other receivables

	December 31, 2021	December 31, 2020
Other receivables	\$ <u>1,498</u>	<u>908</u>

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	<u>118,386</u>	<u>3,283</u>	<u>115,103</u>
	<u>\$ 358,296</u>	<u>23,420</u>	<u>334,876</u>

	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	<u>62,779</u>	<u>1,203</u>	<u>61,576</u>
	<u>\$ 281,607</u>	<u>6,494</u>	<u>275,113</u>

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	<u>(593)</u>	<u>(437)</u>
Balance as of December 31	<u>\$ 23,420</u>	<u>6,494</u>

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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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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	<u>\$ -</u>	<u>40,261</u>	<u>28,935</u>	<u>17,218</u>	<u>7,936</u>	<u>8,815</u>	<u>-</u>	<u>103,165</u>
Carrying amounts:								
Balance at December 31, 2021	<u>\$ 16,566</u>	<u>43,082</u>	<u>41,971</u>	<u>9,685</u>	<u>2,030</u>	<u>6,682</u>	<u>7,949</u>	<u>127,965</u>
Balance at December 31, 2020	<u>\$ 17,444</u>	<u>52,662</u>	<u>43,484</u>	<u>9,242</u>	<u>2,558</u>	<u>5,957</u>	<u>14,319</u>	<u>145,666</u>

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	<u>\$ 134</u>	<u>36,194</u>	<u>69,161</u>	<u>11,543</u>	<u>990</u>	<u>118,022</u>
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	<u>\$ 141</u>	<u>43,281</u>	<u>75,534</u>	<u>12,154</u>	<u>1,042</u>	<u>132,152</u>

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TECHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES
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	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Transportation Equipment</u>	<u>Other equipment</u>	<u>Total</u>
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	<u>\$ 104</u>	<u>16,253</u>	<u>15,931</u>	<u>8,580</u>	<u>990</u>	<u>41,858</u>
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	<u>\$ 63</u>	<u>10,882</u>	<u>5,740</u>	<u>7,661</u>	<u>1,042</u>	<u>25,388</u>
Carrying amount:						
Balance at December 31, 2021	<u>\$ 30</u>	<u>19,941</u>	<u>53,230</u>	<u>2,963</u>	<u>-</u>	<u>76,164</u>
Balance at December 31, 2020	<u>\$ 78</u>	<u>32,399</u>	<u>69,794</u>	<u>4,493</u>	<u>-</u>	<u>106,764</u>

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:

	<u>Computers and Software</u>
Cost:	
Balance at January 1, 2021	\$ 700
Foreign currency translation effect	(35)
Balance at December 31, 2021	<u>\$ 665</u>
Balance at January 1, 2020	\$ 732
Foreign currency translation effect	(32)
Balance at December 31, 2020	<u>\$ 700</u>

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TECHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES
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	Computers and Software
Amortization:	
Balance at January 1, 2021	\$ 543
Amortization	108
Foreign currency translation effect	(29)
Balance at December 31, 2021	<u>\$ 622</u>
Balance at January 1, 2020	\$ 409
Amortization	152
Foreign currency translation effect	(18)
Balance at December 31, 2020	<u>\$ 543</u>
Carrying amount:	
Balance at December 31, 2021	<u>\$ 43</u>
Balance at December 31, 2020	<u>\$ 157</u>

(i) Short-term loans

	December 31, 2021	December 31, 2020
Secured bank loans	<u>\$ 114,514</u>	<u>109,326</u>
Unused credit line	<u>\$ 146,669</u>	<u>52,987</u>
Interest rate (%)	<u>1.60~4.12</u>	<u>1.23~4.12</u>

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	<u>\$ 63,504</u>	<u>87,933</u>

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	<u>\$ 4,292</u>	<u>4,021</u>
Expenses relating to short-term leases	<u>\$ 1,968</u>	<u>548</u>
COVID-19-related rent concessions (recognized as other income)	<u>\$ 566</u>	<u>1,187</u>

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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	<u>\$ (24,225)</u>	<u>(22,725)</u>

(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				<u>\$ 39,580</u>
Unused credit line				<u>\$ -</u>

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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

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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)	<u>7,092</u>
	<u>\$ 121,578</u>

- (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.

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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.

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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.

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(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	<u>\$ -</u>	<u>864</u>	<u>864</u>	<u>640</u>

(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	<u>\$ 214</u>	<u>6,892</u>	<u>7,106</u>	<u>8,916</u>

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.

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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:

	<u>2021</u>	<u>2020</u>
Operating costs	\$ 1,338	1,735
Operating expenses	<u>4,048</u>	<u>6,709</u>
	<u><u>\$ 5,386</u></u>	<u><u>8,444</u></u>

(n) Income taxes

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

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

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

	<u>2021</u>	<u>2020</u>
Profit before income tax	<u>\$ (36,057)</u>	<u>86,679</u>
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	<u><u>\$ (1,194)</u></u>	<u><u>31,941</u></u>

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Deductible temporary differences	\$ 5,928	-
Tax losses	<u>8,263</u>	<u>5,265</u>
	<u><u>\$ 14,191</u></u>	<u><u>5,265</u></u>

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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	<u>1,380</u>	2031
	\$ <u>8,263</u>	

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	\$ <u>530</u>	<u>5,620</u>	<u>5,174</u>	<u>3,128</u>	<u>2,626</u>	<u>17,078</u>
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	\$ <u>-</u>	<u>1,819</u>	<u>2,297</u>	<u>2,718</u>	<u>1,304</u>	<u>8,138</u>

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	\$ <u>(863)</u>	<u>(284)</u>	<u>(1,147)</u>

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TEHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES
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	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	<u>\$ -</u>	<u>(1,539)</u>	<u>(1,539)</u>

(iii) Examination and approval

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

1) Malaysia:

- a) According to Malaysia's tax regulations, taxable corporation profit is calculated using the current year total income, deducted by all costs, losses, tax expenses, and all other non-taxable items.
- b) The tax rate for both 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:

	2021	2020
Balance on January 1	23,625	23,625
Issued for cash	5,000	-
Balance at December 31	<u>28,625</u>	<u>23,625</u>

Unit: thousand share

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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	-
	<u><u>\$ 75,279</u></u>	<u><u>34,772</u></u>

(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.

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TEHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES
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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 shareholders were as follows:

	2020	2019
Cash dividends distributed to ordinary shareholders	\$ <u><u>47,250</u></u>	<u><u>51,975</u></u>

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

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TEHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES
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(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	\$ <u>(25,827)</u>	<u>61,387</u>
Weighted average number of common shares (thousand shares)	<u>24,022</u>	<u>23,625</u>
Basic earnings (deficits) per share (New Taiwan dollars)	\$ <u>(1.08)</u>	<u>2.60</u>

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TECHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES
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	<u>2021</u>	<u>2020</u>
Diluted earnings (deficits) per share:		
Net profit (loss) attributable to owners of partner	\$ (25,827)	61,387
Influence of dilutive expense	<u>-</u>	<u>4,819</u>
Net profit (loss) attributable to owners of partner for calculating diluted EPS	<u>\$ (25,827)</u>	<u>66,206</u>
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	<u>-</u>	<u>5,319</u>
Weighted-average number of common shares outstanding — diluted	<u>24,022</u>	<u>29,154</u>
Diluted earnings (deficits) per share (New Taiwan dollars)	<u>\$ (1.08)</u>	<u>2.27</u>

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

	<u>2021</u>			
	<u>Department A</u>	<u>Department B</u>	<u>Department C</u>	<u>Total</u>
Primary geographical markets				
United States	\$ 720,406	-	-	720,406
Malaysia	39,191	46,380	5,574	91,145
Other	<u>82,676</u>	<u>-</u>	<u>-</u>	<u>82,676</u>
	<u>\$ 842,273</u>	<u>46,380</u>	<u>5,574</u>	<u>894,227</u>
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	<u>1,333</u>	<u>59</u>	<u>143</u>	<u>1,535</u>
Net sales	<u>\$ 842,273</u>	<u>46,380</u>	<u>5,574</u>	<u>894,227</u>

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TECHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES
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	2020			Total
	Department A	Department B	Department C	
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
	<u>\$ 1,150,871</u>	<u>93,038</u>	<u>15,941</u>	<u>1,259,850</u>
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	<u>\$ 1,150,871</u>	<u>93,038</u>	<u>15,941</u>	<u>1,259,850</u>

(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	<u>\$ 64,565</u>	<u>116,181</u>	<u>170,247</u>
Contract liabilities	<u>\$ 12,045</u>	<u>704</u>	<u>1,038</u>

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.

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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	\$ <u><u>527</u></u>	<u><u>901</u></u>

(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	<u>1,617</u>	<u>1,333</u>
Total	\$ <u><u>8,715</u></u>	<u><u>4,851</u></u>

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TECHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES
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(iii) Other gains and losses

The details of other gains and losses were as follows:

	<u>2021</u>	<u>2020</u>
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	<u>\$ (54,586)</u>	<u>(7,094)</u>

(iv) Finance costs

The details of finance costs were as follows:

	<u>2021</u>	<u>2020</u>
Interest expense:		
Bank loans	\$ (2,765)	(2,238)
Lease liabilities	(4,292)	(4,021)
Convertible bonds	(4,973)	(4,819)
Total	<u>\$ (12,030)</u>	<u>(11,078)</u>

(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.

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TECHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES
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3) Credit risk of accounts receivable and Financial assets measured at amortized cost

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

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

(ii) Liquidity risk

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

	<u>Amount</u>	<u>Contractual cash flows</u>	<u>Less than 1 year</u>	<u>2~5 years</u>	<u>Over 5 years</u>
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	-	-
	<u>\$ 497,407</u>	<u>516,444</u>	<u>305,778</u>	<u>207,482</u>	<u>3,184</u>

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	<u>Amount</u>	<u>Contractual cash flows</u>	<u>Less than 1 year</u>	<u>2~5 years</u>	<u>Over 5 years</u>
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	-	-
	<u>\$ 564,123</u>	<u>582,683</u>	<u>496,219</u>	<u>83,625</u>	<u>2,839</u>

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:

	<u>December 31, 2021</u>			<u>December 31, 2020</u>		
	<u>Foreign currency (in thousands)</u>	<u>Exchange rate</u>	<u>Amount</u>	<u>Foreign currency (in thousands)</u>	<u>Exchange rate</u>	<u>Amount</u>
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 6,455	27.66	178,551	7,517	28.09	214,427
<u>Financial liabilities</u>						
<u>Monetary items</u>						
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.

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TECHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES
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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				
	Amount	Fair value			Total
		Level 1	Level 2	Level 3	
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

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December 31, 2021					
	Amount	Fair value			Total
		Level 1	Level 2	Level 3	
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	<u>\$ 497,407</u>	<u>-</u>	<u>877</u>	<u>-</u>	<u>877</u>
December 31, 2020					
	Amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets measured of fair value through profit or loss					
Derivative financial assets	\$ 2,775	-	2,775	-	2,775
Financial assets measured at amortized cost					
Cash and cash equivalents	237,873	-	-	-	-
Financial assets measured at amortized cost	3,901	-	-	-	-
Accounts receivables	116,181	-	-	-	-
Other receivables	908	-	-	-	-
Refundable deposits	16,831	-	-	-	-
Subtotal	375,694	-	-	-	-
Total	<u>\$ 378,469</u>	<u>-</u>	<u>2,775</u>	<u>-</u>	<u>2,775</u>

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TEHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	December 31, 2020				
	Amount	Fair value			Total
		Level 1	Level 2	Level 3	
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.

(Continued)

TEHCENTIAL 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.

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TEHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Credit risk

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

1) Receivables and other receivables

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

2) Investments

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

3) Guarantees

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.

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TECHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

1) Currency risk

The Group is exposed to currency risk on sales, purchases, and borrowings that are denominated in a currency other than the respective functional currencies of the Group's entities, primarily the USD and MYR. According to Malaysian regulations announced in 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	<u>\$ 516,241</u>	<u>581,851</u>
Total equity	<u>\$ 369,181</u>	<u>383,064</u>
Debt-to-equity ratio	<u>139.83 %</u>	<u>151.89 %</u>

(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.

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TECHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Reconciliation of liabilities from financing activities are as follows:

			Non-cash changes							
	January 1, 2021	Cash flows	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	<u>\$ 418,510</u>	<u>(53,667)</u>	<u>1,924</u>	<u>(3,708)</u>	<u>(566)</u>	<u>(7,487)</u>	<u>3,948</u>	<u>4,973</u>	<u>(6,128)</u>	<u>357,799</u>

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

(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.

<u>Name of related party</u>	<u>Relationship with the Group</u>
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.

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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	\$ <u>-</u>	<u>894</u>

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	\$ <u>30,683</u>	<u>15,284</u>

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	<u>1,639</u>	<u>219</u>
Total		\$ <u>23,235</u>	<u>409</u>

(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	<u>68</u>
Total	\$ <u>283</u>

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.

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TECHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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.

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TECHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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

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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		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
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		Limitation on amount of guarantees and endorsements for a specific enterprise (note 2)	Highest balance for guarantees and endorsements during the period (note 3)	Balance of guarantees and endorsements as of reporting date (note 3)	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements (note 2)	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company (note 1)										
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.

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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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TECHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(d) Major shareholders:

Unit: share

Shareholder's Name	Shareholding	Shares	Percentage
Eng Synergy Management Sdn. Bhd.		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

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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	<u>\$ 844,374</u>	<u>59,607</u>	<u>5,574</u>	<u>(14,801)</u>	<u>894,754</u>
Interest Expense	<u>\$ 12,614</u>	<u>325</u>	<u>667</u>	<u>(1,576)</u>	<u>12,030</u>
Depreciation and Amortization	<u>\$ 30,227</u>	<u>1,118</u>	<u>2,491</u>	<u>-</u>	<u>33,836</u>
Reportable segment profit or loss	<u>\$ (20,701)</u>	<u>4,132</u>	<u>(19,488)</u>	<u>-</u>	<u>(36,057)</u>

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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	<u>\$ 1,152,730</u>	<u>107,426</u>	<u>16,067</u>	<u>(15,472)</u>	<u>1,260,751</u>
Interest Expense	<u>\$ 11,322</u>	<u>1,258</u>	<u>1,046</u>	<u>(2,548)</u>	<u>11,078</u>
Depreciation and Amortization	<u>\$ 23,353</u>	<u>5,390</u>	<u>3,502</u>	<u>-</u>	<u>32,245</u>
Reportable segment profit or loss	<u>\$ 92,350</u>	<u>1,987</u>	<u>(7,658)</u>	<u>-</u>	<u>86,679</u>

(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	<u>\$ 894,227</u>	<u>1,259,850</u>

(d) Geographic information

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

Export sales

Region	2021	2020
United States	\$ 720,406	1,110,939
Malaysia	91,145	140,283
Other	82,676	8,628
Total	<u>\$ 894,227</u>	<u>1,259,850</u>

(Continued)

TECHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

Techcential International Ltd



負責人：黃世高

