

**Stock Code: 6616**



**TECHCENTIAL**

INTERNATIONAL LTD

特昇國際

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

**2022 Annual Report**

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

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

Printed on 31 May 2023

**Notice to Readers**

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

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d) Subsidiary: EHL Cabinetry Sdn. Bhd.

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V. Auditors

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Firm: KPMG

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

VII. Directors:

Title	Name	Nationality	Main Experience
Director	Eng Synergy Management Sdn Bhd	Malaysia	CEO of Techcential International Ltd
	representative: Eng Kai Pin	Malaysia	
Director	Surging Success Sdn Bhd	Malaysia	CEO of EHL Cabinetry Sdn. Bhd
	representative: Eng Kai Jie	Malaysia	
Director	Liao Wei Chuan	Taiwan R.O.C	CEO of Fidelity International
Director	Chang Ming Huang	Taiwan R.O.C	Founder of Rich CPA Firm
Independent Director	Chou Chih Yuan	Taiwan R.O.C	Founder of J & C Certified Public Accountant
Independent Director	Huang Chi Jui	Taiwan R.O.C	Favorable Business Partner CPAs
Independent Director	Tay Puay Chuan	Malaysia	Founder of Tay Puay Chuan & Co

VIII. Corporate website :

English Version: <https://www.techcential-international.com/home-page-eng/>

Chinese Version: <https://www.techcential-international.com/>

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**Exhibits 1: Consolidated Financial Statements 2022**

## **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 2022 and the operating outlook for 2023 as follows:

### **1.1 2022 business report**

In 2022, with the global Covid-19 pandemic easing and vaccine rates increasing, border openings have been carried out by countries around the world, and the aviation travel industry has entered a period of revival; however, the war between Ukraine and Russia has not stopped, and there are still concerns about the global energy and food crises, as well as rising inflation in many European and American countries, which affects the consumption willingness and choices of consumers. In order to reduce inflation in the United States, the US Federal Reserve launched a hawkish rate hike, resulting in a sharp rise in the US dollar and a sharp depreciation of other currencies, as well as an increase in US domestic loan interest rates, which reduced people's willingness to buy property. Although the global high shipping prices of this year have dropped compared to the period of the pandemic, the overall situation is still a great challenge for all industries: the capacity and raw material supply of TC's subsidiaries are still stable, but due to the main market still being exported to the United States, TC's overall sales have been affected by the decrease in overall demand for furniture in the United States and the customers' reluctance to pull goods in the middle of the year due to the whip effect; at the same time, TC participated in the MIFF international furniture fair in Kuala Lumpur in July, and successfully received orders from several new markets. EHL's kitchen cabinet business has officially started production and delivery by the end of 2021, focusing on kitchen cabinet product quality management. At present, the factory also has enough production line staff, with a monthly capacity of 15-18 cargo containers. However, EHL's customers have also been affected by the slowdown in the US consumer market and have reduced their monthly delivery targets, so the current capacity utilization has not yet reached the target. ESKW's trading business in rubberwood raw materials is also currently experiencing lower sales due to the decreased demand from Malaysian furniture manufacturers.

In summary, taking into consideration the subsequent operational development plan and future fund use, Techcential International will not distribute surplus for 2021H1 in order to reserve adequate funds. However, in order to thank shareholders for their support over the years and to adhere to the consistent dividend policy, the company's management team plans to propose a dividend of 0.5 stock dividends and 0.1 cash dividend for 2022H2 and will report to the board of directors and shareholders' meeting for discussion. Therefore, the dividend rate of 2022 is approximately 55%.

The company's overall operations in 2022 are as follows:

#### 1.1.1 Operating income

The Group's net operating income for 2022 is NTD 1.154 billion, an increase of 29% compared with NTD 8.94 billion in 2021. The main reason is that the Movement Control Order issued by Malaysia in 2021 and the suspension of operations of subsidiaries for more than 4 months caused the revenue to decrease. With the resumption of normal operations of the subsidiaries, the Group's revenue is gradually recovering steadily.

#### 1.1.2 Net profit after tax

In 2022, the after-tax net profit of the group attributable to the parent company owners was NTD 31,232 thousand, mainly due to the fact that there was no suspension of operations during this period, and the subsidiaries gradually resumed normal operations and production efficiency gradually recovered, resulting in an increase of 4% in gross profit margin compared with last year. However, since May 2022, customers have responded one after another that due to the Fed hawks hiking, consumer power has decreased, customers' warehouses have begun to show whip effects and have been forced to adjust purchasing strategies to temporarily delay shipments, which affects the performance of revenue and profits in the second half of the year. However, this period obtained an insurance claim of NTD 29,012 thousand due to the fire of TC No. 2 factory in November 2021, so there was still profit in the overall performance of 2022.

#### 1.1.3 Budget implementation

The financial forecast did not announce in 2022.

#### 1.1.4 Overview of research and development

The company's main research and development status in 2022 are:

- Research and improve production process technology, develop alternative raw materials, and introduce automated machinery and equipment.
- Increase the research and design of materials and styles of sticker products (PU paper) to be more popular among young consumers.
- Proactively cooperate with market demand to research and develop new bedroom furniture series design (ie. disassembly furniture), focusing on enhancing the added value of products.
- Proactively develop product designs of different styles of kitchen cabinets and research and develop the use of alternative raw materials to produce cabinet products.

#### 1.1.5 Cash dividend distribution

Summarize the TIL cash dividend distribution status in the following table.

Year	EPS	Cash dividend distributed	Surplus allotment
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)	-
2022	1.09	0.10	0.50

Note 1: In the 2020H1, due to the impact of the COVID-19 pandemic on the economies of various countries and the implementation of the Movement Control Order in Malaysia, resulting in the company suspending operations for 1.5 months, the company considered its subsequent business development plans and, in order to retain sufficient funds for future business expansion, the Board of Directors resolved to not distribute profits for 2020H1.

Note 2: In the 2021H1, the COVID-19 pandemic continued to rise and one of the company's subsidiaries, TC, closed down for a month due to an employee being infected. In June 2021, Malaysia implemented a three-month lockdown, resulting in an overall shutdown. Due to the stoppage, the company was unable to produce and ship, resulting in a larger inventory write-down and idle capacity loss than last year. In November 2021, there was a fire at TC's second plant, resulting in more losses from the disaster. Due to the losses incurred this period, the Board of Directors resolved to not distribute profits for the 2021 year.

## 1.2 Summary of the 2023 business plan

Techcential International is taking a conservative approach to the furniture sales market in 2023, due to the global international trade situation being heavily affected by major events such as global inflation, the Ukraine war, Sino-US trade war, etc. However, the management team has also set up more aggressive and diversified strategies to seize different markets, mainly to increase and develop more diversified product types and designs, and to arrange for new products to participate in International Furniture Exhibitions in various countries (targets are customers in Asian countries, Australia, and the Middle East). We will also seize different product markets with diversified product types. Of course, there are still many international and foreign exchange risks that may arise in the future, and the company also expects the management and staff of each subsidiary to work together to address the challenges and solve the problems. Actively develop new markets, new customers, new models, and new products, and truly implement the operational plan set out, bringing greater investment returns to the shareholders of Techcential International Ltd.

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

- (1) Future Development Strategy: With the continuous escalation of the Sino-US trade war and the hot US housing market, the Group is forecasting steady growth in the US furniture and home market, and that the wood furniture consumption market still has great potential. The Group will strengthen the quality and production management of wooden bedroom furniture and kitchen cabinets, and actively cooperate with customers to research and develop disassembly-type models to meet the development trend of shipping. It will also actively promote the raw material trade business in Malaysia to respond to the global raw material price increase trend.
- (2) Regulatory Environment and Overall Operating Environment: The Group will follow national policies and regulations, and closely monitor changes in important policies or laws to ensure the smooth operation of its subsidiaries in compliance with the laws. In addition, in view of the increasingly complex global operating environment, the management team will refer to the industry situation and observe the development of the overall economy, integrate the internal technology and resources of the company, in order to better manage the company.
- (3) External competition environment: The furniture industry, as an important part of the world economy, has developed rapidly. The Asia-Pacific region is the global center of furniture manufacturing, and two-thirds of furniture in the United States is imported from Asian countries (China, Vietnam, and Malaysia). Due to the strained US-China trade relations, US furniture import orders have gradually shifted to Southeast Asia, especially the furniture industries of Vietnam, Thailand, and Malaysia, which have been seen with a good outlook in the coming years. The Malaysian government also expects the domestic furniture industry to show exponential growth.

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

Chairman : Eng Kai Pin



CEO : Eng Kai Jie



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, and officially became an OTC company in the Taiwan Stock Exchange on January 10, 2018. The company is one of the largest wooden bedroom furniture manufacturers in Malaysia. Its subsidiaries are Techcential Sdn. Bhd. (“TC”), EHL Cabinetry Sdn. Bhd. (“EHL”), TC Home Sdn. Bhd. (“TCH”), TC Home Corporation (“TCC”), ESK Biomass Sdn. Bhd. (“ESKB”) and ESK Wood Products Sdn. Bhd (“ESKW”).

Established in 2001, TC is one of the company’s operating entities, mainly engaged in the research and development and manufacture of wooden bedroom furniture. Its business model is mainly based on ODM/OEM. The main sales area focuses on the US market, and its customers are top 100 US furniture brands and small and medium-sized furniture retailers, etc. Due to the American bedroom furniture, its specifications are larger than those in Asia, and the style preferred by consumers is similar to that in Canada and South America, so after stabilizing the US market, it will continue to develop the nearby US countries. In addition, TCH was established in 2013, and it plans to reorganize its business in 2019. The company decided to transfer investment to panel furniture (panel furniture/knock-down furniture) for consumers to assemble themselves. With the intensification of the Covid-19 pandemic, countries began to lock down, and international trade was affected by the shipping problem, so the group temporarily suspended the production plan of TCH and will re-plan when the pandemic situation and the global economic situation become clearer.

ESKB is a new investee company (holding 100%) of our company added in September 2018, which is mainly responsible for the production and manufacturing of wood pellets. However, since the capacity of the factory has not been able to reach the target capacity since the trial production in the 2019Q3, the company has evaluated the performance of ESKB and recognized the impairment of assets from 2021, and started a business reorganization in the second half of 2021. Arrangements have been made successively for the subsequent treatment of the company's machinery and equipment. ESKW was established in 2018, as a subsidiary of ESKB, which is mainly engaged in the trade of raw materials - rubber wood, providing diversified wood industry services in the local and overseas markets. EHL was established in 2016. Its original main business was to purchase directly from raw material suppliers to reduce the production cost of the company. After the US anti-dumping investigation on Chinese kitchen cabinets in 2019,

there was a significant transfer effect on the supply chain. Therefore, the company adjusted the business plan of EHL to invest in kitchen cabinet manufacturing and officially put it into production, and started delivery at the end of 2021. At present, the factory also has enough production line staff and a capacity of about 15-18 containers per month.

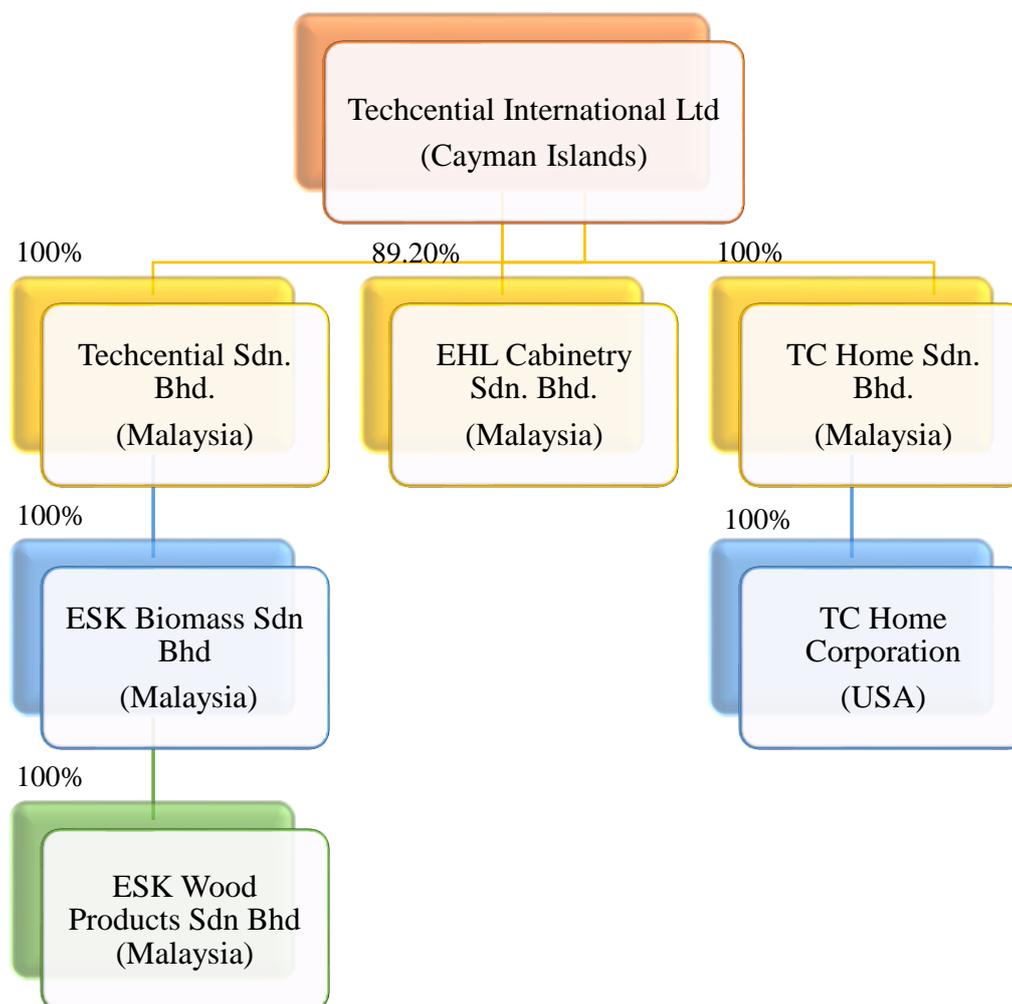
## 2.2 Company History

Year	Accomplishment
2012	TC revenue over RM60 million.
2013	<ol style="list-style-type: none"> <li>1. Established TC Home Sdn. Bhd., mainly developing the trading of furniture.</li> <li>2. The number of employees of the group has increased to 400.</li> <li>3. Work Flow ERP GP system was introduced into company management.</li> </ol>
2014	<ol style="list-style-type: none"> <li>1. The Group's revenue exceeded MYR80mil with an annual growth rate of approximately 30%.</li> <li>2. TC built a second plant to expand production capacity.</li> </ol>
2015	<ol style="list-style-type: none"> <li>1. The Group's revenue is approximately MYR100mil with an annual growth rate of approximately 20%.</li> <li>2. TCH launched its own brand TC Home in High Point, North Carolina, USA, and has since operated its own brand furniture business.</li> <li>3. TCH became one of the world's largest furniture exhibition "High Point Furniture Market" exhibitors.</li> </ol>
2016	<ol style="list-style-type: none"> <li>1. TCH actively explored the US West market and joined the Las Vegas Furniture Market.</li> <li>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.</li> </ol>
2017	Techential 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"> <li>1. Techential Sdn Bhd participated in MIFF International Furniture Fair in Kuala Lumpur, Malaysia.</li> <li>2. The adjusted business of EHL and invested in the manufacture of kitchen cabinets.</li> <li>3. TIL Issuance of the first unsecured conversion of corporate bonds in the Republic of China (Taiwan).</li> </ol>
2020	<ol style="list-style-type: none"> <li>1. The demand for wooden furniture continues to grow, and TC's revenue grows by 6% under the COVID-19 pandemic.</li> <li>2. EHL actively set up factories and can start production after the COVID-19 pandemic has eased.</li> </ol>
2021	1. The 2 <sup>nd</sup> Non-Guaranteed Convertible Corporate Bond in Taiwan R.O.C. was listed on the OTC on November 11, 2021.

Year	Accomplishment
	2. The increased share capital was listed on the OTC on December 8, 2021.
2022	1. Techential Sdn Bhd participated in MIFF International Furniture Fair in Kuala Lumpur, Malaysia. 2. The 1st Non-Guaranteed Convertible Corporate Bond in Taiwan R.O.C. was released on December 5, 2022.
2023	1. Techential Sdn Bhd participated in MIFF International Furniture Fair in Kuala Lumpur, Malaysia.

## 2.3 Group Structure

30 April 2023



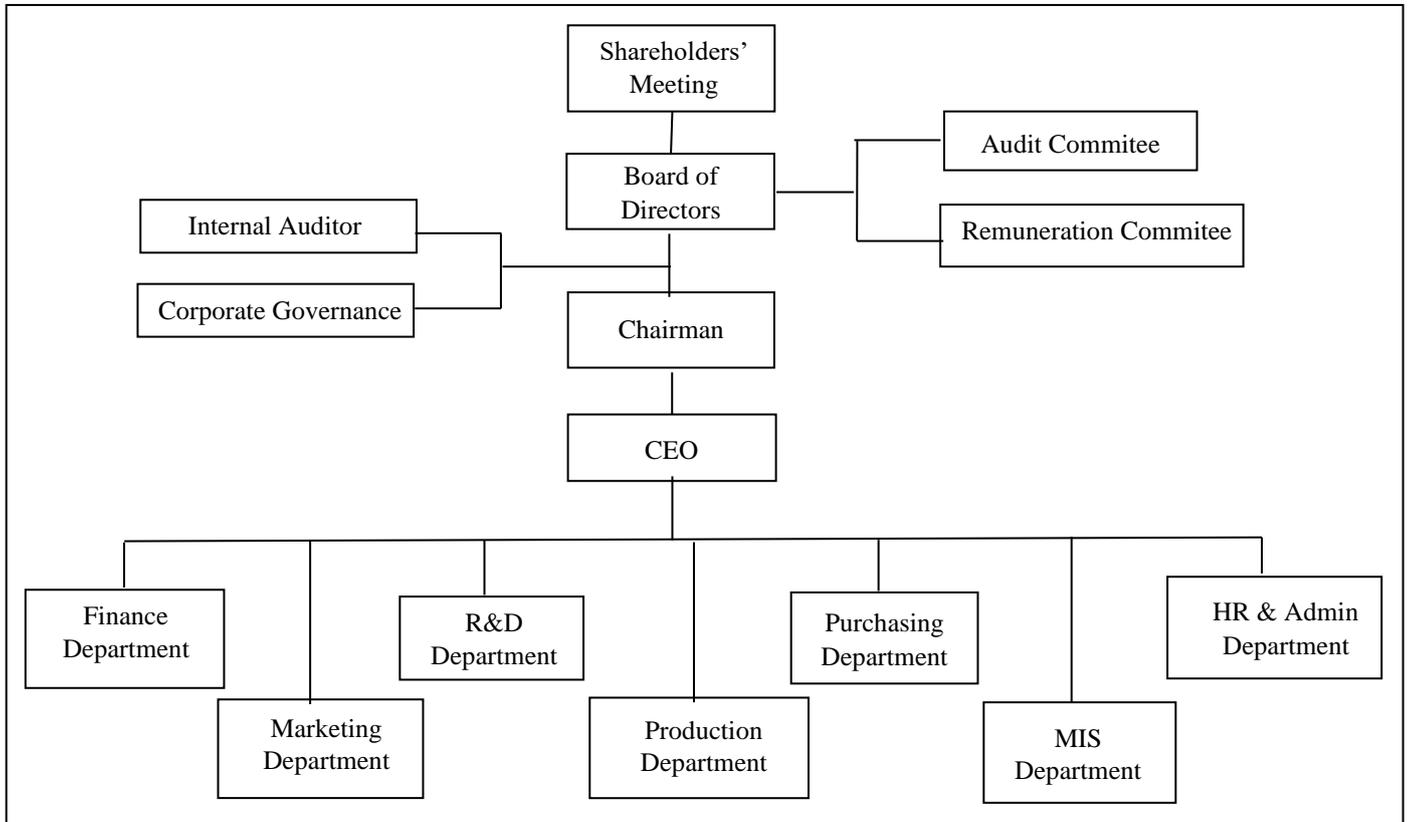
## 2.4 Risk Factors:

Please refer to page 130 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	1. Prepare the audit organizational management charter and internal audit enforcement rules. 2. Prepare the Annual Audit Plan and enforce it and produce the Audit report. 3. Submit the roster of related auditors, the audit plan and its implementation, and

Name of Department	Functions
	<p>correction of abnormalities as required by the competent authority.</p> <p>4. Audit and evaluate the Company's internal audit system and various management systems for their soundness, legitimacy, and effectiveness and provide the management with the information for assessment and approval.</p> <p>5. Audit the various implementation plans of respective departments and the efficiency of designated functions.</p>
Corporate Governance	<p>1. Handle matters related to convening meetings of the board of directors and shareholder meetings according to law.</p> <p>2. Prepare the minutes of the board of directors and shareholder meetings.</p> <p>3. Provide board members with relevant laws and regulations on corporate governance, and update them at any time according to laws and regulations.</p> <p>4. To provide directors with the necessary information to carry out business, and to comply with laws and regulations through directors.</p> <p>5. Assist independent directors and general directors in arranging courses according to the company's industrial characteristics and directorship and manager background.</p>
Finance	Functions related to the Company's finance, accounting, equity, treasury and asset management, establishment of policy and procedures, and to provide the optimal strategy for company management.
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 2023; 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
Director	Eng Synergy Management Sdn. Bhd.	-	Malaysia	2016.12.05	2022.06.29	3 years	11,760	56.00	10,344	36.12	-	-	-	-	-	-	-	-	-
	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	CEO CEO of TC	Eng Kai Jie Eng Kai Jian	Brother Brother
Director	Surging Success Sdn. Bhd.	-	Malaysia	2016.12.05	2022.06.29	3 years	1,890	9.00	1,890	6.60	-	-	-	-	-	-	-	-	-
	Representative: Eng Kai Jie	Male 31~40 Year old	Malaysia	-	-	-	-	-	70	0.24	-	-	-	-	Inti UniversityMalaysia, Business Management Course Refresher; Techcential Sdn. Bhd. Quality Control and Production Specialist; Techcential Sdn. Bhd, Deputy Human Resources and Administration; Techcential Sdn. Bhd, Purchasing and warehouse management manager; Techcential Sdn. Bhd, CEO	Techcential Sdn. Bhd, Director Idealtage Development Sdn. Bhd, Director TC Home Sdn. Bhd., Director TC Home Corporation, Director ESK Wood Products Sdn. Bhd, Director	Chairman CEO of TC	Eng Kai Pin Eng Kai Jian	Brother Brother
Director	Liao Wei Chuan	Male 51~60 Year Old	Taiwan	2016.12.05	2022.06.29	3 years	-	-	-	-	-	-	-	-	Chung Yuan Christian University, Bachelor of Accounting; Masterlink Securities	Fidelity Investments, General Manager. JOBEN BIO-MEDICAL CO., LTD., Financial Advisor and Chief Representative of Asia Pacific	-	-	-

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
															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.	Region JAPAN MEDICAL CO., LTD., Financial Advisor Pharma Essentia Corp., Financial Advisor. I. HART 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.			
Director	Chang Ming-Huang	Male 31~40 Year Old	Taiwan	2018.06.29	2022.06.29	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 Directo	Chou Chih Yuan	Male 41~50 Year old	Taiwan	2022.06.29	2022.06.29	3 years	-	-	-	-	-	-	-	-	Chang Jung Christian University, Bachelor of Accounting; Nexia Trans - Asia Associates, Manager Crowe Global, Section in Charge; Deloitte & Touche, Deputy Manager	Founder of J & C Certified Public Accountant.	-	-	-
Independent Directo	Huang Chi Jui	Male 31~40 Year Old	Taiwan	2022.06.29	2022.06.29	3 years	-	-	-	-	-	-	-	-	Tamkang University, Bachelor of Accounting; KPMG, Deputy Manager; Lite-On Technology Corporation; R & K Consultants Limited, Department Chief	Favorable Business Partner CPAs	-	-	-

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	Tay Puay Chuan	Male 51~60 Year old	Malaysia	2016.12.05	2022.06.29	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	-	-	-

(B) Supervisor: The company has set up an Audit Committee, so supervisor is not applicable.

(C) Major shareholders of the institutional shareholders:

30 April 2023

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 2023

Criteria Name	Professional Qualification Requirements and Work Experience	Independent Criteria	Concurrently Serving as an Independent Director at Other Public Companies
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 served as marketing manager at Techcential Sdn. Bhd. and CEO of Techcential International Ltd.	As of April 30, 2023, 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 36.12% Other qualifying conditions for independence are as follows: (3) \ (4) \ (5) \ (6) \ (7) \ (8) \ (9) \ (11) \ (12)	0
Surging Success Sdn. Bhd. Representative: Eng Kai Jie	Surging Success Sdn. Bhd. representative, Mr. Eng Kai Jie. He is a Malaysian and has the work experience required for the company's business. He is an Inti University Malaysia Business Management Course Refresher. He worked as Techcential Sdn. Bhd.'s Quality Control and Production Specialist; Techcential Sdn. Bhd.'s Deputy Human Resources and Administration; Techcential Sdn. Bhd.'s Purchasing and Warehouse Management Manager; and Techcential Sdn. Bhd.'s CEO. He currently serves as the CEO of EHL Cabinetry Sdn. Bhd. and the CEO of Techcential International Ltd.	As of April 30, 2023, 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

Liao Wei Chuan	Independent Director Mr. Liao Wei Chuan is Taiwanese and graduated from Chung Yuan Christian University with a bachelor's degree in 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; and PHARMIGENE, INC, General Consultant.	As of April 30, 2023, 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
Chang Ming Huang	Mr. Chang Ming Huang is a Taiwanese. He graduated from the National Taichung University of Science and Technology with a bachelor's degree in accounting and from National Chung-Cheng University with a master's degree in law. He worked as a lecturer at the Zhongshan School of Medicine, at Sun Yat-sen University. He is also an instructor or holds a higher position in the Department of Commerce and Law. He is currently an accountant at the Rich CPA Firm.	As of April 30, 2023, 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
Chou Chih Yuan	Mr. Chou Chih Yuan is a Taiwanese. He earned a bachelor's degree in accounting from Chang Jung Christian University. He held positions as a manager at Nexia Trans-Asia Associates, section head at Crowe Global, and deputy manager at Deloitte & Touche. He is currently the founder of J & C Certified Public Accountant.	As of April 30, 2023, 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
Huang Chi Jui	Mr. Huang Chi Jui is a Taiwanese. He earned a bachelor's degree in accounting from Tamkang University. He previously held positions as a deputy manager at KPMG, Lite-On Technology Corporation, and R & K Consultants Limited. He is a Favorable Business Partner CPAs currently.	As of April 30, 2023, 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, which he founded in May 2013.	As of April 30, 2023, 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 (Note 3)

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.

(E) Board members implement diversity

(1) Board Diversity Policy

The overall composition of the board of directors shall be taken into consideration in the selection of the Company's directors. The composition of the board of directors shall be determined by taking diversity into consideration and formulating an appropriate policy on diversity based on the company's business operations, operating dynamics, and development needs. It is advisable that the policy include, without being limited to, the following two general standards:

1. Basic requirements and values: Gender, age, nationality, and culture.
2. Professional knowledge and skills: A professional background (e.g., law, accounting, industry, finance, marketing, technology), professional skills, and industry experience.

Each board member shall have the necessary knowledge, skill, and experience to perform their duties; the abilities that must be present in the board as a whole are as follows:

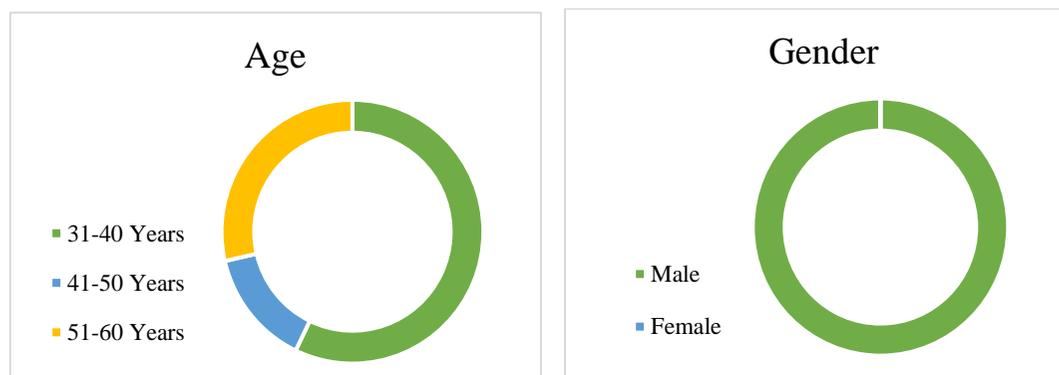
1. The ability to make judgments about operations.
2. Accounting and financial analysis ability.
3. Business management ability.
4. Crisis management ability.
5. Knowledge of the industry.
6. An international market perspective.
7. Leadership ability.
8. Decision-making ability.

## (2) Implementation of Board Diversity Policy

The current directors of the Company are composed of 7 directors, three of whose nationality is Malaysia, and four of whose nationality is Republic of China. Directors have rich accounting, finance, and other expertise in the relevant industry. Directors understand this Company and industry, so they can supervise the operate of the Company with directors exerting different expertise in various fields.

Core Competense: (A) The ability to make judgments about operations; (B) Accounting and financial analysis ability; (C) Business management ability; (D) Crisis management ability; (E) Knowledge of the industry; (F) An international market perspective; (G) Leadership ability; (H) Decision-making ability.

Title	Name	Nationality	Gender	Age			Core competense								
				31~40	41~50	51~60	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	
Director	Eng Synergy Management Sdn. Bhd. Legal representative: Eng Kai Pin	Malaysia	M	✓	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓
Director	Surging Success Sdn. Bhd. Legal representative: Eng Kai Jie	Malaysia	M	✓	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓
Director	Liao Wei Chuan	R.O.C	M	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Director	Chang Ming Huang	R.O.C	M	✓	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓
Independent Director	Chou Chih Yuan	R.O.C	M	-	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓
Independent Director	Huang Chi Jui	R.O.C	M	✓	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓
Independent Director	Tay Puay Chuan	Malaysia	M	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓



(3) 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	unaccomplished

(F) Independence of the Board of Directors:

The company has appointed three independent directors, accounting for 43% of all directors. The company has gotten 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 nominees under a 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 the independent directors of the company meet 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 2023; 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 Jie	Male	Malaysia	2022.7.8	70	0.24	-	-	-	-	Inti UniversityMalaysia, Business Management Course Refresher; Techcential Sdn. Bhd. Quality Control and Production Specialist; Techcential Sdn. Bhd, Deputy Human Resources and Administration; Techcential Sdn. Bhd, Purchasing and warehouse management manager; Techcential Sdn. Bhd, CEO	Techcential Sdn. Bhd, Director Idealtage Development Sdn. Bhd, Director TC Home Sdn. Bhd., Director TC Home Corporation, Director ESK Wood Products Sdn. Bhd, Director	Chairman	Eng Kai Pin	Brother	-
													CEO of TC	Eng Kai Jian	Brother	-
CFO and corporate governance manager	Tan Kok Bee	Male	Malaysia	2016.12.5 (CFO) 2023.05.11 (corporate governance manager)	-	-	-	-	-	-	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 Techcential International Ltd IA Manager	-	-	-	-	-
CEO of EHL	Eng Kai Jie	Male	Malaysia	2022.5.12	70	0.24	-	-	-	-	Inti UniversityMalaysia, Business Management Course Refresher; Techcential Sdn. Bhd. Quality Control and Production Specialist; Techcential Sdn. Bhd, Deputy Human Resources and Administration;	Techcential Sdn. Bhd, Director Idealtage Development Sdn. Bhd, Director TC Home Sdn. Bhd., Director TC Home Corporation, Director ESK Wood Products Sdn. Bhd,	Chairman	Eng Kai Pin	Brother	-
													CEO of TC	Eng Kai Jian	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	
											Techcential Sdn. Bhd, Purchasing and warehouse management manager; Techcential Sdn. Bhd, CEO	Director				
TC - Manager of Costing & Purchasing	Poa Keng Ling	Female	Malaysia	2001.6.11	21	0.07	-	-	-	-	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 TC	Eng Kai Jian	Male	Malaysia	2019.05.10	-	-	-	-	-	-	University of Nebraska – Lincoln, Degree in Marketing Techcential Sdn Bhd Marketing Manager	-	Chairman	Eng Kai Pin	Brother	
													CEO	Eng Kai Jie	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 2022 Unit: NTD Thousand

Title	Name	Remuneration								Total Remuneration (A+B+C+D) as a % of Net Income		Relevant remuneration received by Directors who are also employees								Total Compensation (A+B+C+D+E+F+G) as a % of Net Income		Compensation Paid to Directors from Nonconsolidated Affiliates	
		Base Compensation (A)		Severance Pay and Pension (B)		Directors' Remuneration (C) (Note 1)		Allowances (D)				Compensation, Bonuses, and Allowances (E)		Severance Pay and Pension (F)		Employees' Bonuses (G)							
		The Company	Companies in the Consolidated Financial Report	The Company	Companies in the Consolidated Financial Report	The Company	Companies in the Consolidated Financial Report	The Company	Companies in the Consolidated Financial Report	The Company	Companies in the Consolidated Financial Report	The Company	Companies in the Consolidated Financial Report	The Company	Companies in the Consolidated Financial Report	Cash	Stock (Fair Market Value)	Cash	Stock (Fair Market Value)	The Company	Companies in the Consolidated Financial Report		
Director	Eng Synergy Management Sdn. Bhd. Representative: Eng Kai Pin	-	-	-	-	-	-	-	-	-	-	-	2,553	-	-	-	-	-	-	-	-	2,553 (8.12%)	-
Director	Surging Success Sdn. Bhd. Representative: Eng Kai Jie	-	-	-	-	-	-	-	-	-	-	-	2,508	-	-	-	-	-	-	-	-	2,508 (8.03%)	-
Director	Liao Wei Chuan	360	360	-	-	30	30	-	-	390 (1.25%)	390 (1.25%)	-	-	-	-	-	-	-	-	-	390 (1.25%)	390 (1.25%)	-
Director	Chang Ming-Huang	240	240	-	-	30	30	3	3	273 (0.87%)	273 (0.87%)	-	-	-	-	-	-	-	-	-	273 (0.87%)	273 (0.87%)	-
Independent	Chou Chih Yuan	180	180	-	-	30	30	3	3	213 (0.68%)	213 (0.68%)	-	-	-	-	-	-	-	-	-	213 (0.68%)	213 (0.68%)	-
Independent	Huang Chi Jui	180	180	-	-	30	30	3	3	213 (0.68%)	213 (0.68%)	-	-	-	-	-	-	-	-	-	213 (0.68%)	213 (0.68%)	-
Independent	Tay Puay Chuan	241	241	-	-	20	20	5	5	265 (0.85%)	265 (0.85%)	-	-	-	-	-	-	-	-	-	265 (0.85%)	265 (0.85%)	-

### 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, Chou Chih Yuan, Huang Chi Jui, Liao Wei Chuan, Chang Ming Huang	-	Tay Puay Chuan, Chou Chih Yuan, Huang Chi Jui, Liao Wei Chuan, Chang Ming Huang	-
NT\$1,000,000 ( includes ) ~NT\$2,000,000 ( not included )	-	-	-	-
NT\$2,000,000 ( includes ) ~NT\$3,500,000 ( not included )	-	Eng Kai Pin, Eng Kai Jie	-	Eng Kai Pin, Eng Kai Jie
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	5	2	5	2

(B) Compensation to Supervisors: The company has set up an Audit Committee, so supervisor is not applicable..

## (C) Remuneration of President and Vice Presidents

31 December 2022, 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		Compensation Paid to President and Vice Presidents From Non-consolidated Affiliates
		The Company	Companies in the Consolidated financial report	The Company	Companies in the Consolidated financial report	The Company	Companies in the Consolidated financial report	The Company		Companies in the Consolidated financial report		The Company	Companies in the Consolidated financial report	
								Cash	Stock (Fair Market Value)	Cash	Stock (Fair Market Value)			
CEO	Eng Kai Jie	–	1,719	–	–	–	789	–	–	–	–	–	2,508 (8.03%)	–
CEO of TC	Eng Kai Jian	–	1,674	–	–	–	789	–	–	–	–	–	2,463 (7.89%)	–
Purchasing Chief	Poa Keng Ling	–	1,362	–	–	–	299	–	–	–	–	–	1,661 (5.32%)	–
CFO	Tan Kok Bee	–	1,181	–	–	–	259	–	–	–	–	–	1,440 (4.61%)	–
R&D Manager	Koh Chin Joo	–	822	–	–	–	240	–	–	–	–	–	1,092 (3.40%)	–

## Remuneration Table

Remuneration Paid to the President and Vice President	Name of President and Vice President	
	The Company	Companies in the consolidated financial report
Under NT\$ 1,000,000	–	–
NT\$1,000,000 (includes) ~NT\$2,000,000 (not included)	–	Poa Keng Ling, Tan Kok Bee, Koh Chin Joo
NT\$2,000,000 (includes) ~NT\$3,500,000 (not included)	–	Eng Kai Jie, Eng Kai Jian
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	–	5

## (D) Remuneration of the top five top executives

31 December 2022, 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		Compensation Paid to President and Vice Presidents From Non-consolidated Affiliates
		The Company	Companies in the Consolidated financial report	The Company	Companies in the Consolidated financial report	The Company	Companies in the Consolidated financial report	The Company		Companies in the Consolidated financial report		The Company	Companies in the Consolidated financial report	
								Cash	Stock (Fair Market Value)	Cash	Stock (Fair Market Value)			
CEO	Eng Kai Jie	-	1,719	-	-	-	789	-	-	-	-	-	2,508 (8.03%)	-
CEO of TC	Eng Kai Jian	-	1,674	-	-	-	789	-	-	-	-	-	2,463 (7.89%)	-
Purchasing Chief	Poa Keng Ling	-	1,362	-	-	-	299	-	-	-	-	-	1,661 (5.32%)	-
CFO	Tan Kok Bee	-	1,181	-	-	-	259	-	-	-	-	-	1,440 (4.61%)	-
R&D Manager	Koh Chin Joo	-	822	-	-	-	240	-	-	-	-	-	1,092 (3.40%)	-

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 Jie	-	-	-	-
	CEO of TC	Eng Kai Jian				
	Purchasing Chief	Poa Keng Ling				
	CFO	Tan Kok Bee				
	R&D Manager	Koh Chin Joo				

(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 2021		Year 2022	
	Amount	%	Amount	%
Remuneration of Directors, President and Vice Presidents	5,691	22.03	6,540	20.94
The Company's Consolidated Net Income	5,719	22.14	9,164	29.34

(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	The company shall set aside no more than 3% of the profit as employee compensation and only 5% of the profit as compensation for the directors when there are earnings. However, if the company has accumulated losses in previous years, it shall reserve an amount of the pre-tax profit for offsetting the losses. The employee compensation referred to in this Article 14.4 may be distributed as stock or cash and may be distributed to the Board in order for the subsidiaries' employees to be resolved on time.	
Establishment of procedure of remuneration	The company, according to the Remuneration Committee Charter, Article 7, periodically assesses the degree to which performance goals for the directors, supervisors and managerial officers of this corporation have been achieved and sets the types and amounts of their compensation, with 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.	

<p>Correlation between the business performance and future risk</p>	<p>The board of directors will evaluate the effectiveness of the board and its members according to the "Board of Directors Performance Evaluation Form" and "Board of Directors Member Evaluation Form" after 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.</p>	<p>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.</p>
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### 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 8 meetings from the fiscal year 2022 to the printing date of this Annual Report. The 3rd and 4th term meeting held 2 and 6 meetings respectively. The attendance of Directors is as below.

Title	Name	Number of Actual Attendance	Number of Delegate Attendance	Rate of Actual Attendance (%)	Note
4 <sup>th</sup> Term of the Board members					
Chairman	Eng Synergy Management Sdn. Bhd. Representative: Eng Kai Pin	8	0	100%	2016.11.20 Elected 2019.06.27 Re-elected 2022.06.29 Re-elected
Director	Surging Success Sdn. Bhd. Representative : Eng Kai Jie	6	0	100%	2022.06.29 New
Director	Liao Wei Chuan	6	0	75%	2016.12.05 Elected as Independent Director 2019.06.27 Re-elected as Independent Director 2022.06.29 Elected as Director
Director	Chang Ming Huang	8	0	100%	2018.06.29 Elected 2019.06.27 Re-elected 2022.06.29 Re-elected
Independent Director	Chou Chih Yuan	6	0	100%	2022.06.29 New
Independent Director	Huang Chi Jui	6	0	100%	2022.06.29 New
Independent Director	Tay Puay Chuan	8	0	100%	2016.12.05 Elected 2019.06.27 Re-elected 2022.06.29 Re-elected
3 <sup>th</sup> Term of the Board members					
Chairman	Eng Say Kaw	2	0	100%	2016.11.20 Elected 2019.06.27 Re-elected 2022.06.29 Dismissal
Director	Surging Success Sdn. Bhd. Representative : Poa Keng Ling	2	0	100%	2016.12.05 Elected 2019.06.27 Re-elected 2022.06.29 Dismissal
Independent Director	Oun Lek Wee	2	0	100%	2016.12.05 Elected 2019.06.27 Re-elected 2022.06.29 Dismissal
Independent Director	Liao Wei Chuan	2	0	100%	2016.12.05 Elected 2019.06.27 Re-elected 2022.06.29 Dismissal
Note: The company re-elected directors (including independent directors) on June 29, 2022. The board of directors convened twice before the re-election and 6 times after the re-election.					
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- Acticle 14, paragraph 3)		The opinions of independent directors
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 amendment of the Management Procedures for Asset Acquisition and Disposition.	No opinion
	13	Re-election of Directors (including independent directors).	No opinion
	14	Release 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.			
2022/06/29	1	Election of the Fourth Term Chairman of the Board of Directors.	No opinion
	2	Establishment of 3rd Term of Audit Committee.	No opinion
	3	Establishment of 3rd Term of Remuneration Committee.	No opinion
	The company's handling of independent directors' opinions : Not applicable.		
Resolution result: All the present directors and independent directors passed without objection.			
2022/07/08	1	Appoint Chief Executive Officer (CEO) of Techcential International Ltd.	No opinion
	2	The proposal of "Performance assessments and salary adjustment of	No opinion

		Directors and managerial officers” for the year 2022 Jan– June.	
	3	Fix monthly remuneration for Independent Directors.	No opinion
	The company's handling of independent directors' opinions : Not applicable.		
	Resolution result: All the present directors and independent directors passed without objection.		
2022/08/25	1	2022 First-Half Consolidated Financial Statements.	No opinion
	2	The company will not distribute 2022 First-Half Annual Earnings.	No opinion
	3	To authorize the chairman to sign bank documents on behalf of the company.	No opinion
	The company's handling of independent directors' opinions : Not applicable.		
	Resolution result: All the present directors and independent directors passed without objection.		
2022/11/09	1	2022 Q3 Consolidated Financial Statements.	No opinion
	2	Company Business Plan and Budget for 2023.	No opinion
	3	Audit Plan for 2023.	No opinion
	4	The Procedures for Handling Material Inside Information.	No opinion
	5	Performance assessments of Directors and managerial officers for the year 2022 July– December.	No opinion
	6	The General principles of the company's pre-approved non-assurance service policy.	No opinion
	The company's handling of independent directors' opinions : Not applicable.		
	Resolution result: All the present directors and independent directors passed without objection.		
2023/03/21	1	The Distribution of 2022 Employee and Director remuneration.	No opinion
	2	2022 Consolidated Financial Statements and Annual Report.	No opinion
	3	Annual Earnings Distributions for the year 2022.	No opinion
	4	Issue new shares through capitalization of earnings.	No opinion
	5	The 2022 Statements of Internal Control System.	No opinion
	6	The change of CPA.	No opinion
	7	The assessment of the Independence and the 2023 annual remuneration of Certified Public Accountant.	No opinion
	8	The "General Principles of Pre-approval of Non-Confidential Service Policy"	No opinion
	9	The schedule plan through greenhouse gas inventory and verification of the consolidated subsidiary.	No opinion
	10	The amendment “Code of Corporate Governance Practices”, “Corporate Practice on Sustainable Development”.	No opinion
	11	Issuance of Restricted Stock Awards.	No opinion
	12	2023 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.		
2023/05/11	1	2023 Q1 Consolidated Financial Statements.	No opinion
	2	Appoint Corporate Governance Officer.	No opinion
	3	Amendment of the “Rules and Procedures of Board Meetings”.	No opinion
	4	Provisions “Rules Governing Financial and Business Matters Between this Company and its Affiliated Enterprises”.	No opinion

	5	Change the seal of the Bank SinoPac Savings account and related transaction matters.	No opinion
	6	The proposal of “Performance assessments and salary adjustment of Directors and managerial officers” for the year 2023.	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
2022/03/22	Chang Ming Huang Tay Puay Chuan, Oun Lek Wee Liao Wei Chuan	The Distribution of 2021 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.
2022/11/09	Eng Kai Pin Eng Kai Jie	Performance assessments of Directors and managerial officers for the year 2022 July–December	Due to personal interest	Except for the aforesaid directors, the chairman consulted the remaining attending directors and passed the case without objection.
2023/03/21	Liao Wei Chuan Chang Ming Huang Chou Chih Yuan Huang Chi Jui Tay Puay Chuan	The Distribution of 2022 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.
2023/05/11	Eng Kai Pin Eng Kai Jie	Performance assessments and salary adjustment of Directors and managerial officers” for the year 2023.	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 2022 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	01/01/2022 ~ 31/12/2022	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. The evaluation for the board of directors’ performance from January 1 to December 31, 2022 and mainly based on new directors.

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

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

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

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

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

1. The company has formulated the "Procedures of the Board of Directors" as the guidelines for the operation of the board of directors.
2. The company has 3 independent directors, and all 3 independent directors established an audit committee, whose convener is Mr. Chou Chih Yuan. The committee exercises its functions under the Securities and Exchange Law, the Company Law, and other relevant laws and regulations.
3. The board of directors resolved to establish a remuneration committee on December 5, 2016. The Remuneration Committee is formed by all of the independent directors. The convener is Mr. Tay Puay Chuan. The committee assists the board of directors in regularly evaluating and establishing, the remuneration of directors and managers and the policy of regularly reviewing the performance evaluation and remuneration of directors and managers, institutions, and structures.
4. The board of directors passed the "Management and Performance Appraisal of Directors and Managers" on August 12, 2020. In 2020, evaluate performance on a regular basis, including that of internal functional committees such as the Audit Committee and the Compensation Committee.
5. Enhanced information transparency: For sound corporate governance and transparency, the company discloses information through a variety of channels, including the Market Observation Post System, the company website, and the annual report.
6. The company purchases director's liability insurance for directors every year.
7. Cooperate with the revision of laws and regulations and the actual needs of the company to revise relevant measures.

### 3.4.2 The state of operations of the Audit Committee

The Audit Committee has held 7 meetings from this fiscal year 2022 to the printing date of this Annual Report. The 2nd and 3rd term meeting held 2 and 5 meetings respectively. The attendance of Independent Directors is as below:

Title	Name	Number of Actual Attendance	Number of Delegate Attendance	Rate of Actual Attendance (%)	Note
3rd Term of the Audit Committee Members					
Independent Director	Chou Chih Yuan	5	0	100%	2022.06.29 New
Independent Director	Huang Chi Jui	5	0	100%	2022.06.29 New
Independent Director	Tay Puay Chuan	7	0	100%	2022.06.29 Re- elected
2nd Term of the Audit Committee Members					
Independent Director	Oun Lek Wee	2	0	100%	2022.06.29 Dismissal
Independent Director	Liao Wei Chuan	2	0	100%	2019.06.27 Re- elected 2022.06.29 Elected as Director

Note: The company re-elected directors (including independent directors) on June 29, 2022. The Audit Committee convened twice before the re-election and 5 times after the re-election.

The company's audit committee is composed of 3 independent directors. The purpose of the audit committee is to assist the board of directors in supervising the company's quality and integrity in the implementation of accounting, auditing, financial reporting processes and financial control. The professional qualification requirements and work experience of the members are as follows:

Name	Professional Qualification Requirements and Work Experience
Chou Chih Yuan	Mr. Chou Chih Yuan is a Taiwanese. He earned a bachelor's degree in accounting from Chang Jung Christian University. He held positions as a manager at Nexia Trans-Asia Associates, section head at Crowe Global, and deputy manager at Deloitte & Touche. He is currently the Founder of J & C Certified Public Accountant.
Huang Chi Jui	Mr. Huang Chi Jui is a Taiwanese. He earned a bachelor's degree in accounting from Tamkang University. He previously held positions as a deputy manager at KPMG, Lite-On Technology Corporation, and R & K Consultants Limited. He is a Favorable Business Partner CPAs currently.
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, which he founded in May 2013.

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
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 (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.			
2022/07/08	1	Select the convener of the Audit Committee and the chairman of the meeting.	No Opinion
	2	Appoint Chief Executive Officer (CEO) of Techcential International Ltd.	No Opinion
	The company's handling of independent directors' opinions: Not applicable.		
Resolution result: All the present directors and independent directors passed without objection.			
2022/08/25	1	2022 First-Half Consolidated Financial Statements.	No Opinion
	2	The company will not distribute 2022 First-Half Annual Earnings.	No Opinion
	The company's handling of independent directors' opinions: Not applicable.		
Resolution result: All the present directors and independent directors passed without objection.			
2022/11/09	1	2022 Q3 Consolidated Financial Statements.	No Opinion
	2	Company Business Plan and Budget for 2023.	No Opinion
	3	Audit Plan for 2023.	No Opinion
	4	The General principles of the company's pre-approved non-assurance service policy.	No Opinion
	The company's handling of independent directors' opinions: Not applicable.		
Resolution result: All the present directors and independent directors passed without objection.			
2023/03/21	1	2022 Consolidated Financial Statements and Annual Report.	No Opinion
	2	Annual Earnings Distributions for the year 2022.	No Opinion
	3	Issue new shares through capitalization of earnings.	No Opinion
	4	The 2022 Statements of Internal Control System.	No Opinion

	5	The change of CPA.	No Opinion	
	6	The assessment of the Independence and the 2023 annual remuneration of Certified Public Accountant.	No Opinion	
	7	The amendment of the "General Principles of Pre-approval of Non-Confidential Service Policy"	No Opinion	
	8	The amendment of "Code of Corporate Governance Practices", "Corporate Practice on Sustainable Development".	No Opinion	
	9	Issuance of Restricted Stock Awards.	No Opinion	
	The company's handling of independent directors' opinions: Not applicable.			
Resolution result: All the present directors and independent directors passed without objection.				
2023/05/11	1	2023 Q1 Consolidated Financial Statements.	No Opinion	
	2	Appoint Corporate Governance Officer.	No Opinion	
	3	Amendment of the "Rules and Procedures of Board Meetings".	No Opinion	
	The company's handling of independent directors' opinions: Not applicable.			
	Resolution result: All the present directors and independent directors passed without objection.			

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:

- The internal auditor reports the results of auditing and the implementation of the follow-up report periodically via email and informs the Audit Committee immediately in case of a special situation.
- The company's audit committee will convey a pre-briefing with the CFO and internal auditor to understand the company's operating status and determine whether it is necessary to invite the CPA to attend the meeting and have them report their audit results.
- The Manager of Internal Audit regularly reports to the Audit Committee:
  1. Annual internal audit plan;
  2. Annual professional training plan for auditors;
  3. Regularly report the implementation of internal audit business to the Audit Committee.
- Accountants participate in the audit committee at least every year and report on the results of the annual audit.
- The communication between independent directors with the internal audit director in 2022:

Date	Communication Method (Audit Committee Meeting)	Important communication matters	Communication situation and results
22/03/2022	The 15th Meeting of the 2nd Term Audit Committee.	1. The 2021 IA Report. 2. The 2021 Statements of Internal Control System.	All members of the Audit Committee attended the communication.
12/05/2022	The 16th Meeting of the 2nd Term Audit Committee.	1. The 2022 Jan-April IA Report.	All members of the Audit Committee attended the communication.
08/07/2022	The 1st Meeting of the 3rd Term Audit Committee.	1. The 2022 Jan-June IA Report.	All members of the Audit Committee attended the communication.
25/08/2022	The 2nd Meeting of the 3rd Term Audit Committee.	1. The 2022 Jan-July IA Report.	All members of the Audit Committee attended the communication.

09/11/2022	The 3rd Meeting of the 3rd Term Audit Committee.	1. The 2022 Jan-Oct IA Report. 2. The Audit Plan for 2023.	All members of the Audit Committee attended the communication.
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- The communication between independent directors with the certified public accountant in 2022:

Date	Communication Method ( Audit Committee Meeting )	Important communication matters	Communication situation and results
22/03/2022	Communication between Accountants and Corporate Governance department.	1. The main impact of Auditing Standards Bulletin No. 75. 2.Update of Important accounting standards or interpretation letters, securities laws and tax laws.	-
	The 15th Meeting of the 2nd Term Audit Committee.	1.2021 Consolidated Financial Statements and Annual Report. 2.Annual Earnings Distributions for the year 2021. 3.The assessment of the Independence and the 2022 annual remuneration of Certified Public Accountant.	All members of the Audit Committee attended the communication.
12/05/2022	Communication between Accountants and Corporate Governance department.	Updates of Important Regulatory.	-
	The 16th Meeting of the 2nd Term Audit Committee.	1.2022 Q1 Consolidated Financial Statements	All members of the Audit Committee attended the communication.
25/08/2022	Communication between Accountants and Corporate Governance department.	1. The main impact of Auditing Standards Bulletin No. 75 on the company. 2.Updates of Important Regulatory.	-
	The 2nd Meeting of the 3rd Term Audit Committee.	1.2022 Q2 Consolidated Financial Statements	All members of the Audit Committee attended the communication.
09/11/2022	Communication between Accountants and Corporate Governance department.	1. Annual audit plan. 2.Update of Important accounting standards or interpretation letters, securities laws and tax laws.	-
	The 3rd Meeting of the 3rd Term Audit Committee.	1.2022 Q3 Consolidated Financial Statements	All members of the Audit Committee attended the communication.

#### 4. Audit Committee annual major matters:

- Regulatory Compliance.
- Review the financial reports.
- Offering or issuance of securities.
- Appointment, dismissal of a CPA.
- Regularly communicate with the CPA on the auditing of financial statements.
- Material Loaning of Funds and Making of Endorsements and Guarantees.
- Material asset or derivative transactions.
- Appointment, dismissal of a financial, accounting, and internal audit officer
- Evaluation of the effectiveness of the internal control system.
- Regularly communicate the results of the audit report with the internal auditor based on the annual audit pla.

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 formulated the "Code of Practice for Corporate Governance" in accordance with the TWSE Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies, adhering to the important principles of corporate governance such as safeguarding the rights of shareholders, strengthening the functions of the board of directors, exerting the functions of independent directors, respecting the rights of stakeholders, and enhancing information transparency Relevant management measures and rules such as "Rules of the Shareholders' Meeting", the "Director's Election Rules", the “Remuneration Committee Charter”, the “Management Operation Procedures to Prevent Insider Trading”, the "Internal Control System", the "Integrity Operation Procedures and Conduct Guidelines" and " Ethical Code of Conduct, etc have been formulated to strengthen information transparency and strengthen the functions of the board of directors. In addition, company’s material information will be issued in accordance with relevant regulations, financial and non-financial information will be disclosed regularly, and the board of directors will also guide the company's operations and effectively supervise the management functions of the management layer in accordance with the responsibilities assigned by the shareholders.	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 appointed a dedicated shareholders service agency to handle the shareholding matters in Taiwan and a spokesperson and an acting spokesperson by the Code of Practice for Corporate Governance on the Listed List, which handles shareholder suggestions, doubts, disputes, and litigation matters. Website: <a href="https://www.techcential-international.com/shareholder-info_eng/#1551855889201-bd766bb9-b27b">https://www.techcential-international.com/shareholder-info_eng/#1551855889201-bd766bb9-b27b</a> .	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. According to Article 25 of the Securities and Exchange Law, the company regularly announces and declares changes in the equity of insiders on the public information observatory every month, so as to truly grasp the main shareholders.	No significant difference

Items	Implementation Status			Deviations from "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Description	
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 "Operation Procedure for Group, Associate and Related Party Transactions" and "Operating Procedures for Subsidiary Supervision" and implemented them accordingly. To clearly regulate the management of personnel and assets with related companies. Through the implementation of internal control and an internal audit system, effective risk control is achieved.	No significant difference
iv. Has the Company established internal rules prohibiting insider trading on undisclosed information?	V		(iv) The company has established "Management Operation Procedures to Prevent Insider Trading" and "Procedures for Handling Material Inside Information" which are publicly disclosed on the company's official website. The operating procedures have regulated the company's directors, managers, employees, and other persons stipulated in Article 157 of the Securities and Exchange Law. When they learn of the company's news that has a significant impact on the stock price, they must wait 18 hours after the news has been made public. No purchase or sale of stocks listed on the company's stock market or traded at securities firms' business premises or other securities with an equity nature. In addition, the corporate governance secretary will also send out publicity emails every quarter to remind directors and company insiders to pay attention to the relevant time limit regulations to avoid insider trading.	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 operations and finance. (Please refer to Pg 16 for board members to implement diversity).	No significant difference
ii. Other than Remuneration Committee and Audit Committee which are required by law, has the Company voluntarily established other functional committees?		V	(ii) The company has set up a Remuneration Committee and an Audit Committee at present.	Same as description
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	V		(iii) The company planned the "Management of Performance Appraisal of Directors and Managers" on December 5, 2016 (the latest revision date of the Board of Directors was August 12, 2020), which will be evaluated regularly every year. To assist the board of directors in understanding its operational effectiveness and functioning, strengthening directors'	No significant difference

Items	Implementation Status			Deviations from “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and reasons																																				
	Yes	No	Description																																					
remuneration and renewal nomination?  Does the Company regularly evaluated the independence of the CPAs?	V		<p>remuneration and performance, and coordinating with the competent authority, the company expects to conduct board evaluations starting in 2020. The performance evaluation results from the board of directors and individual members show that the board is operating well in 2022, and we submitted them to the board on March 21, 2023.</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 its contents, and gets the "Independence Statement" issued by the accountants. The audit committee discusses and approves another proposal, and the board of directors approves the appointment of accountants. The Audit Committee approved the most recent evaluation of the independence and suitability of the CPA (Accountant Phyllis Chang and accountant Aaron Chiang) and Board of Directors on March 21, 2023.</p> <p>Criteria for assessing the independence of accountants:</p> <table border="1"> <thead> <tr> <th></th> <th>Evaluation Items</th> <th>Evaluation Result</th> <th>Whether it meets independence</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>The CPAs have no financial interest in the company, either directly or indirectly.</td> <td>Ya</td> <td>Ya</td> </tr> <tr> <td>2</td> <td>There is no significant business relationship between the CPAs and the company.</td> <td>Ya</td> <td>Ya</td> </tr> <tr> <td>3</td> <td>At the time of the audit, CPAs had no potential employment relationship with the Company. .</td> <td>Ya</td> <td>Ya</td> </tr> <tr> <td>4</td> <td>The CPAs have no loans with the company.</td> <td>Ya</td> <td>Ya</td> </tr> <tr> <td>5</td> <td>The CPAs have not accepted gifts or gifts of great value (the value of which exceeds the general social etiquette standards) from the company and the company's directors, supervisors, and managers</td> <td>Ya</td> <td>Ya</td> </tr> <tr> <td>6</td> <td>CPAs have not provided audit services for the company for seven consecutive years.</td> <td>Ya</td> <td>Ya</td> </tr> <tr> <td>7</td> <td>CPAs do not hold shares in the company.</td> <td>Ya</td> <td>Ya</td> </tr> <tr> <td>8</td> <td>The CPAs, their spouses or dependent relatives, and their audit team have not served as directors, supervisors, managers, or other positions that</td> <td>Ya</td> <td>Ya</td> </tr> </tbody> </table>		Evaluation Items	Evaluation Result	Whether it meets independence	1	The CPAs have no financial interest in the company, either directly or indirectly.	Ya	Ya	2	There is no significant business relationship between the CPAs and the company.	Ya	Ya	3	At the time of the audit, CPAs had no potential employment relationship with the Company. .	Ya	Ya	4	The CPAs have no loans with the company.	Ya	Ya	5	The CPAs have not accepted gifts or gifts of great value (the value of which exceeds the general social etiquette standards) from the company and the company's directors, supervisors, and managers	Ya	Ya	6	CPAs have not provided audit services for the company for seven consecutive years.	Ya	Ya	7	CPAs do not hold shares in the company.	Ya	Ya	8	The CPAs, their spouses or dependent relatives, and their audit team have not served as directors, supervisors, managers, or other positions that	Ya	Ya	No significant difference
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Items	Implementation Status				Deviations from “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and reasons	
	Yes	No	Description			
			have a significant impact on audit cases during the audit period or in the past two years, and they are also determined not to hold positions in future audit periods.			
		9	Whether the CPA has complied with the regulations on independence in No. 10 Bulletin of the Code of Professional Ethics for Accountants and obtained the "Statement of Independence" issued by the certified accountant.	Ya	Ya	
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		On May 11, 2023, the board of directors approved the appointment of Mr. Tan Kok Bee, the chief financial officer, as the director of corporate governance. The Corporate Governance Officer and Corporate Governance Secretary are currently responsible for corporate governance matters (including providing the Directors (including independent directors) with the necessary documents to perform their duties, handling matters concerning Board and Shareholders' meetings in accordance with the law, and producing minutes of Board and Shareholders' meetings, and assisting directors compliance with laws, etc.).			No significant difference
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 communication with interested parties (including but not limited to shareholders, employees, customers, suppliers, 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 at <a href="mailto:investor@techcential.com">investor@techcential.com</a> . 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. Company Website Stakeholders Engagement: <a href="https://www.techcential-international.com/stakeholders-engagement_eng/#1570780677466-e2b943b0-dc33">https://www.techcential-international.com/stakeholders-engagement_eng/#1570780677466-e2b943b0-dc33</a>			No significant difference
6. Has the Company appointed professional registration for its General Shareholders' Meeting?	V		The company appoints a professional stock agency ("SinoPac Securities Corporation Stock Agency Service Deal") to handle shareholder affairs.			No significant difference

Items	Implementation Status			Deviations from “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Description	
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 ( <a href="https://www.techcential-international.com/home-page-eng/">https://www.techcential-international.com/home-page-eng/</a> ) 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 ( <a href="https://www.techcential-international.com/home-page-eng/">https://www.techcential-international.com/home-page-eng/</a> ) 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 directors and supervisors.)	V		(i) Status of employee rights and employee wellness: Our company provides employees with reasonable welfare and compensation in accordance with local laws and regulations and sets up employee suggestion boxes and other feedback channels. In addition, the company holds a monthly new employee training seminar. In addition to introducing the existing regulations of the company and the rights and interests that should be enjoyed by the new employees, it also hopes that employees can understand the corporate culture, comply with the regulations of the workplace, and create a safe and happy work environment together. Adhering to the corporate culture of integrity, our company is constantly striving towards sustainable development goals and maintaining market competitiveness. With a perfect education and training program, every colleague can constantly improve their work performance and self-potential in the right environment, achieve the win-win goal of enterprise development and self-growth, and provide various professional in-service education and training according to the development of each function to cultivate rich professional ability. (ii) Employment Care: Besides handling the relevant regulations of the local government, the company sometimes organizes gatherings, recreations,	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													
			<p>and other activities for staff.</p> <p>(iii) Investor Relations: Our company holds annual shareholder meetings regularly and establishes speakers and proxies as a channel for the company to express its views or respond to investor questions. At the same time, an investor relations section is set up on the official website, and investors can use email and Line to contact the company at any time. In addition, we also regularly issue annual reports, which disclose rules, revenue statistics, financial statements, corporate governance, and other equity-related information. The company attended investor conferences by invitation in 2022 until the date of publication of the annual report.</p> <table border="1"> <thead> <tr> <th>Investor Conferences Date</th> <th>Hold or Be invited</th> <th>Description</th> </tr> </thead> <tbody> <tr> <td>2022/05/17</td> <td>Be Invited</td> <td>TIL was invited by First Securities to participate the online Investor Conference</td> </tr> <tr> <td>2022/06/07</td> <td>Be Invited</td> <td>TIL was invited by First Securities to attend the Investment Forum..</td> </tr> <tr> <td>2023/04/25</td> <td>Be Invited</td> <td>TIL was invited by First Securities to participate in the Investor Conference.</td> </tr> </tbody> </table> <p>(iv) Supplier relations: We maintain mutual trust and mutual benefit with suppliers, and based on integrity, we conduct audits and management of suppliers to ensure that both parties can grow together under various environmental protection treaties and social responsibilities, creating a win-win situation.</p> <p>(v) Interests of stakeholders: The group has implemented a spokesperson system and established a dedicated person to improve the relationship with stakeholders and give priority to expressing opinions on the company's operational performance. Respect and try to meet the requirements of all stakeholders (shareholders, employees, customers, suppliers).</p> <p>(vi) The continuing education status for directors in 2022: All the company's directors (including 3 independent directors) have attended 6-hour professional training courses. The new director ( Director Eng Kai Jie ) and new independent directors (Independent Director Chou Chih Yuan and Independent Director Huang Chi Jui) also completed 12 hours of advanced studies in 2022. (Please refer to "Other important information that may facilitate a better understanding of the company's corporate</p>	Investor Conferences Date	Hold or Be invited	Description	2022/05/17	Be Invited	TIL was invited by First Securities to participate the online Investor Conference	2022/06/07	Be Invited	TIL was invited by First Securities to attend the Investment Forum..	2023/04/25	Be Invited	TIL was invited by First Securities to participate in the Investor Conference.	<p>No significant difference</p> <p>No significant difference</p> <p>No significant difference</p> <p>No significant difference</p>
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Items	Implementation Status			Deviations from “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Description	
			governance—Directors' Professional Enhancement Status"). (vii) Risk management policies and criteria for risk evaluation: The company has an internal control system and related management measures, which are implemented according to the measures to reduce and prevent any possible risks. (vii) Customer policy: In order to provide comprehensive services and protection for customers and clients, the company communicates with customers in real-time (through email, telephone, or exchanging opinions with the Buyer QC during the factory inspection), understands customer needs, promotes the interactive effect between the company and customers, and regularly responds to customer feedback and reviews at the weekly production and quality control meetings. The company is also actively participating in furniture exhibitions held in Malaysia and the United States. (ix) Company procurement of liability insurance for directors: The insurance company for directors of Techcential International Ltd. is AIG Asia Pacific Insurance Pte. Ltd., Taiwan Branch. The company has got directors' and officers' (D&O) liability insurance and will report at the board meeting on January 1, 2022. (Please refer to "Other important information that may facilitate a better understanding of the corporate governance—D&O insurance".)	No significant difference  No significant difference  No significant difference
<p>9. Regarding TWSE corporate governance: According to the results of the company's self-assessment of corporate governance in 2022, 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

The Board of Directors resolved on December 5, 2016, to establish a Remuneration Committee, consisting of three members. On June 27, 2019, the members of the first term were re-elected, including independent directors Tay Puay Chuan, Oun Lek Wee, and Liao Wei Chuan. Tay Puay Chuan.

On June 29, 2022, the members of the third term were re-elected, with former independent director Tay Puay Chuan, independent director Chou Chih Yuan, and independent director Huang Chi Jui as new members. independent director Tay Puay Chuan, a lawyer, was also elected as the convener. In addition, the Rules and Regulations of the Remuneration Committee were also passed by the Board of Directors on December 5, 2016, in order to improve the corporate governance of the company.

#### (A) Member of the Remuneration Committee:

Title	Criteria		Independent Criteria	Concurrently Serving as a Member of the compensation committee at Other Public Companies	Note
	Name	Professional Qualification Requirements and work experience			
Independent Director	Tay Puay Chuan	Tay Puay Chuan is a Malaysian citizen. He holds a Bachelor of Laws with Honours from the University of London, UK; is a lawyer in service; and is the founder of Tay Puay Chuan & Co.	As of April 30, 2023, 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	Chou Chih Yuan	Mr. Chou Chih Yuan is a Taiwanese. He graduated from the Chang Jung Christian University, Bachelor of Accounting. He is a Founder of J & C Certified Public Accountant currently.	As of April 30, 2023, 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	Huang Chi Jui	Mr. Huang Chi Jui is a Taiwanese. He graduated from the Tamkang University, Bachelor of Accounting. He is a Favorable Business Partner CPAs currently.	As of April 30, 2023, 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 419 thousand Other qualifying conditions for independence are as follows: (1) \ (2) \ (3) \ (4) \ (5) \ (6) \ (7) \ (8) \ (9) \ (10)	0	-

Note 1 : Members who meet the following conditions in the two years before election and during their term of office:

- (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 29, 2022 and ends on June 28, 2025.
- (3) Attendance status: For the current fiscal year (2022) ending April 30, 2023, the Compensation Committee held a total of 5 meetings, with all members in attendance. The 2nd and 3rd term meeting held 1 and 4 meetings respectively. The attendance of Remuneration Committee is as below:

Title	Name	Number of Actual Attendance	Number of Delegate Attendance	Rate of Actual Attendance (%)	Note
3rd Term of the Remuneration Committee Members					
Independent Director	Tay Puay Chuan	4	0	100%	2022.06.29 Re-elected
Independent Director	Chou Chih Yuan	3	0	100%	2022.06.29 New
Independent Director	Huang Chi Jui	3	0	100%	2022.06.29 New
2nd Term of the Remuneration Committee Members					
Independent Director	Oun Lek Wee	1	0	100%	2019.06.27 Dismissal
Independent Director	Liao Wei Chuan	1	0	100%	2019.06.27 Elected 2022.06.29 Elected as Director
<p>Note: The company re-elected directors (including independent directors) on June 29, 2022. The Audit Committee convened twice before the re-election and 4 times after the re-election.</p> <p>Other matters that require reporting:</p> <ol style="list-style-type: none"> <li>If the Board of Directors does not adopt or amend the recommendations of the remuneration committee, it shall state the date, period, content of the resolution, the resolution of the Board of Directors, and the treatment of the opinion of the company on the remuneration committee (e.g. if the board of directors passes the remuneration benefits higher than the recommendation of the remuneration committee, it should state the differences and reasons): No such situation.</li> <li>If there are records or written statements of members' opposition or reservation in the decisions of the remuneration committee, it shall state the date, period, content of the resolution, opinions of all members, and the treatment of members' opinions: No such situation.</li> <li>Responsibilities of Remuneration Committee: The Remuneration Committee, with the attention of a good administrator, faithfully performs the following duties and submits the proposed recommendations to the Board of Directors for discussion. <ol style="list-style-type: none"> <li>Periodically review the Remuneration Committee's organizational procedures and make revision recommendations.</li> <li>Establish and periodically review the annual and long-term performance objectives and remuneration policies, systems, standards, and structures of the company's directors and</li> </ol> </li> </ol>					

managers.

- c. Periodically evaluate the achievement of the company's director's and managers' performance objectives, and determine the content and amount of their individual remuneration.

4. The important resolutions of the Remuneration Committee:

The Date of meeting	The Important Resolutions		The Date of meeting
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.		
2022/07/08	1	Select the convener of the Remuneration Committee and the chairman of the meeting.	No Opinion
	2	Fix monthly remuneration for Independent Director, Chou Chih Yuan.	No Opinion
	3	Fix monthly remuneration for Independent Director, Huang Chi Jui.	No Opinion
	4	Fix monthly remuneration for Independent Director, Tay Puay Chuan.	No Opinion
	5	The proposal of "Performance assessments and salary adjustment of Directors and managerial officers" for the year 2022 Jan– June.	No Opinion
	The company's handling of independent directors' opinions: Not applicable.		
Resolution result: All the present directors and independent directors passed without objection.			
2022/11/09	1	Performance assessments of Directors and managerial officers for the year 2022 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.		
2023/03/21	1	The Distribution of 2022 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.		
2023/05/11	1	The proposal of "Performance assessments and salary adjustment of Directors and managerial officers" for the year 2023.	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." The company is currently assisted by the Human Resources and Administration Units to comply with laws and regulations related to social responsibility governance and authorizes senior management to handle and report to the Board of Directors. The necessity of setting up a full-time (joint) responsible unit for sustainable development will be assessed according to the needs of the company in the future. (ii) The Board of Directors of the Company shall, in its duty of good management, supervise the implementation of sustainable development and review its implementation effectiveness and continuous improvement from time to time, to ensure the implementation of the sustainable development policy. When the company promotes sustainable development objectives, the Board of Directors shall include the formulation of a sustainable development mission or vision, the formulation of sustainable development policies, systems, or related management policies; integrating sustainable development into the company's operational activities and development direction, and verifying the timeliness and accuracy of sustainable development related information disclosure.	Same as description.
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 administrative department of the company is in charge of promoting and implementing corporate social responsibility policies, and it reports to the board on a regular basis. The company has established a reasonable salary remuneration policy, and will combine the performance appraisal system with the corporate social responsibility policy in a timely manner to fulfil its social responsibilities.	No significant difference
3. Sustainable Environmental Development (i) Has the Company set an environmental management system designed to industry characteristics?		V	(i) Our company has implemented 5S (Order, Arrangement, Cleaning, Cleaning, Cultivation) management in all factories to ensure that employees always abide by the workplace safety regulations and comply with local environmental protection laws, but have not passed international relevant certification standards. In the future, an environmental management system in line with industrial characteristics	Same as description.

Items	Implementation Status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Description	
(ii) Is the Company committed to improve energy efficiency and using renewable materials with low environmental impact?		V	will be established as appropriate. (ii) Our company has not yet implemented and disclosed specific data on energy efficiency improvement and use of recycled materials, as well as achievement status. However, our company has done its best to make the best use of all resources.	Same as description
(iii) Does the company assess the current and future potential risks and opportunities of climate change for the enterprise, and take measures to deal with climate-related issues?		V	(iii) Our company has yet to assess the potential risks and opportunities of climate change for the present and future of the business. Nevertheless, our company implements energy-saving actions such as turning off lights and controlling air-conditioning temperatures, reducing paper printing, or using double-sided printing or single-sided scrap paper to reduce energy waste; In addition, we periodically promote energy-saving and carbon reduction concepts to all departments to achieve energy saving and greenhouse gas reduction policies, reduce the impact on the environment, and fulfill the corporate environmental protection responsibilities.	Same as description
(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 greenhouse gas reduction, water consumption reduction and other waster management?		V	(iv) The company has not yet disclosed the greenhouse gas emissions, water consumption, and total waste weight in the past two years, and has not formulated related policies. In accordance with local laws and regulations, the company does not need to apply for an installation permit for pollution control facilities or an emission permit. However, it is still necessary to report to the competent authority every two years for the inspection and evaluation report of the exhaust system and to report to the competent authority every five years for the chemical gas suspension health inspection report, which are currently handled by professional institutions H&S Solution & Service Trading Sdn. Bhd. And PAC Testing & Consulting Sdn. Bhd. In the future, according to the situation, the environmental management system in line with the characteristics of the industry will be established.	Same as description
4.Preserving Public Welfare (i)Has the Company established management policies and procedures in accordance with applicable laws and regulations and International Bill of Human Rights?	V		(i) Our company supports and follows the International human rights covenants "Universal Declaration of Human Rights" and complies with the laws and regulations of the local labor law of Malaysia to formulate our human rights policy. We adhere to rights such as gender equality, work rights, prohibition of workplace bullying, provision of harassment-free work environment, promotion of health and safety in the workplace, and prohibition of discrimination. We also adhere to and enforce the International Labor Organization's "No. 138 Covenant" on child labor, and the "No. 183 Covenant" on protecting maternity, which stipulates that	No significant difference

Items	Implementation Status			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Description	
(ii) Does the company formulate and implement reasonable employee benefit measures (including remuneration, vacation and other benefits, etc.), and appropriately reflect business performance or results in employee compensation?	V		<p>female employees shall be granted 14 weeks of maternity leave. Our human resources utilization policy does not discriminate against gender, race, social class, age, marital status, and family status, to implement equality and fairness in employment, employment conditions, remuneration, benefits, training, evaluation, and promotion opportunities. Our company also regularly holds educational and training courses, such as "5S Safety Lecture", to ensure that employees abide by the safety rules at all times; We also hold the theme lecture of "Prevention of Sexual Harassment in the Workplace" under the "Convention on Discrimination (Employment and Occupation) (No. 111 Convention)", focusing on the topics related to sexual harassment in the 1955 Employment Act, and posting the propaganda posters in the company bulletin board and company website (<a href="https://www.techcential-international.com/stakeholders-engagement_eng/#1672110358962-28a113ca-6f0f">https://www.techcential-international.com/stakeholders-engagement_eng/#1672110358962-28a113ca-6f0f</a>) .</p> <p>(ii) In order to comply with Malaysian labor law, our company has established and implemented reasonable employee benefits, and a portion of the profits will be distributed according to the performance evaluation form conducted by the management team to award bonuses to employees every year. In terms of workplace diversity and equality, in order to realize the reward condition of equal pay for equal work and equal promotion opportunities, it promotes sustainable and harmonious economic growth. The average proportion of female staff in 2022 was 13.96%, and the average proportion of female supervisors was 1.2%. The employee benefits are as follows:</p> <ol style="list-style-type: none"> <li>( 1 ) Annual Bonus: The Company will allocate a portion of the profits according to the performance assessment form conducted by the management and distribute bonuses to employees.</li> <li>( 2 ) Marriage, funeral, and marriage allowances.</li> <li>( 3 ) Medical Allowance - MR250 medical allowance is provided to employees each year to visit the clinic cooperated with the company and 14 days of paid sick leave.</li> <li>( 4 ) Organize staff health activities and sports competitions from time to time to stimulate employee morale.</li> <li>( 5 ) Accident insurance is provided to employees who have served the company for more than 3 years.</li> <li>( 6 ) Long service awards are provided to employees who have served</li> </ol>	No significant difference

Items	Implementation Status			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Description	
(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		<p>the company for more than 10 years and 20 years.</p> <p>( 7 ) Employees' children who have outstanding exam results can also receive academic excellence scholarships from the company.</p> <p>(iii) Our company pays attention to the safety of employees in the workplace. We have established the "Policy on Safety and Health at the Workplace" and set up a Workplace Safety Management Committee. The personnel in charge of the implementation of the committee are responsible for formulating, implementing, and publicizing employee safety and safety maintenance management programs; strengthening the safety and health of the working environment to improve the safety and health of employees, reducing the hazards of the working environment to employees' safety and health, and setting up annual priority items and action plans for other safety and health promotion items. To ensure that employees are familiar with occupational safety and health regulations and the company's safety maintenance operating mechanisms. Our company will hold education and training from time to time, such as the "Workplace Safety 5S Promotion Lecture", "Fire Training Lecture" and Safety Standard Operating Procedure Education and Training, and remind employees to raise their safety awareness through e-mail and posters to ensure that employees abide by the workplace safety rules at all times. (Company website: <a href="https://www.techcentral-international.com/stakeholders-engagement_eng/#1672382666734-266eac2a-84ae">https://www.techcentral-international.com/stakeholders-engagement_eng/#1672382666734-266eac2a-84ae</a> ) .</p>	No significant difference
(iv)Has the Company established effective training programs for the employees to foster career skills?	V		(iv) Our company provides annual educational and training programs to employees to build effective career development capabilities.	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 and customer protection policies and grievance procedures?	V		(v) Our company follows relevant laws and international standards to protect customer health and safety, customer privacy, marketing, and labeling of products and services. The company also has a relevant consumer protection and complaint procedure which is posted 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 no contract has been signed between our company and the main suppliers, according to the internal control system, we regularly visit the suppliers' locations to inspect whether they follow corporate social responsibility. If it is found that policies are violated or significant impacts on the environment and society of the source community are caused, we will immediately terminate the relationship.	No significant difference

Items	Implementation Status			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Description	
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	Our company's operations comply with the regulations of Malaysian law. Currently, there is no report disclosing non-financial information such as the sustainability report. The necessity of preparing a sustainability report will be evaluated in the future depending on the company's needs.	Same as description.
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: 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) Our company has formulated the "Procedures for Ethical Management and Guidelines for Conduct" and continues to review and revise it. We also summarize relevant policies and practices on the company website and actively implement 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) Our company operates in accordance with the principles of fairness, honesty, and transparency, and has formulated "Procedures for Ethical Management and Guidelines for Conduct" and "Code of Ethical Conduct" to specifically regulate matters that should be taken into account when personnel of the company performs business. Bribery and acceptance of bribes, provision or acceptance of improper benefits, and infringement of trade secrets are prohibited.	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 formulated the "Procedures for Ethical Management and Guidelines for Conduct" and "Code of Ethical Conduct" to specify the matters to be observed by the company personnel when performing their duties, and to hold regular meetings with the management to review related matters.	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) Before establishing a business relationship with others, the company should evaluate the legality and business integrity policy of agents, suppliers, customers, or other business counterparts to ensure that their business operations are fair and transparent, and explain the company's integrity policy to the transaction counterpart when executing the 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 "Procedures for Ethical Management and Guidelines for Conduct" 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	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 "Procedures for Ethical Management and Guidelines for Conduct" and promotes to employees.	No significant difference
<b>C. Operation of whistle-blowing system</b>				
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 "Procedures for Ethical Management and Guidelines for Conduct", 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
<b>D. Enhancement of information disclosure</b>				
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 ( <a href="https://www.techcential-international.com">https://www.techcential-international.com</a> ).	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				

Items	Implementation Status		Description	Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No		
<p>corporate management):</p> <p>(1) The company complies with the Company Law, Securities, and Exchange Law, Business Accounting Law, rules and regulations related to listed companies and over-the-counter markets, and other laws related to commercial activities, as the basis for the implementation of honest business operations.</p> <p>(2) The company has a "Rules and Procedures of Board Meetings" which stipulates that when the board of directors discusses and votes on matters related to their own interests or those of their representatives, they should state their opinions and answer questions, but should not join the discussion and voting, and should avoid it when discussing and voting. They are not allowed to act as agents for other directors in exercising their voting rights..</p> <p>(3) The company has an "Procedures for Handling Material Inside Information," which stipulates that directors, managers, and employees shall not disclose internal major information known to them to others, shall not ask those who know internal major information of the company, or collect information unrelated to their personal duties which is not publicly disclosed by the company. They shall not disclose internal major information of the company not publicly disclosed to others unless they obtain such information in performing their duties.</p> <p>(4) The company has always adhered to the principle of honesty, complied with relevant laws and regulations and internal control systems, strictly prohibited unethical or illegal behavior, and appointed legal consultants to provide necessary consultation and decision-making.</p> <p>(5) The company has taken out Directors and Officers Insurance (D&amp;O) for directors and managers, which can fully reduce the risks incurred by the personnel in performing their duties and protect the interests of investor.</p>				

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/](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 Company's important information is disclosed through the Market Observation Post System (MOPS).
2. The Company has established a Corporate Governance section on its website, disclosing the matters discussed, important regulations, and board performance evaluation report of the Board of Directors, Audit Committee, and Remuneration Committee, as well as the communication between independent directors and internal auditors and certified public accountants 2022.
3. The Company has adopted the "Procedures for Handling Material Inside Information" as the basis for the Company's handling and disclosure of inside information and reviews the said procedure periodically to comply with applicable laws and regulations and practical needs. The said procedure is also disclosed on the Company's website ([shorturl.at/sxLY2](http://shorturl.at/sxLY2)) for reference at any time and informs the employees of the matters to be noted in respect of inside information from time to time.

4. Directors Profession Enhancement Status:

31 December 2022

Title	Name	Training Date (2022)		Organizing agency	Training/Speech Title	Hours	Total Hours
		Start	End				
Director	Eng Synergy Management Sdn. Bhd. Representative: Eng Kai Pin	19/08/2022	19/08/2022	Taiwan Investor Relations Institute	斷鏈還是鍛煉 危機還是轉機	3	6
		18/08/2022	18/08/2022	Taiwan Investor Relations Institute	企業永續經營- 資產傳承與接班 實務解析	3	
Director	Surging Success Sdn. Bhd. Representative: Eng Kai Jie	16/12/2022	16/12/2022	財團法人中華民國會計研究發展基金會	企業倫理與永續發展	3	12
		15/12/2022	15/12/2022	Corporate Operating and Sustainable Development Association Certificate of Training	Corporate Governance and Securities Regulations- Introducing of Taiwan's corporate governance	3	

Title	Name	Training Date (2022)		Organizing agency	Training/Speech Title	Hours	Total Hours
		Start	End				
					blueprint 3.0		
		07/12/2022	07/12/2022	Taiwan Investor Relations Institute	財務報告責任與風險管理	3	
		24/11/2022	24/11/2022	Corporate Operating and Sustainable Development Association Certificate of Training	Case analysis for exposure of company's important information and duty of director	3	
Director	Liao Wei Chuan	09/12/2022	09/12/2022	Taiwan Corporate Governance Association	打造風險智能組織—從舞弊風險預防、偵測、調查到危機處理	3	6
		19/08/2022	19/08/2022	Taiwan Corporate Governance Association	公司經營權之爭案例解析	3	
Director	Chang Ming Huang	20/12/2022	20/12/2022	中華民國內部稽核協會	「內線交易」與「財報不實」實務探討與因應之道	6	6
Independent Director	Chou Chih Yuan	13/12/2022	13/12/2022	中華民國會計師公會全國聯合會	(高雄)財報舞弊及鑑識實務分享	3	12
		28/09/2022	28/09/2022	中華民國會計師公會全國聯合會	9/28(高雄)審計準則公報第75號解析-辨認並評估重大不實表達風險	6	
		24/08/2022	24/08/2022	Taiwan Institute of Directors	劇變的年代，探究下一代的核心競爭力-高雄場	3	
Independent Director	Huang Chi Jui	16/09/2022	16/09/2022	Taiwan Corporate Governance Association	重大刑事金融案件數位偵查解析	3	12
		02/09/2022	02/09/2022	Taiwan Corporate Governance Association	審計委員會建置與運作	3	
		30/08/2022	30/08/2022	Taiwan Corporate Governance Association	從法律觀點談投資併購的評估與執行	3	
		19/08/2022	19/08/2022	Taiwan Corporate Governance Association	公司經營權之爭案例解析	3	

Title	Name	Training Date (2022)		Organizing agency	Training/Speech Title	Hours	Total Hours
		Start	End				
Independent Director	Tay Puay Chuan	25/10/2022	25/10/2021	TIRI Taiwan Investor Relations Institute	董事會該關心的 ESG 核心議題	3	6
		19/10/2022	19/10/2022	TIRI Taiwan Investor Relations Institute	我國永續發展債券發展與實務分享	3	

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

CFO profession enhancement status:

Title	Name	Training Date (2022)		Organizing agency	Training/Speech Title	Hours	Total Hours
		Start	End				
CFO	Tan Kok Bee	29/09/2022	30/09/2022	Malaysian Institute of Accountants	MIA Webinar Series: Mastering the Principles of Deffered Taxation	14	26
		24/02/2022	25/02/2022	Accounting Research and Development Foundation in Taiwan 財團法人中華民國會計研究發展基金會	發行人證券商證券交易所會計主管持續進修班 - 審計 3 小時 - 財務 3 小時 - 公司治理 3 小時 - 職業道德法律責任 3 小時	12	

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

Title	Name	Training Date (2022)		Organizing agency	Training/Speech Title	Hours	Total Hours
		Start	End				
Internal Audit manager	Yee Lee Ching	07/10/2022	07/10/2022	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「內控處理準則修正」與「資訊安全」法遵防弊實務	6	12
		28/03/2022	28/03/2022	Accounting Research and Development Foundation in Taiwan 財團法人中華民國會計研究發展基金會	互聯網科技發展趨勢與內稽新思維	6	

Title	Name	Training Date (2022)		Organizing agency	Training/Speech Title	Hours	Total Hours
		Start	End				
Acting Internal Audit Manager	Chua Siow Ling	02/11/2022	02/11/2022	The Institute of Internal Auditors-Chinse Taiwan 中華民國內部稽核協會	面對氣候變遷及永續發展浪潮下，以 ESG 風險角度探究對企業內控之影響及因應措施	6	12
		30/06/2022	30/06/2022	The Institute of Internal Auditors-Chinse Taiwan 中華民國內部稽核協會	企業成本與價值創造之稽核實務研討	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 2022/01/01 To 2022/12/31	Continued	2022/03/22	-

### 3.4.9 Internal control system implementation status

#### (A) Statement of Internal Control System

Techcential International Ltd  
Statement of Internal Control System

Date: March 21, 2023

Based on the findings of self-assessment, Techcential International Ltd states the following with regard to its internal control system in 2022:

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, 2022, 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 2022 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 21, 2023 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 Kai Pin



CEO: Eng Kai Jie



(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		
2022/06/29	1	Discussion Item: To amend "Rules and Procedures of Shareholders' Meeting".	The result of the resolution has been followed		
	2	Discussion Item: To amend the "Management Procedures for Asset Acquisition and Disposition".	The result of the resolution has been followed		
	3	Election Motions: Election of the 4th Board of Directors and Independent Director.		The result of the resolution has been followed	
		Position	Name		Number of votes cast
		Director	Eng Synergy Management Sdn. Bhd. Representative: Eng Kai Pin		24,166,650
		Director	Surging Success Sdn. Bhd. Representative: Eng Kai Jie		20,666,212
		Director	Liao Wei Chuan		20,666,124
		Director	Chang Ming Huang		20,666,156
Independent Director	Chou Chih Yuan	20,666,211			
Independent Director	Huang Chi Jui	20,682,521			
Independent Director	Tay Puay Chuan	20,666,403			
4	Others Motions: Release of the Directors' Participation in Competing Businesses.		The result of the resolution has been followed		

#### (B) Major Resolutions of Board Meetings:

Date	Major Resolutions	
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 amendment of "Rules and Procedures of Shareholders' Meetings".

	9	The amendment of “Corporate Social Responsibility Best Practice Principles”.
	10	The amendment of “the Corporate governance - code of practice”.
	11	The amendment of “Computerized Information System Processing Cycle”.
	12	The amendment of the Management Procedures for Asset Acquisition and Disposition.
	13	Re-election of Directors (including independent directors).
	14	Release the Directors' Participation in Competing Businesses.
	15	Discuss shareholders' proposals and candidates' nomination for Director Lists.
	16	2022 Annual Shareholders' meeting.
2022/05/12	1	2022 Q1 Consolidated Financial Statements.
	2	Appoint Chief Executive Officer of EHL Cabinetry Sdn Bhd.
	3	The schedule plan through greenhouse gas inventory and verification.
	4	Increase Paid-Up Capital of the subsidiary EHL Cabinetry Sdn Bhd (EHL).
2022/06/29	1	Election of the Fourth Term Chairman of the Board of Directors.
	2	Establishment of 3rd Term of Audit Committee.
	3	Establishment of 3rd Term of Remuneration Committee.
2022/07/08	1	Appoint Chief Executive Officer (CEO) of Techcential International Ltd.
	2	The proposal of “Performance assessments and salary adjustment of Directors and managerial officers” for the year 2022 Jan– June.
	3	Fix monthly remuneration for Independent Directors.
2022/08/25	1	2022 First-Half Consolidated Financial Statements.
	2	The company will not distribute 2022 First-Half Annual Earnings.
	3	To authorize the chairman to sign bank documents on behalf of the company.
2022/11/09	1	2022 Q3 Consolidated Financial Statements.
	2	Company Business Plan and Budget for 2023.
	3	Audit Plan for 2023.
	4	The Procedures for Handling Material Inside Information.
	5	Performance assessments of Directors and managerial officers for the year 2022 July– December.
	6	The General principles of the company's pre-approved non-assurance service policy.
2023/03/21	1	The Distribution of 2022 Employee and Director remuneration.
	2	2022 Consolidated Financial Statements and Annual Report.
	3	Annual Earnings Distributions for the year 2022.
	4	Issue new shares through capitalization of earnings.
	5	The 2022 Statements of Internal Control System.
	6	The change of CPA.
	7	The assessment of the Independence and the 2023 annual remuneration of Certified Public Accountant.
	8	The "General Principles of Pre-approval of Non-Confidential Service Policy"
	9	The schedule plan through greenhouse gas inventory and verification of the consolidated subsidiary.
	10	The amendment “Code of Corporate Governance Practices”, “Corporate Practice on Sustainable Development”.
	11	Issuance of Restricted Stock Awards.
	12	2023 Annual Shareholders' meeting.
2023/05/11	1	2023 Q1 Consolidated Financial Statements.
	2	Appoint Corporate Governance Officer.
	3	Amendment of the “Rules and Procedures of Board Meetings”.

	4	Provisions “Rules Governing Financial and Business Matters Between this Company and its Affiliated Enterprises”.
	5	Change the seal of the Bank SinoPac Savings account and related transaction matters.
	6	The proposal of “Performance assessments and salary adjustment of Directors and managerial officers” for the year 2023.

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:

Due to the expiry of the current chairman of Techncential International Ltd, Mr.Eng Say Kaw, the Board of Directors voted on June 29, 2022 to appoint the original General Manager of the company, Mr. Eng Kai Pin, as the new Chairman. In order to make a clearer division of the responsibilities between the Chairman and the General Manager, in order to compete in the fierce market environment and to secure a strong leadership position, the Board of Directors passed a resolution on July 8, 2022 to appoint the General Manager of EHL Cabinetry Sdn. Bhd, Mr. Eng Kai Jie, as the new General Manager of the company.

Due to his future career planning, the General Manager of EHL Cabinetry Sdn. Bhd, Mr. Lim Swee Soon, submitted a request to the Board of Directors to resign, and the Board of Directors accepted his resignation and approved the appointment of the new General Manager Mr. Eng Kai Jie on May 12, 2022.

Table of resignation and dismissal

29 June, 2022

Title	Name	Assume Date	Resignation Date	Reason of resignation and dismissal
Chairman	Eng Say Kaw	20.11.2016	29.06.2022	Term expired and re-elected of directors.
CEO	Eng Kai Pin	05.12.2016	29.06.2022	Term expired and re-elected of directors.
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	Phyllis Chang	01.01.2022~31.12.2022	3,600	-	3,600	-
	Lisa Kuang	01.01.2022~31.12.2022				

#### 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	Phyllis Chang	3,600	-	-	-	-	-	01.01.2022~31.12.2022	-
	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

Replacement date	Approved by the Board of Directors on 21 March 2023.		
Replacement reason and description	The company comply with the internal discussion of KPMG, that the certified public accountants should be changed from accountants Phyllis Chang and Lisa Kuang to accountants Phyllis Chang and Aaron Chiang.		
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 Aaron Chiang
Date of appointment	January 1, 2023
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 2022		Year-To-Date 30 April 2023	
		Shares Increase (Decrease)	Pledged Shares Increase (Decrease)	Shares Increase (Decrease)	Pledged Shares Increase (Decrease)
Director	Eng Synergy Management Sdn Bhd	—	—	—	—
	Representative: Eng Kai Pin	—	—	—	—
Director	Surging Success Sdn. Bhd	—	—	—	—
	Representative: Eng Kai Jie	—	—	—	—
Director	Chang Ming Huang	—	—	—	—
Director	Liao Wei Chuan	—	—	—	—
Independent Director	Chou Chih Yuan	—	—	—	—
Independent Director	Huang Chih Jui	—	—	—	—
Independent Director	Tay Puay Chuan	—	—	—	—
Manager	Eng Kai Pin	—	—	—	—
Manager	Eng Kai Jie	—	—	—	—
Manager	Tan Kok Bee	(30,000)	—	—	—
Manager	Poa Keng Ling	(17,000)	—	—	—

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, 2023; 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	36.12	—	—	—	—	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	7.33	—	—	—	—	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	—	—	—	—	—	—	—
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.		—
Bank SinoPac As Custodian for Conceptscope Resources Sdn. Bhd investment account.	1,489,000	5.20	—	—	—	—	—	—	—
Golden Encore Holdings Sdn. Bhd. Representative: Eng Ai Ten	605,000	2.11	—	—	—	—	Eng Say Kaw	Second-class relatives	—
							Eng Synergy Management Sdn. Bhd.		—
							Youlen Enterprise Sdn. Bhd.		—
							Only Inspiration Sdn. Bhd.		—
Youlen Enterprise Sdn. Bhd. Representative: Lau Miow Xiang	599,620	2.09	—	—	—	—	Eng Say Kaw	Second-class relatives	—
							Eng Synergy Management Sdn. Bhd.		—
							Golden Encore Holdings Sdn. Bhd.		—
							Only Inspiration Sdn. Bhd.		—
KS Yan	300,396	1.05	—	—	—	—	—	—	—
XG Pan	266,000	0.93	—	—	—	—	—	—	—
YX Lin	265,000	0.93	—	—	—	—	—	—	—

**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, 2023; 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.	32,211,111	89.20	3,900,000	10.80	36,111,111	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, 2023; Unit: Shares

Types of Stock	Authorized Capital			Remarks
	Outstanding issued Shares	Unissued Shares	Total	
Common Stock	28,634,216	21,365,784	50,000,000	Tpex

##### (B) Issue of Shares:

April 30, 2023; 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	-	-
July 2022	10	50,000	500,000	28,634	286,342	Convertible corporate bond	-	-

##### (C) Shelf Registration: None.

#### 4.1.2 Composition of Shareholders

April 30, 2023; Unit: Person; Shares; %

Shareholder Composition	Government Agencies	Financial Institutions	Other Juridical Persons	Natural Persons	Foreign Institutions and Foreign Persons	Total
Number of Shareholders	-	8	5	1,383	13	836
Shares Held	-	1,744,000	58,417	9,456,179	17,375,620	28,634,216
%	-	6.091%	0.204%	33.024%	60.681%	100%

Remarks: Share held by PRC: 0%.

#### 4.1.3 Distribution of Shareholding

(A) Common Shares

April 30, 2023; Unit: Person; Shares; %

Shareholder Ownership	Number of Shareholders	Shares Held	Percentage of Shareholding
1 to 999	154	12,373	10.93
1,000 to 5,000	905	1,817,321	64.23
5,001 to 10,000	171	1,313,990	12.14
10,001 to 15,000	51	642,249	3.62
15,001 to 20,000	39	723,000	2.77
20,001 to 30,000	27	693,759	1.92
30,001 to 40,000	12	419,740	0.85
40,001 to 50,000	4	187,000	0.28
50,001 to 100,000	26	1,808,533	1.85
100,001 to 200,000	9	1,280,235	0.64
200,001 to 400,000	4	1,054,396	0.28
400,001 to 600,000	1	599,620	0.07
600,001 to 800,000	1	605,000	0.07
800,001 to 1,000,000	-	-	-
1,000,001 and above	5	17,477,000	0.35
Total	1,409	28,634,216	100

(B) Preferred Shares: Not applicable.

#### 4.1.4 List of Major Shareholders:

April 30, 2023; Unit: Shares

Name of Major Shareholders	Shares	Shareholding	Percentage (%)
Eng Synergy Management Sdn. Bhd.		10,344,000	36.12
Eng Say Kaw		2,100,000	7.33
Surging Success Sdn. Bhd.		1,890,000	6.60
Only Inspiration Sdn. Bhd		1,654,000	5.78
Bank SinoPac As Custodian for Conceptscope Resources Sdn. Bhd investment account.		1,489,000	5.20
Golden Encore Holdings Sdn. Bhd.		605,000	2.11
Youlen Enterprise Sdn. Bhd.		599,620	2.09
KS Yan		300,396	1.05
XG Pan		266,000	0.93
YX Lin		265,000	0.93

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

Item		Year 2021	Year 2022	2023 Q1 (Note 8)	
Market Price Per Share(Note1)	Highest	30.95	31.40	16.75	
	Lowest	18.40	13.00	13.55	
	Average	24.61	17.59	14.23	
Net Value Per Share (Note2)	Before Distribution	12.53	14.63	13.61	
	After Distribution	12.53	14.03	13.01	
Earnings Per Share	Weighted-Average Number of Shares	24,022	28,630	28,634	
	Earnings Per Share(diluted)(note3)	(1.08)	1.09	(0.75)	
Dividend Per Share	Cash Dividends		-	2,863	-
	Stock Dividends	Surplus distribution	-	14,317	-
		Capital reserve allotment	-	-	-
	Accumulative Dividends (Note4)		-	-	-
Rate on Investment	Price /Earnings Ratio ( Note5)	(22.79)	16.14	-	
	Price/Dividend Ratio ( Note6)	-	0.01	-	
	Cash Dividend Yield (Note7)	-	162.76	-	

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 : 2022 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 divided proposal by considering the profit for the year, overall development, financial plans, capital needs, industry projections, the company's prospects, and so on, and submit the proposal for the members' approval. If there are profits, the board shall set aside a portion of the company's profits for each fiscal year when making the profit distribution recommendation:

- (i) A tax payment reserve for the relevant fiscal 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 resolution 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 be allocated 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 the profit after tax of the relevant year, provided that if in any year the company has a 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. Cash dividends may be distributed, or the distribution may be made 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 2021:

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

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	-

The distribution of dividend in the 2022:

Cash dividend for the 2022 H1: The board of directors has passed a resolution on August 25, 2022 not to distribute dividends.

The company's 2022 annual earnings distributions table is as below:

Items	Total NTD
Beginning retained earnings	-
Net loss after tax	31,232,126
Statutory reserve (10%)	-
Surplus reserve	24,878,850
Distributable net profit	56,110,976
Distributable items: Interim Dividend	-
Distributable items: Stock Dividend	14,317,110
Distributable items: Cash Dividend	2,863,420
Ending retained earnings	38,930,446

(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 more than 3% of the profit as employee compensation and only 5% of the profit as compensation for the directors. However, if the company has accumulated losses in previous years, it shall reserve an amount of the pre-tax profit for offsetting the accumulated losses. The employee compensation referred to in this Article 14.4 may be distributed as stock or cash and may be distributed to the Board in order for the subsidiaries' employees to be resolved 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 more than 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 be treated according to the accounting changes and the impact of the change on the profit and loss for the 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 21, 2023, the Board of Directors passed the 2022 employee and director remuneration, which were NT\$3,229,894 and NT\$141,049, 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 2022 estimated cost.

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

(D) The actual distribution of 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, 2022, the Board of Directors passed the 2021 employee and director remuneration. The company will have a loss in 2021 for the current period and will not distribute remuneration to employees and directors.

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 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.
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 conversion (exchange subscription) method	and or	Please refer to the company's first unsecured corporate bond issuance and conversion method in the Republic of China.	
Issuance and conversion, exchange or stock subscription methods, possible dilution of equity conditions and impact on existing shareholders' equity	Until the creditors request execution of the rights of conversion, the subject convertible corporate bonds do not function to dilute the equity of the Company. A creditor may, at his or her discretion, choose to proceed with conversion at a timepoint at his or her most advantageous point and has the deferred effect in dilution of the equity. In terms of the impact on existing shareholders' equity, although the subject convertible corporate bonds will increase the Company's liabilities before conversion, where the subject convertible corporate bonds are converted into common shares, in addition to the effect of reducing liabilities, the subject convertible corporate bonds will, as well, increase the shareholders' equity and thus increase the net worth per share. In the long-term, profit (loss), the shareholders' equity would become better safeguarded.	Until the creditors request execution of the rights of conversion, the subject convertible corporate bonds do not function to dilute the equity of the Company. A creditor may, at his or her discretion, choose to proceed with conversion at a timepoint at his or her most advantageous point and has the deferred effect in dilution of the equity. In terms of the impact on existing shareholders' equity, although the subject convertible corporate bonds will increase the Company's liabilities before conversion, where the subject convertible corporate bonds are converted into common shares, in addition to the effect of reducing liabilities, the subject convertible corporate bonds will, as well, increase the shareholders' equity and thus increase the net worth per share. In the long-term, profit (loss), the shareholders' equity would become better safeguarded.		
Name of the entrusted custodian institution to exchange the subject	Not applicable.	Not applicable.		

Status of convertible bonds:

Unit: NT\$

Year		2022		Year-To-Date April 30,2023	
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	104.00	99.35	-	99.35
	Lowest	100.30	96.00	-	96.00
	Average	101.66	97.94	-	97.61
Conversion Price		-	21.70	-	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			

**4.3 Preferred Shares:** Not Applicable.

**4.4 Depository 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

Item	Estimated Completion	Total	Unit: NTD Thousand
			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 Subsidiary	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 Operating Fund	Used amount	Estimated	32,000	Completed in 2019 Q4
		Actual	32,000	
	Completion	Estimated	100%	
		Actual	100%	

##### 2. Comparison with the original expected benefit

###### (1) Loan Repayment

The company has completed the repayment of the bank loans in 2019 Q4. After the company handled the 1st non-guaranteed convertible corporate bond in the Republic of China in 2019, the interest expenses of the Company for 2019~2020 were NTD 6,054 thousand and NTD 2,238 thousand. The interest expenses of bank loans have been significantly reduced, so the benefits of repaying bank loans should have been revealed.

###### (2) Reinvestment Subsidiary

###### A. Original expected benefit

The company expects the NTD 45,000 thousand of the previously raised funds to be reinvested 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 for 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 by EHL in 2020 and 2021 will be NTD (294) thousand and NT\$ 25,566 thousand, respectively.

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

Units : NT\$ thousand ; %

Item	2020		2021		2022	
	estimate	actual	estimate	actual	estimate	actual
Operating revenues	96,300	-	369,360	6,119	175,178	264,451
Operating cost	(87,345)	(9,263)	(308,880)	(31,115)	(155,421)	(223,916)
Gross profit (loss)	8,955	(9,263)	60,480	(24,996)	19,757	40,535
Operating expenses	(7,268)	(10,647)	(13,598)	(10,450)	(14,827)	(61,687)
Operating net profit (loss)	1,688	(19,910)	46,883	(35,446)	4,930	(21,152)
Profit before tax (loss)	(368)	(23,109)	42,615	(38,916)	943	(27,502)
Profit after tax (loss)	(368)	(22,671)	31,958	(30,120)	943	(20,941)
Shareholding ratio	80%	70% (Note 1)	80%	70% (Note 1)	70%	89.20% (Note 2)
Recognize investment income (loss)	(294)	(10,896)	25,566	(21,084)	660	(16,706)
Accumulated investment income recognized (loss)	(1,884)	(9,387)	23,682	(30,471)	(20,051)	(47,177)

Note 1: The Company directly managed EHL, and on February 13, 2020, the Board of Directors resolved to acquire 100% of the equity from TC, and the equity transfer was completed on June 26, 2020; on March 20, 2020, the Board of Directors resolved that the Group would introduce strategic investors, and EHL respectively issued new shares on April 1, 2020, July 2, 2020, and December 1, 2020, to the Board of Directors resolutions, with the amount of MYR 1 million, and the Company waived the preferential subscription rights, and the new shares issued by EHL were all subscribed by the strategic investors, and the Company's equity ratio in EHL decreased to 70%.

Note 2: EHL officially went into production in 2022, so it needed to raise funds for operational capital needs. EHL respectively resolved to increase the capital on the Board of Directors' resolutions on March 22, 2022, and May 12, 2022, with MYR 3 million. The strategic investors gave up subscribing to new shares due to other investment plans. Therefore, the Company's equity ratio in EHL increased to 89.20%.

The impact of the US-China Trade War, the company collected the debt on November 29, 2019, for the estimated benefit and achievement of previous fundraising of the company in EHL. Although the machine equipment manufacturer was asked to deliver as soon as possible, the delayed shipment of the manufacturer until the beginning of 2020 and the renovation of the rental factory did not meet the expected progress. EHL is expected to trial production in 2020Q1 and start mass production in the 2020Q2. However, in 2020, due to the spread of the covid-19 pandemic outbreak, the local government of Malaysia implemented entry and exit control and implemented a city lockdown on March 18, 2020, resulting in foreign machinery and equipment suppliers originally expected to be installed in 2020Q1. With the implementation of local government control, it is unable to enter Malaysia for machine installation and testing, delaying the installation and trial production schedule of EHL; and the US customer originally expected to be evaluated at the factory in early 2020. Due to the covid-19 pandemic outbreak and government control policies, the evaluation of EHL process interfered and orders could not be placed smoothly, resulting in no revenue in 2020, with gross losses of (9,263) thousand, operating net losses of (19,910) thousand, pre-tax net losses of (23,109) thousand and post-tax net losses of (22,671) thousand.

Due to the Malaysian government's announcement of the 7th extension of the Movement Control Order (MCO) to March 31, 2021, as the local pandemic in Malaysia continues to erupt, the Movement Control Order continues to be extended, and foreign new customers cannot enter Malaysia to conduct EHL's process assessment. The Company cooperated with an American cabinet company operating in Malaysia in the 2021Q2 to obtain orders for furniture components and is expected to obtain orders for overall cabinets in 2021Q4. EHL is developing a new product - disassembly furniture and has contacted an American furniture importer in Malaysia. It is in the sample stage, and the order is expected to be obtained in 2022Q1. However, as EHL is currently in the initial stage of operation and the covid-19 pandemic has not yet eased, it has not been profitable in 2021. The operating gross loss for 2021 is (24,996) thousand, the operating net loss is (35,446) thousand, the pre-tax net loss is (38,916) thousand and the post-tax net loss is (30,120) thousand.

The actual sales revenue of EHL in 2022 was 264,451 thousand, an increase of 51% from the estimated number of 175,178 thousand. This increase is mainly due to the sales condition of EHL's customers being DDP, that is, the sales revenue

is recognized only after the goods are delivered to the customer's location, and all shipping costs during the delivery process are borne by EHL in advance and then transferred to the product price. Due to the novel coronavirus outbreak, shipping costs have soared tenfold, resulting in actual sales revenue being significantly higher than the estimated number.

This period excludes shipping costs, sales income is 212,948 thousand, the gross loss is (10,968) thousand, and gross profit does not reach benefits. Originally, EHL purchased raw materials from Russia. Due to the economic and trade sanctions from various countries due to the Russia-Ukraine war, EHL switched to China and Vietnam with higher prices for raw materials. During the coronavirus period, due to the lack of manpower for US ports and inland transportation, the port was seriously congested, resulting in a tenfold increase in shipping costs. Although it officially started production in 2022, due to the adaptation phase of production capacity in the initial stage and limited human resources, some semi-finished products were purchased directly from outside and assembled before the sale. The above reasons lead to higher raw materials costs than expected.

Due to the limited number of foreign workers that can be applied for by the company in the initial stage of establishment, EHL employs foreign workers through outsourcing. In addition, the Malaysian government has increased the minimum wage from MYR 1,200 to MYR 1,500, an increase of 25%, in May 2022, resulting in an increase in the cost of direct and indirect labor.

Due to the high cost of raw materials, labor costs and manufacturing costs, the profit of this period failed to reach the expected effect, leading to a net loss of (21,152) thousand, a pretax net loss of (27,502) thousand, and an after-tax net loss of (20,941) thousand in 2022.

#### B. Revised Estimated Benefit

Because of delayed machinery delivery status and unsmooth factory construction progress, EHL couldn't start trial production in 2020 Q1 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 that did not allow 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 a 14-day period of isolation was required, so they could not perform the installation instantly. And for those foreign machinery and equipment manufacturers who could not enter the country, EHL had to contact the manufacturers through video calls, and they provided technical guidance with the assistance 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.

With the gradual increase in the vaccination rate, the Malaysian government has gradually relaxed the movement control order. 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% on 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. The main factors behind 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, can also drive the overall market demand for American cabinets. Therefore, the adjusted and revised estimated benefits are listed below, which have been reported 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	2023	
	Estimate	Actual Q1
Operating revenues	279,190	44,415
Operating cost	(237,312)	(47,691)
Gross profit (loss)	41,878	(3,276)
Operating expenses	(19,212)	(4,909)
Operating net profit (loss)	22,666	(8,185)
Profit before tax (loss)	19,394	(8,705)
Profit after tax (loss)	19,394	(8,705)
Shareholding ratio	70%	89.20%
Recognize investment income (loss)	13,576	(8,013)
Accumulated investment income recognized (loss)	(6,475)	(55,190)

EHL started accepting orders and entered trial production in September 2021, and began shipping in December 2021. At the beginning of the 2023Q1, the revenue of EHL accounted for 21% of the company's total revenue, indicating that the operation of EHL is getting on track. In addition, some departments and management details need to be planned and sorted out in the production of EHL.

At present, the production capacity has not reached the ideal use state, and the demand for furniture has decreased due to the US macro environment in 2022, and the cost of raw materials and labor has increased, which has not brought the corresponding economic benefits, affecting the performance of gross profit. However, all colleagues of EHL worked together to optimize the production line process and make reasonable use of production capacity, while also tightening up the management of the company in all aspects, hoping to reach breakeven in the shortest time and achieve the benefits of the above plan as soon as possible.

#### D. Impact on shareholders' equity

The company's 1st Non-Guaranteed convertible corporate bond in Taiwan, R.O.C., has been implemented to repay bank borrowings and replenish working capital as of 2019Q4. In 2021Q1, the reinvested subsidiary completed installation, testing, and production. 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 Operating Fund

The company has completed the replenishment of working capital in 2019 Q4. Although the debt ratio increased slightly because of the 1st non-guaranteed convertible corporate bond issued in 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, gross operating profit, net operating profit, and net profit after tax in 2019H2 increased by 9.25%, 9.38%, 10.50%, and 12.66%, respectively, compared with 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 NT\$79,800,000 in funds. The total amount raised is NT\$81,250,000, adjusted to NT\$16.25 per share due to market price changes.
  - (2) The 2nd Non-Guaranteed convertible corporate bond in Taiwan R.O.C., has 1,200 copies, a face value of NT\$100,000, 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 issued them at 101% of par value. In total, NT \$121,578 thousand was raised.
- (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 <sup>st</sup> 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
	Used amount	Estimated		
Repayment of the principal (including interest compensation) due for the 1st 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

The principal (including interest compensation) of the ROC's 1st non-guaranteed convertible corporate bond will be repaid with 202,828 thousand under this financing plan. Total liabilities have been reduced from 581,851 thousand in 2021 to 516,241 thousand. 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

This company is a holding company with substantial operating functions. The main business of its subsidiaries is the design, production, manufacture, and sale of American wooden bedroom furniture and kitchen cabinets. In addition, the company has also invested in upstream raw materials, such as board and rubber wood, for purchasing and processing.

Subsidiary	Techcential Sdn. Bhd	EHL Cabinetry Sdn. Bhd	ESK Wood Product
Logo			
Address	Malaysia	Malaysia	Malaysia
Main Product	TC's products are mainly five-piece American wooden bedroom furniture.	EHL handles the R&D and manufacturing of American wooden kitchen cabinets.	ESK wood products handle the procurement and processing of upstream raw materials – board and rubber wood.

#### (A) Sales Breakdown of main business segments

Unit: NTD in Thousands; %

Products	Year 2021		Year 2022	
	Amount	%	Amount	%
Wooden Furniture	836,193	93.51	835,568	72.38
Others	58,034	6.49	318,847	27.62
Total	894,227	100.00	1,154,415	100.00

#### (B) Current Main Product of Techcential International Ltd.

##### (1) Bedroom furniture

- Techcential Sdn Bhd (TC) is the company's main operating division. The company mainly designs, manufactures, and sells 5-piece wooden bedroom furniture, including bed frames, nightstands, dressers, chests, and mirrors.

##### (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 most forward-looking global markets in the next few years. The company has developed RTA bedroom furniture sets and RTA kitchen cabinet samples for customers in India and will also start shipping in December. RTA not only saves cabinet space and increases product functionality but also develops more product types.



(2) Kitchen cabinets:

- EHL Cabinetry Sdn. Bhd. (EHL) invested in the manufacturing business of kitchen cabinets in the 2019 Q4 and is expected to start production and shipment in the 2021 Q2. 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: Our company has more than 20 years of experience in bedroom furniture manufacturing and has accumulated many contacts and customers. Therefore, we intend to invest in the research and development of diversified products to benefit the company's revenue.

5.1.2 Industry Overviews

(A) Current Development of Furniture Industry

(a) Global Furniture Market

The output value of the global furniture industry has continued to pick up and resume growth with the gradual recovery of the global economy in the 6 years from 2016 to 2021. In 2021, the output value has increased to US\$533.1 million, and the global furniture market has entered a stage of steady growth. In 2021, the compound annual growth rate of the output value of the global furniture industry will be 3.55%. In 2022, the growth rate of global furniture consumption is about 4%, but at the same time, affected by factors such as high inflation overseas and repeated pandemic, the operation of furniture companies is facing challenges.

Figure 1. 2017-2022 Global Furniture Industry Output Value and Growth Analysis.

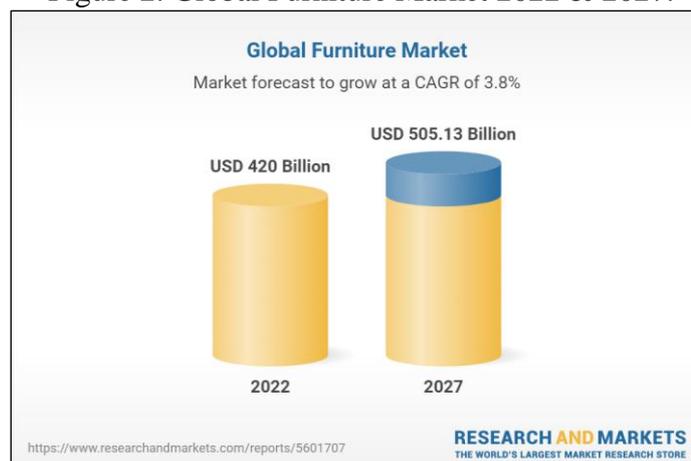


Source : PUHUA Policy, April 12, 2023.

According to the data that global furniture sales will reach US\$1.11 trillion in 2022, Persistence Market Research predicts that the global furniture market will reach US\$1.89 trillion with an average annual growth rate of 5% by the end of 2023. The analysis shows that by 2023, North America's share in the global furniture market will reach 35.4%. Household furniture is the leading segment of the market in terms of market demand for furniture products. On this basis, they estimated that by the end of 2023, household furniture will account for 65.6% of the market, and by 2023, wooden furniture will account for 53.9% of the global market. As more design furniture companies focus on expanding their product ranges to attract more markets, and as consumers' quality of life improves and they will pay more for high-quality, innovative, and uniquely designed products, furniture manufacturers are also focusing on producing high-quality and high-end furniture to improve their competitiveness. All these will provide support to expand the global furniture market.

Rising construction activities are also likely to lead to high demand for wooden furniture in the market. For example, the UK government announced US\$542 million for green building projects in 2021 as part of its commitment to achieving zero emissions; other countries are also providing subsidies and financial support for green buildings. As a result, green buildings with government support may usher in higher demand for green furniture in the next few years. "The growing willingness of people to pay more for eco-friendly furniture points to a shift in perceptions of sustainability," said analysts at Persistence Market Research. Especially during the pandemic, as consumers renew their furniture, the furniture consumption market has expanded. To capitalize on this trend, manufacturers are focusing on strengthening and expanding their product portfolios and production capacities through mergers and acquisitions, which are expected to further drive the growth in global furniture demand.

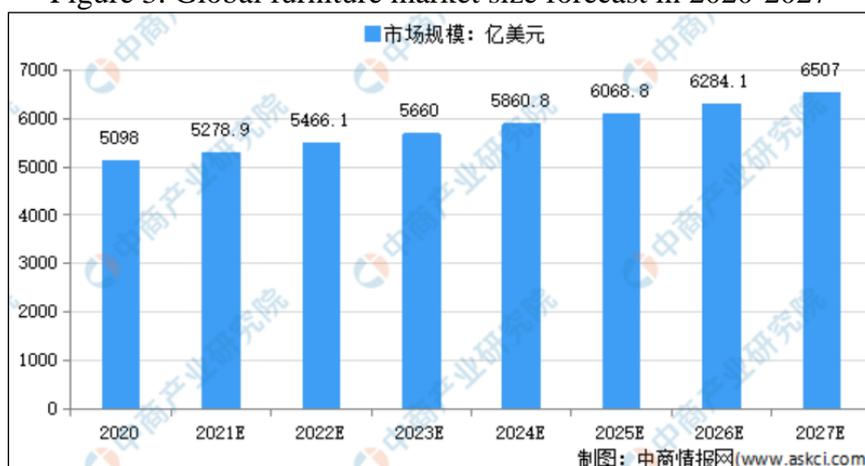
Figure 2. Global Furniture Market 2022 & 2027.



Source : Research and Markets (The World's Largest Market Research Store),  
June 15, 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 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 3. Global furniture market size forecast in 2020-2027

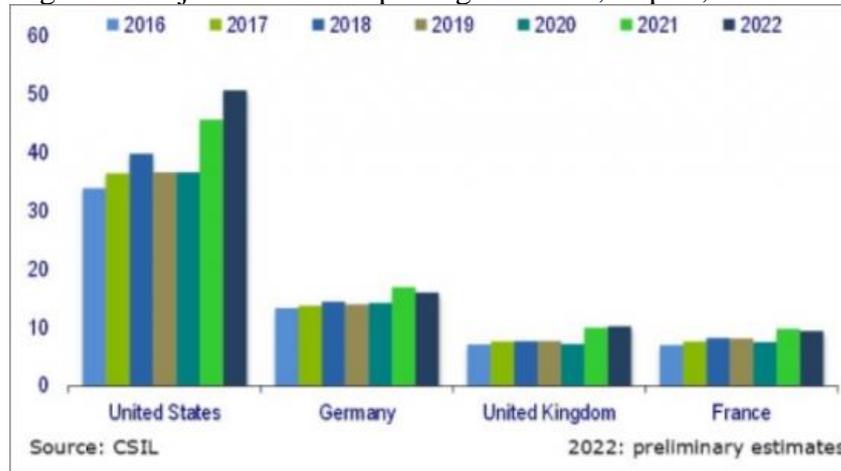


Sources : Statista 、Institute Development in China

According to CSIL's preliminary estimates, international trade in furniture is currently worth around USD 187 billion, has grown faster than furniture production over the last ten years, and has consistently accounted for about 1% of international trade in manufactured goods. The leading global importers of furniture are the USA, Germany, the UK, and France, which together account for about 48% of the total furniture imports. The uncertainties caused by the war in Ukraine, the supply chain constraints, the logistics issues, and the strong inflationary pressures, together with the devaluation of major currencies in relation to the USD, are countervailing factors

that drove an apparent stagnation in 2022. According to CSIL, world furniture consumption will decrease slightly in real terms in 2023, but growth should resume in 2024.

Figure 4. Major furniture importing countries, Import, 2016-2022.



Source : CSIL [World Furniture Outlook 2023]

Technavio has been monitoring the wooden furniture market and it is poised to grow by USD 49.3 billion during 2022-2026, accelerating at a CAGR of 2.73% during the forecast period. The market is driven by growth of real estate and construction industry, rising demand for luxury furniture, and replacement of wood with composite wooden furniture.

#### (b) North-America Furniture Market

Market Research Future (MRFR), a leading market analysis company in the United States, the furniture market is projected to grow from US\$690.21 billion in 2022 to US\$ 886.68 billion in 2030. In its report, 'Furniture Market Research Report Information By Furniture Type, Category, Material, End User and by Region-Forecast Till 2030', there are a several factors which are the expansion of the real estate, the rising disposable income among millennials and Gen Z as well as the hospitality industry. With a market share of US\$301.38 billion in 2021, the Asia-Pacific region holds the greatest market share due to the rise of per capita disposable income as well as expanding middle class group in countries like China and India. The European continent in 2021 holds second place attributing to the usage of new technology by furniture makers for increased demands by hotels, clubs and restaurant as well as the sales of luxury furniture. The fastest growth is North America where the

overall home improvement market has been anticipated to grow significantly in the upcoming years leading to overall spending on DIY activities.

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 5) have shown a long-term steady growth trend. The Home Furnishings Business quarterly performance growth rate published in May 2019, the 2019Q1, showed insufficient growth while the remaining quarters grew by over 3% (Figure 5). According to the latest report from KCMA, the Cabinet Manufacturers Association of America, sales of cabinets and bathroom cabinets in the country will increase significantly in 2022. The report shows that the sales of cabinets and bathroom cabinets in the United States in December increased by 9.7% year-on-year, and they expect the overall sales of cabinet products to decline by 5.6%. Overall cabinet and bathroom vanity sales are up 16.4% in 2022 compared to the previous year. Sales of custom cabinetry rose 17.8%, those of semi-custom cabinetry rose 17.4%, and sales of finished products rose 15.5%. Overall sales are expected to decline by 1%.

Figure 5. 2019-2022 US furniture and homeware seller monthly sales.

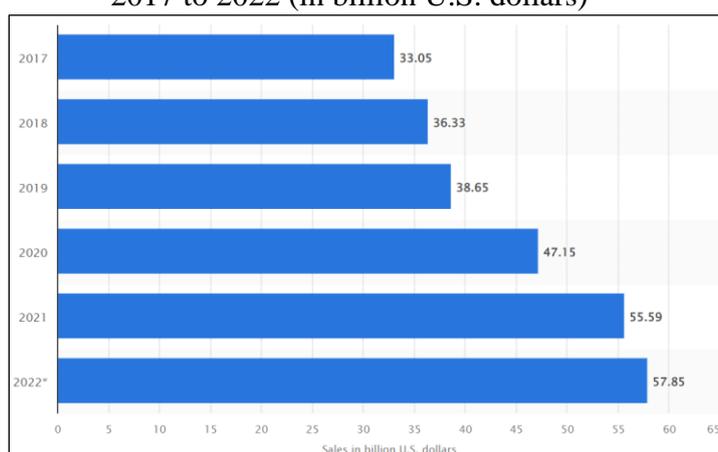


Source : US Census Bureau ; YCHARTS Financial Service Database. (2022/12)

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 2020Q2, 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 Statista research, "Online sales of the household furniture market in the United States from 2017 to 2022," shows that the US online furniture sales market has sped up its growth from 2017 to 2022. The size of the market for online household furniture sales in the United States was US\$57.85 billion.

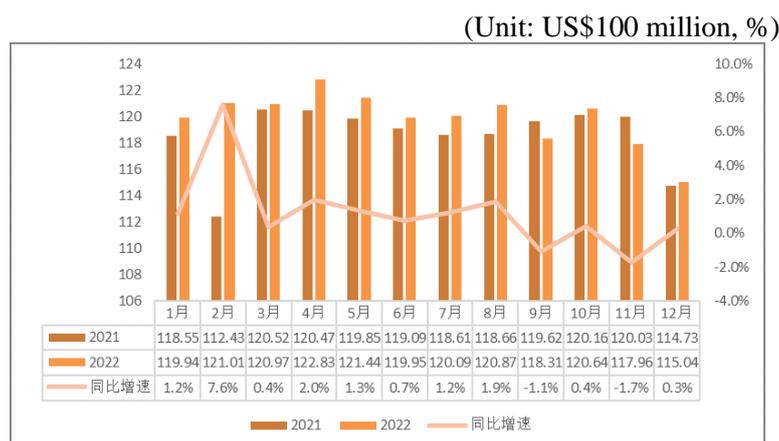
Figure 6. Online sales of the household furniture market in the United States from 2017 to 2022 (in billion U.S. dollars)



Source : Online sales of the household furniture market in the United States from 2017 to 2022 ( 2023/03/15 )

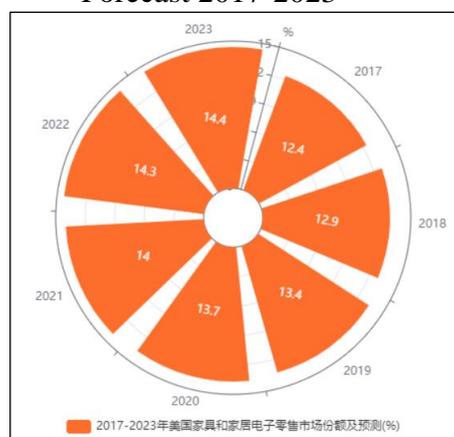
Apart from the online channels, physical furniture is also a significant trend in the US furniture market. The US furniture industry was dominated by furniture retail, followed by furniture importers. According to the retail data of the U.S. Department of Commerce (Figure 7), in 2022, the total U.S. retail industry will total US\$8.1 trillion, a year-on-year increase of 9.2%; furniture retail sales will reach US\$143.9 billion, a year-on-year increase of 1.1%. The growth rate ranks last in the industry. Among them, the sales of physical furniture stores recorded US\$11.5 billion in December, an increase of only 0.3% year-on-year, which is also the segment with slower growth in the retail industry. High inflation, high commodity prices, and high borrowing costs are the main reasons for the slow growth of furniture sales in the United States in December. The iiMedia Research data shows that in the 2017–2023 U.S. furniture and home electronics retail market share, it will be 13.4% in 2019, 13.7% in 2002, 14% in 2021, 14.3% in 2022, and 14.3% in 2023. 14.4% (Figure 8).

Figure 7. U.S. furniture retail sales and year-on-year growth rate in 2021-2022



Source : Statista (2023/02/17)

Figure 8. U.S. Furniture and Home Electronics Retail Market Share and Forecast 2017-2023



Source : iiMedia Research (2023/03/16)

Vietnam's status as the largest furniture exporter to the United States is very fragile. According to the situation in 2022H1, the gap between Vietnam and its arch-rival China is only US\$2.5 billion. Vietnam's market share increased by only 1% to US\$5.1775 billion, while China's exports to the US increased by 13% during the same period, significantly narrowing the gap to US\$5.175 billion in 2022H1. In 2021H2, companies that moved operations from China to Vietnam to avoid tariffs rebuilt business relationships as Vietnam grappled with factory closures because of the outbreak. Another country that benefited from the shift in Chinese business, Malaysia, ceded the No. 3 position to Mexico. Malaysia grew by 62% as an importer to the United States, compared with a mere 1% increase in business in the same period this year, securing exports of about US\$879 million in 2021H1. Meanwhile, Mexico led

the growth in the top 10, with exports to the U.S. market rising by 41% to cross the \$1 billion mark. The rise in Mexico was because of ongoing supply chain woes, with container prices soaring for a while and companies outsourcing operations to Mexico. However, the value of producing and trucking products in Mexico has recently been called into question as ocean freight rates have fallen and labor issues have made ground transportation more difficult. As a result, major growth may trend towards a slowdown.

Figure 9. Top 10 source countries for U.S. furniture imports in 2021 H1 and 2022 H1 and the year-on-year comparison in the H1 of the year.

美国家具 10 大进口国	2022 上半年进口额 (百万美元)	2021 上半年进口额 (百万美元)	同比增长
越南	5,177.5	5,121.5	1%
中国大陆	5,175.0	4,598.2	13%
墨西哥	1,178.2	836.6	41%
马来西亚	878.9	873.0	1%
印度尼西亚	794.6	604.8	31%
加拿大	782.9	642.8	22%
意大利	701.3	554.6	27%
印度	323.0	255.3	34%
泰国	287.5	219.3	31%
波兰	198.6	181.4	10%
全球总计	17,081.8	15,094.3	13%

注：  
1、木制厨房家具包括永久性橱柜；  
2、座椅不包含靠背椅；  
3、百分比四舍五入取整数。

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

Figure 10. Top 10 categories of U.S. furniture imports in 2021 H1 and the 2022H1 and 2022 H1 and the year-on-year comparison in the H1 of the year.

美国家具 10 大品类进口	2022 上半年进口额 (百万美元)	2021 上半年进口额 (百万美元)	同比增长
杂木家具	3,605.5	3,494.6	3%
木框软垫椅	2,679.6	2,459.2	9%
木框软垫靠背椅	2,165.3	1,682.0	29%
木制卧室家具	1,538.0	1,397.7	10%
木制厨房家具	1,467.4	1,054.3	39%
金属户外椅附织面坐垫	1,446.9	1,118.2	29%
木床	1,011.8	968.8	4%
金属框软垫椅	935.0	711.7	31%
其它材料家具	684.4	558.3	23%
木制餐桌	485.9	438.7	11%
全球总计	17,081.8	15,094.3	13%

注：  
1、木制厨房家具包括永久性橱柜；  
2、座椅不包含靠背椅；  
3、百分比四舍五入取整数。

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 world's 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. 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 24th largest trader and the 25th largest importers and exporters, respectively, in 2022. 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), ranked amongst the top 10 largest exporters of furniture in the world, Malaysia exports around 80% of its production. With large markets in the US, Japan, and Australia, Malaysia has a strong position in the global furniture industry. With the tremendous growth in exports to the UK, UAE, Saudi Arabia, the Philippines, and Russia, Malaysia is now eyeing countries like Algeria, Greece, Puerto Rico, and Libya. Malaysia's Deputy Prime Minister and Minister of Plantation Industries and Commodities Dato' Seri Fadillah Yusof said at the opening ceremony of the Malaysia International Furniture Fair (MIFF) in 2023 that the furniture industry is highly dependent on export trade. The amount of furniture exports reached 11.5 billion ringgit in 2022. Although many industries have been negatively impacted by the Covid-19 pandemic, Malaysian

furniture exporters are doing quite well with an export value of MYR10.64 billion in 2020 and MYR10.42 billion in 2021. Citing a September 2021 report by Global Industry Insight Inc., Fadilla said that the global wooden furniture market is expected to be worth US\$550 billion by 2027. Fadillah pointed out that the export value of timber and timber products is expected to reach MYR28 billion in 2025 and MYR32.8 billion in 2030.

In recent years, the growth has shifted from producing general products towards designing its own, and this has been key in propelling Malaysia onto the international stage. Popular with overseas buyers in the middle-to-high price category, foreign buyers look to Malaysia for manufacturers who can meet their high production demand. Despite numerous economic downturns, strong global demand still supports the industry. While the overall furniture industry is growing, online furniture sales are likely to experience the strongest growth. According to online research site Statista, Malaysia's total furniture consumption market is expected to reach US\$4.51 billion by 2023, and grow at a CAGR of 8.21% until 2027. Meanwhile, the e-commerce segment is expected to grow at nearly twice the rate, from US\$1,031.00 billion in 2023 to US\$1,865.00 in 2027, at a CAGR of 15.9% over the next five years.

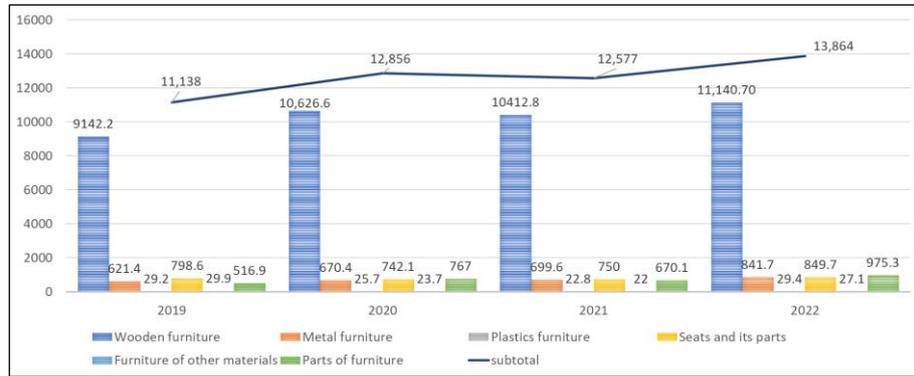
Figure 11. Malaysia's Top 10 Exports of Furniture, By Country.

MALAYSIA'S TOP 10 EXPORTS OF FURNITURE, BY COUNTRY 马来西亚10大家具出口表现						
Data sorted by value of 2021						
As at 07.02.2023						
COUNTRY	2021 <sup>f</sup>		2022 <sup>g</sup>			
	Value (RM Mil.)	Share %	Value (RM Mil.)	Share %	Change %	
<b>TOTAL EXPORTS</b>	<b>12,591.7</b>	<b>100.0</b>	<b>13,863.5</b>	<b>100.0</b>	<b>10.1</b>	
1 UNITED STATES OF AMERICA 美国	7,275.9	57.8	7,237.2	52.2	-0.5	
2 REPUBLIC OF SINGAPORE 新加坡	742.7	5.9	1,005.5	7.3	35.4	
3 JAPAN 日本	689.3	5.5	764.7	5.5	10.9	
4 AUSTRALIA 澳洲	468.1	3.7	659.7	4.8	40.9	
5 UNITED KINGDOM 英国	436.9	3.5	433.5	3.1	-0.8	
6 INDIA 印度	219.4	1.7	431.9	3.1	96.9	
7 CANADA 加拿大	287.6	2.3	380.0	2.7	32.1	
8 PHILIPPINES 菲律宾	160.2	1.3	316.9	2.3	97.9	
9 UNITED ARAB EMIRATES 阿联酋共和国	170.5	1.4	254.9	1.8	49.5	
10 THAILAND 泰国	100.2	0.8	183.8	1.3	83.4	

Sources : Malaysian Furniture Council Newsletter (2022/4)

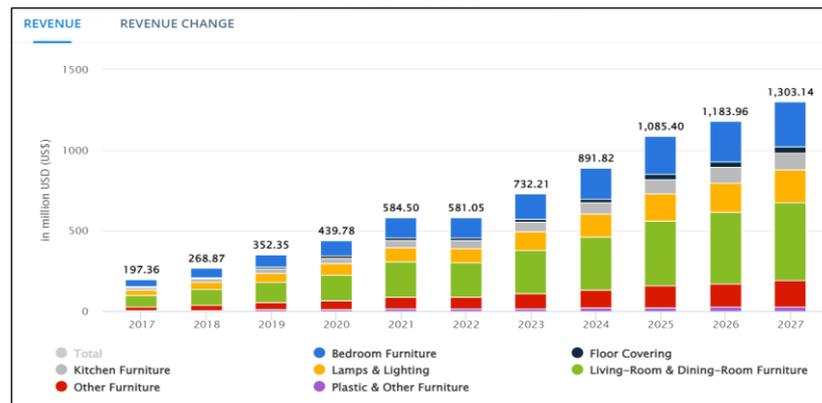
Figure 12. Malaysia furniture exports in 2019-2022 (Product) .

Unit: MYR Million



Sources : Muar Furniture Association, MFA

Figure 13. Opportunities in the Growing Online (E-commerce) Furniture Market in 2017-2027.



Sources : Statista ( 2023/02 )

(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, and packaging. The furniture was designed by downstream brand distributors and commissioned by the manufacturer. The downstream segment consists primarily of furniture wholesalers or retailers. 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 2021), 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 2019. 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 Furniture Today's survey on the sales of the U.S. furniture retail industry in 2021, the sales of furniture and home furnishings in the U.S. in 2021 have seen a slight increase (2.9%) from the previous year (US\$120.4 billion) to US\$123.9 billion. The total sales of the top 100 furniture companies accounted for about 52% of the total sales of U.S. furniture through all channels, and the market share of the first Ashley Homestore was as high as 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 TC's revenue grows steadily.

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 20 employees at the end of April 2023. 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

				Unit: Person
Year	2020	2021	2022	Year-To-Date April 30, 2023

Education	Master & Above	-	-	-	-
	Degree	9	9	6	5
	High School & Below	13	14	15	15
Total		22	23	21	20

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

Unit: NTD Thousand; %

Item	Year	2020	2021	2022
	R&D Expenses		8,477	6,377
Consolidated net operating income		1,259,850	894,227	1,154,415
%		0.67	0.71	0.64

(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 develop raw material direct procurement business: By directly purchasing raw materials such as panel and rubber wood from raw material suppliers, the cost of raw material purchase of the factory can be reduced, and the related raw material external sales business is expected to be expanded to make a contribution to the group's net profit.
- (b) Actively develop the US market and new customers: In terms of professional manufacturing, new customers will continue to be contacted, hoping to expand the

product's fame by introducing product reputation, and participating in Malaysian and Chinese furniture exhibitions.

(c) Increase automation machinery and equipment: With the continuous growth of the company's operations, with the average Malaysian wages increasing year by year, automation production equipment will be gradually introduced in the future to replace manual labor and improve productivity while reducing labor costs.

(d) Re-invest in kitchen cabinet manufacturing business: In recent years, due to the tense Sino-US trade relations and the US's proposed countervailing duty on Chinese wooden kitchen furniture, orders from Chinese mainland manufacturing have gradually shifted to other countries. In response to the new business opportunity, the company is actively investing in the wooden kitchen cabinet market.

(B) Long-term goals

(a) Develop Diversified Products: The company has more than 20 years of experience in bedroom furniture manufacturing and has accumulated many contacts and customers. Therefore, it is intended to invest in the research and development of diversified products, in order to benefit the company's revenue and reduce the risk of a single product.

(b) Purchase industrial land to expand the company's operating scale: The important subsidiary Techcential Sdn Bhd has achieved a capacity utilization rate of more than 90% in 2021Q4 due to the good order situation of US customers and the high popular PU product series. After reviewing the current usage of the company's factories, the ratio of the company's own factories to leased factories is about 2:1, and the warehouse space is also tight. In view of the company's long-term development plan, the order demand for PU products is strong, and the company plans to expand its operating scale and product lines in the next three years to meet the increasing orders. In addition to hoping to increase the area of the production line and increase the storage space, the company also plans to cooperate with outsourcing factories, so that the factory area of the outsourcing factories can be coordinated in the nearby area, which can reduce transportation costs and improve production efficiency through smooth traffic arrangements.

## 5.2 Market and Sales Overview

### 5.2.1 Market Analysis

#### (A) Revenue by Geographic Region

Unit: NTD in Thousands; %

Regions	Year 2020		Year 2021		Year 2022	
	Revenue	%	Revenue	%	Revenue	%
Domestic Sales	140,284	11.13	86,037	9.62	82,561	7.15
Overseas Sales	1,119,566	88.87	808,190	90.38	1,071,854	92.85
Total	1,259,850	100.00	894,227	100.00	1,154,415	100.00

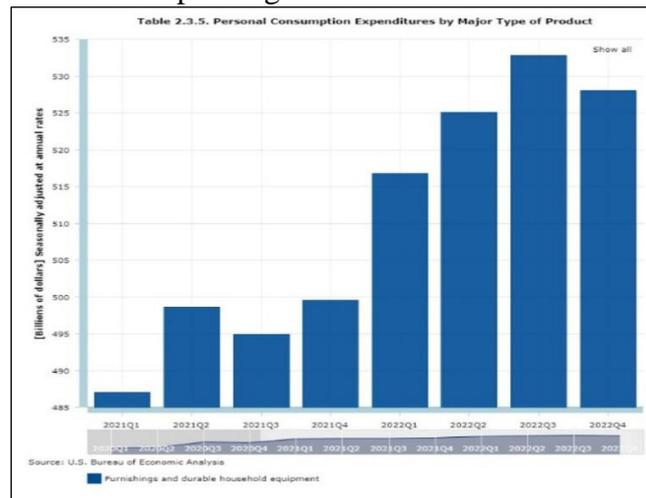
#### (B) Market Share

Malaysia will be the world's 10th largest exporter of furniture and furniture components in 2021. Malaysia's furniture exports reached MYR12,577 million in 2021. Malaysia's furniture exports reached MYR13,863.5 million in 2022 an increase of 10.1% from 2021. The five main export markets are the United States of America, Republic of Singapore, Japan, Australia and United Kingdom. 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

Our company mainly designs, manufactures, and sells American-style wood bedroom furniture and develops and sells its own brand of wood bedroom furniture. Our sales area is mainly located in North America. The main sales targets of our products are retail brands of the top 100 American furniture, importers, and small and medium-sized furniture retailers. Our company has been cooperating with customers for many years, has developed long-term cooperation and tacit understanding, and maintains good interactive relationships. The main purchasing area is mainly Malaysia.

Figure 14: 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 2021Q3 until 2022Q3, the amount of spending on furniture and household equipment in the United States has shown a growth trend (Figure 14). 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) Professional Management Team: Our management team has been deeply engaged in the production of furniture for many years, with considerable experience in the production of American furniture. They have a high sensitivity to product process control and market strategy and positioning, and can effectively cooperate with upstream and downstream cooperative manufacturers, as well as meet customer needs in terms of production and marketing management.

- (b) Direct Procurement of Raw Materials: Malaysia has abundant natural resources, with many furniture suppliers providing production materials and parts within its borders. Therefore, our company mainly purchases locally, which can shorten the pre-purchase time, reduce the risk of shortage of materials to ensure timely delivery, and can also immediately grasp the price changes of raw materials.
- (c) R&D Design and Customization: Our company has a design and R&D team with many years of cooperation experience with American furniture merchants. When customers propose new product requirements, they can quickly design and sample, greatly reducing the communication time with customers, helping customers to launch new products as soon as possible, and seizing the market opportunity.
- (d) Flexible Large-scale Production: In addition to self-purchasing and controlling the quality of materials and supply stability, our company also uses outsourcing to entrust cooperative manufacturers to process. As our company has been in the furniture industry for many years, we have cultivated many excellent cooperative manufacturers. No matter the size of the order, normal or urgent, our company can maintain a stable and timely delivery, and also provide customers with more flexible ordering options.

(E) Advantages and disadvantages of Future Developments and Proposed

(a) Favorable Factors

- (i) The demand for the American market is huge: As the economy recovers, the outlook for the US furniture market is good, benefiting from increasing new housing projects, personal disposable income, and stable demand for furniture over the next few years. The Company mainly manufactures American bedroom furniture and the US is its main sales area. In the future, with the continuous stable growth of demand for furniture in the US.
- (ii) Abundant resources in the area: Malaysia ranks third in the world for natural rubberwood production and is the main material for our wooden furniture. Our company has the advantage of location and has already entered into upstream raw material (rubberwood and panel) procurement and processing business. Raw materials can be purchased directly in the local area to maintain a steady supply and reduce the risks of shortages.
- (iii) Long-term and deep cooperation relations with customers: Our company has had a long-standing partnership with its main customer group. Both parties have formed a stable relationship. This is due to our company's deep focus on

American-style furniture and our extensive experience working with US furniture vendors. Our company has also earned the approval of US furniture importers and retailers due to its design capabilities, quality consistency, and profound production technologies. With this trust as the foundation, there will be much assistance to our company's future business development.

(b) Unfavorable factors and countermeasures

(i) Price fluctuation of raw materials

Measures : By increasing the purchase quantity of the KD, some of them are used for self-made furniture, and some of them are sold as commodities to local peers with smaller scales, which can increase the negotiation power for purchasing boards and thus reduce the purchase cost, and also increase the speed and stability of obtaining raw materials. In addition, the company monitors the raw material market and adjusts the safety stock according to the market trend to cope with the risk of fluctuation in raw material price.

(ii) Rising global inflation

Measures: The Russia-Ukraine war triggered a global energy and food crisis in the winter of 2022. The previous rise in global sea freight and the change in supply and demand for containers caused a bullwhip effect in the US consumer market in May 2022 and triggered global inflation. To slow down inflation, the central banks of various countries have responded by raising interest rates, which has affected the purchasing power of the consumer market. TC's main products are sold in the United States. TC will pay close attention to the changes in the American furniture consumer market, strengthen communication with customers and develop new product models to provide more cost-effective products to win customers' orders. In addition, the company will also actively develop other furniture products to match the dormitory with a complete set of series and participate in furniture exhibitions in other countries to gain more product exposure and develop customers in other new markets.

## 5.2.2 Main Features and Production Process of Major Products

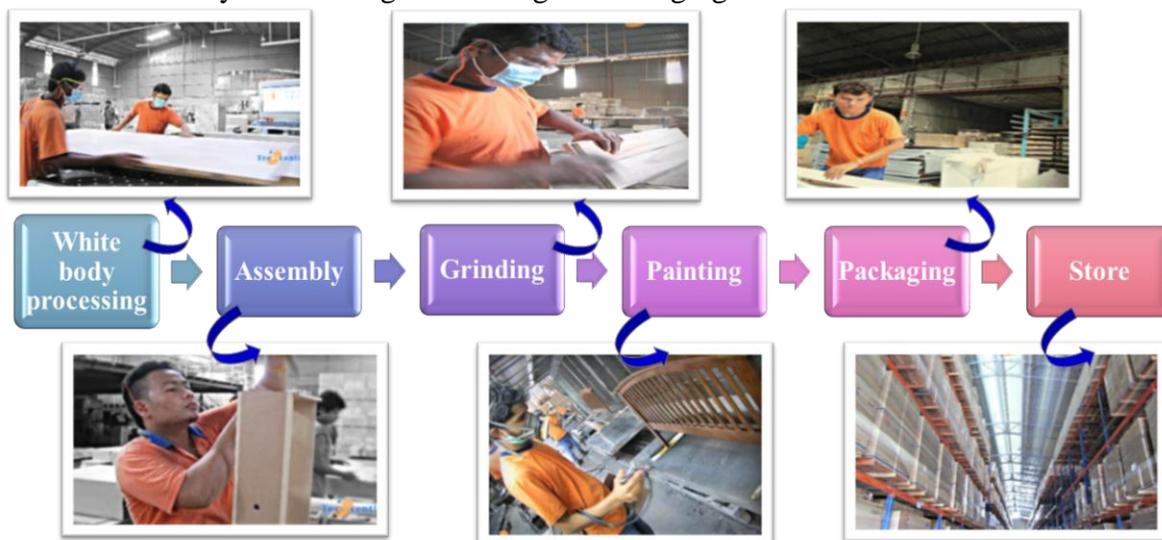
### (A) Key Product applications

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	Allgreen Timber、 Robin Resources、 Five Hills	Good
Wood	Linewood Industries、 Pine & Hills、 Goodwood Hectares	Good
Paint	Nikkolac、 Lycora、 K.H. Coating	Good
Packaging	Sothern Legend、 Pine Packaging、 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 2021				Year 2022				Year 2023 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)	200,100	22.38	None	Elements	267,941	23.21	None	Elements	52,722	25.29	None
Elements	171,858	19.22	None	Splendid	254,229	22.02	None	Splendid	44,415	21.30	None
Crown Mark	165,941	18.56	None	Ashley (AFT)	155,404	13.46	None	Ashley (AFT)	27,392	13.14	None
Others	356,328	39.84		Others	476,841	41.31		Crown Mark	26,695	12.80	None
								Others	57,286	27.47	
Net Sales	894,227	100.00		Net Sales	1,154,415	100.00		Net Sales	208,510	100.00	

Ashley Furniture Trading (AFT) is a newly established subsidiary of the US furniture retailer Ashley Furniture Industries (AFI) in 2019. AFI has over 700 stores across the US and has become the first largest furniture retailer in the US through effective promotions with online marketing and market control. This period's sales revenue has decreased significantly compared to 2021Q4, mainly because of the exacerbated US inflation, resulting in reduced demand for furniture and customers having sufficient inventory levels, thus reducing orders.

Elements is a sizeable furniture importer and wholesaler in the US, headquartered in Texas, USA, mainly dealing bed sets, children's bed sets and restaurant furniture. Since we make almost all purchases in the Asia-Pacific region, warehouses are also in Vietnam, Malaysia, and other locations besides the US. Because of the employee's confirmed cases in January 2021, the production line was suspended for 2-3 weeks, and because of the mobile control orders, the operation was suspended for over 3 months from June to September 2021, resulting in less sales revenue in 2021Q4. Therefore, this period has no such situation, so the sales revenue has increased compared to 2021Q4.

Crown Mark is an American furniture distributor. Its main products are bedroom sets, dining sets, and coffee tables, mainly sold in Fontana, USA, high point. CMI mainly purchases TAMBLIN from TC. In 2020Q3, TC successfully developed 5 new models, among them Amalia was the most popular in the market. However, due to the US Federal Reserve's hawkish rate hike and increased inflation in the United States, the demand for furniture in the United States decreased, resulting in customers reducing orders and slowing delivery speed, resulting in a decrease in sales revenue compared to the same period last year.

Splendid is a furniture distributor in Los Angeles and San Francisco, USA, with multiple display rooms and warehouses, mainly providing granite and cabinet products to construction contractors. EHL officially started production of kitchen cabinets in 2021 and began shipping in December 2021. At present, the efficiency of capacity production has been improving, and the product quality has gradually improved. In 2022Q2, shipped shipments began to increase. Since EHL's transaction conditions with customers are DDP, orders shipped earlier have reached the customers in this quarter, so the sales revenue of this period has increased.

#### 5.2.5 Production Volume and Value in the past 2 years

Unit: Thousand Container; Volume in NTD Thousands

Main Products	Year 2021			Year 2022		
	Production Capacity	Production Volume	Production Value	Production Capacity	Production Volume	Production Value
Wooden Furniture	1,328	687	866,210	1,183	533	787,193

Explanation on the changes:

Due to the fire accident in the TC2 factory in November 2021, the production line entered the reconstruction process and temporarily stopped working, resulting in a decrease in production capacity for 2022. Although the factory has completed the

reconstruction, the sales of houses have slowed down due to the rate hikes by the US Federal Reserve, which in turn affects the orders of the furniture industry, so the output and value of this period are lower than in 2021.

### 5.2.6 Sales Volume and Value in the past 2 years

Unit: Thousand Container; Volume in NTD Thousands

Main Products	Year 2021				Year 2022			
	Domestic Sales		Overseas Sales		Domestic Sales		Overseas Sales	
	Volume	Amount	Volume	Amount	Volume	Amount	Volume	Amount
Wooden Furniture	22	33,111	637	803,082	41	17,943	558	817,625
Others	Note 1	52,926	Note 1	5,108	Note 1	64,618	Note 1	254,229

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 main reason for the decrease in overall exports in 2022 compared to last year is the US Federal Reserve's implementation of the hawkish rate hike policy to control inflation, which has led to a decline in the housing market and a subsequent decrease in furniture demand in the market. In addition, the lower value-to-volume ratio is mainly due to the higher average unit price during this period.

### 5.3 Employees

Unit: Person/%

Year		2021	2022	Year-To-Date 30 April 2023
Number of Employees	Management staff	19	15	15
	Normal staff	102	82	77
	Production Line	583	483	533
	Total	704	580	625
Average age		32.64	33.64	33.09
Average Years of Service		4.37	4.60	4.48
Education (%)	Doctoral	-	-	-
	Master	0.13	0.17	0.32
	University & College	11.10	9.8	6.72
	High School	17.15	10.86	8.64
	Below High School	71.62	79.14	84.32

### 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:

- According to the local regulations, our company does not require a permit for the installation of pollution facilities or a permit for the emission of pollution. However, we still need to report to the relevant authorities every two years for the Inspection, testing, and assessment of the Local Exhaust Ventilation System Report and every five years for the Chemical hazardous to health exposure monitoring report. Currently, they are handled by the professional organizations H & S Solution & Service Trading Sdn. Bhd and PAC Testing & Consulting Sdn. Bhd.

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:

Our company cares about employee welfare and has planned various management regulations and provisions such as salaries, promotion, reward and punishment, social security fund, provident fund, and annual leave, under local laws and regulations.

Employee welfare includes year-end bonuses, staff uniforms, marriage and funeral subsidies, medical expenses subsidies, year-end parties, full attendance bonuses, etc. In addition, we also hold employee group activities and sports competitions from time to time to encourage employee morale and provide annual physical examinations, and personal accidental insurance for employees who have worked for over 3 years. In addition, our company also has a long-term service award to reward employees who have served in the company for 10 years and over 20 years, and the children of employees who have excellent exam results can also receive the academic excellence award presented by the company at the annual dinner.

(B) Human Resource Development and Staff Training:

In line with a culture of integrity and trust, the company continues to strive towards its goal of sustainable management and to maintain its market competitiveness. In order to provide employees with an environment that suits their abilities and talents, a comprehensive education and training plan is in place to improve job performance and bring out individual potential, so as to achieve the dual objectives of corporate development and self-growth. Professional on-the-job training is also provided to cultivate an abundance of expertise according to the functional development of each individual. The company also complies with government policies and contributes a certain amount (1% of the employee's salary) to the HRDF Fund (now renamed HRD Corp.) each month.

Under the leadership of the Ministry of Human Resources (MOHR), HRD Corp is mandated according to the provisions of the 2001 PSMB Act to drive employment and industrial training, vocational guidance and consultation, and to provide Malaysians with various skills, backgrounds, and capabilities to create income-earning opportunities. HRD Corp. is committed to developing productive labor and ensuring Malaysia's economic transformation by providing enterprises and individuals with the necessary skills to increase their productivity, competitiveness, and incomes.

(C) Retirement Programs

The Employees Provident Fund (EPF/KWSP) was established under the Employees Provident Fund Act 1991 (Act 452) which provides retirement benefits to members through compulsory contributions from employers and employees (part of the employee's salary and contributions from employers on behalf of the employees). The Employees Provident Fund provides employers with a convenient framework to fulfill

their legal and moral obligations to employees by making compulsory contributions to their retirement fund accounts on a monthly basis.

Malaysia Minister of Finance, Tengku Zafrul Aziz, announced in the 2021 Budget speech that the 9% contribution rate for the Employees Provident Fund (EPF) is extended for a period of 6 months until 30 June 2022, with an estimated allocation of MYR2 billion. The 9% contribution rate for EPF will end on 30 June 2022, and 11% has been required to be contributed from July onwards.

The monthly contribution rate for the Employees Provident Fund is as follows:

- (i) Employee: 11% of the salary (employees aged 60 and above: 5.5% of the salary), automatically deducted from the employee's salary.
- (ii) Employer: 13% for salary less than MYR5,000 per month; 12% for salary above MYR5,000 per month.

Handled under the relevant laws and regulations.

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

In accordance with local labor laws and regulations, we emphasize two-way communication with employees and have a suggestion box. So far, there have been no major labor disputes that need to be mediated. We will continue to strengthen communication and coordination between labor and capital and strive to do our best to promote welfare measures, so as to make labor relations more harmonious and 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

We are in an era of information society and globalization. The relationship between people and computers and networks is becoming increasingly close, and electronic transactions are becoming more and more popular. However, this has also led to some information security or cybercrime issues. However, our production and sales are not real-time online operation systems, and our company has an information department. Professional personnel are hired to help manage the company's network, host and related system permissions. Data backups are made every day, employees' computers are maintained regularly, virus detection and scanning are arranged, and various simulation tests and emergency responses are strengthened in the machine room to ensure the normal operation of the information system and data security. Reduce system interruption risks caused by accidental or human negligence.

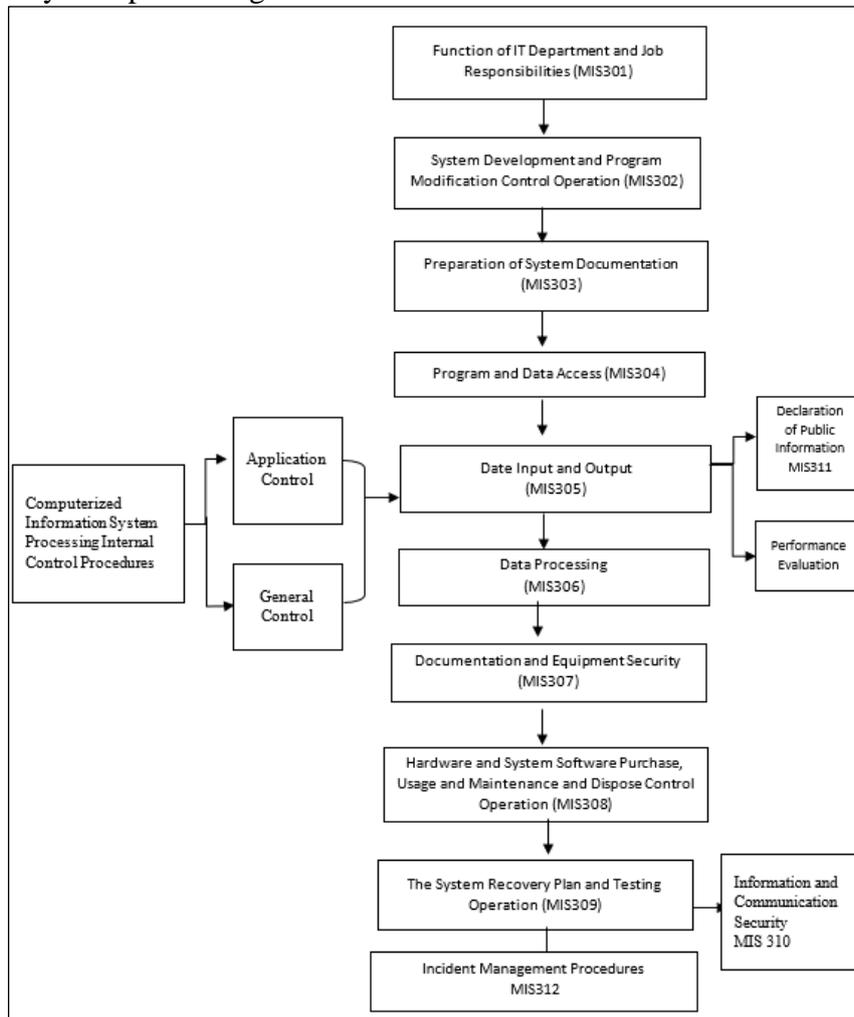
We designed this department to provide a large amount of data processing and query operations for the operations department; Provide various types of reports required by the operations department to simplify manual operations; Reduce repetitive and complex routine operations to improve work efficiency; Cooperate with the business process system and the standardization of form formats of various departments; Integrate and plan the software and hardware equipment management and maintenance required by all departments in the company. In terms of management, it aims to promote the coordination and communication of various departments, make the operation flow smoothly and the data consistent; Provide various kinds of management information to assist decision-making and management, cooperate with business operation plans, and assist the auditing department to strengthen internal auditing control, further enhance the competitiveness of enterprises. 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.	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.

Ensure the data integrity and data confidentiality.  
 e. Authorize and follow up with IT executive regarding requisition, monitoring, maintenance, service of hardware/software in company.  
 f. system training & meeting.  
 g. System monitoring and maintenance.

(2) Security risk of information technology policy

In order to ensure the security of the company's important confidential data and information systems, equipment, and networks, a “Computerized Information System Processing Cycle (MIS cycle)” has been formulated and passed in the Board of Directors discussion to further ensure and strengthen the management of information security through concrete management schemes. The “Computerized Information System Processing Cycle” specifies the control operations and management procedures in the internal control flow chart of the computerized information system processing cycle. For example, hardware and system software procurement, use, maintenance, and scrapping control operations, program, and data access control operations, 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. Documentation & 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:

The company has not experienced any major information security incidents, so there is no loss due to information security, as of the date of publication of the annual report in 2022.

## 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及 2017.01.16 、2019.07.04 、2021.05.20 、2022.05.20 )	Bank Loan	1. Debt repayment protection ratio [net operating profit + depreciation and amortization expenses + interest expenses/(long-term loans due within one year + interest expenses)] is not less than 1.3 times. 2. The leverage ratio (total liabilities/tangible net worth) does not exceed 4.0 times.
Loan Contract	Hong Leong Bank	2013.03.26 ( Corrected by an addendum with date 2013.06.10 、2015.06.23 、2016.02.02 、2016.02.17 、2016.10.07 、2017.03.28 、2017.06.19 、2017.08.28及 2017.10.09 、2019.07.02 、2019.10.30 、2021.06.17 、2022.07.14 )	Bank Loan	1. The debt-to-equity ratio should not exceed 1.5 times. 2. Maintain the operation of the HLB bank account.
Loan Contract	Chailease Finance Co., Ltd.	2019.06.26-2022.06.25	Bank Loan	NA
Loan Contract	Chailease International Financial Services (Singapore) Pte. Ltd.	2021.05.25-2024.05.24	Bank Loan	NA
Loan Contract	Hong Leong Bank	2018.04.30-2022.04.29	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	BMW Credit (Malaysia) Sdn Bhd	2019.11.06-2024.11.05	Hire Purchase	NA
Loan Contract	Public Bank	2019.12.19-2022.12.18	Hire Purchase	NA
Loan Contract	Orix Credit (Malaysia) Sdn Bhd	2020.08.25-2023.08.24	Hire Purchase	NA
Loan Contract	Hong Leong Bank	2021.12.03-2028.12.02	Hire Purchase	NA
Lease contract	Imei Furniture Sdn Bhd	2019.06.01-2022.05.31	Factory lease	NA
Lease contract	Imei Furniture Sdn Bhd	2022.05.01-2025.04.30	Factory lease	NA
Lease contract	Imei Furniture Sdn Bhd	2022.06.01-2025.05.31	Factory lease	NA

Note 1: The company has complied with the financial ratios and requirements of the above commitments, as of December 31, 2022.

#### 5.7.2 ESK Biomass Sdn Bhd

Contractual nature	Involved Party	Contract date	Content	Restricted terms
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
Loan Contract	Hong Leong Bank	2021.01.21	Bank Loan	NA
Lease contract	Tey Kok Leong	2021.11.01-2024.10.31	Office lease	NA
Lease contract	Mywood Industries	2022.08.01-2024.07.31	Factory 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
Lease contract	Imei Furniture Industries Sdn Bhd	2022.05.01-2025.04.30	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

## 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

Item		Year	Five-Year Financial Summary (Note 1)					
			2018	2019	2020	2021	2022	2023 Q1
Current	Assets		471,074	552,737	670,779	640,644	499,777	463,336
Property, plant and equipment (Note2)			121,014	144,649	145,666	127,965	138,468	133,650
Right-of-use assets			-	51,693	106,764	76,164	81,838	69,428
Intangible assets			285	323	157	43	-	-
Other assets (Note2)			27,191	77,776	41,549	40,606	58,246	55,027
Total	assets		619,564	827,178	964,915	885,422	778,329	721,441
Current liabilities	Before Distribution		255,305	175,457	495,350	314,157	280,550	269,000
	After Distribution		278,930	227,432	542,600	314,157	297,730	286,180
Non-current	liabilities		39,874	260,159	86,501	202,084	72,584	57,493
Total liabilities	Before Distribution		295,179	435,616	581,851	516,241	353,134	326,493
	After Distribution		318,804	487,591	629,101	516,241	370,314	343,673
Equity			323,329	377,480	368,874	358,626	418,989	389,795
Share Capital			236,250	236,250	236,250	286,250	286,342	286,342
Capital surplus			23,735	32,651	34,772	75,279	76,452	76,452
Retained earnings	Before Distribution		44,544	94,057	103,469	30,392	61,624	40,264
	After Distribution		20,919	42,082	56,219	30,392	44,444	23,084
Other equity interest			18,800	14,522	(5,617)	(33,295)	(5,429)	(13,263)
Treasury stock			-	-	-	-	-	-
Non-controlling interests			1,056	14,082	14,190	10,555	6,206	5,153
Total Equity	Before Distribution		324,385	391,562	383,064	369,181	425,195	394,948
	After Distribution		300,760	339,587	335,814	369,181	408,015	377,768

Sources: Consolidated financial report audited by accountants for 2018-2022.

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)					
	2018	2019	2020	2021	2022	2023Q1
Operating revenues	1,082,868	1,386,627	1,259,850	894,227	1,154,415	208,510
Gross profit	185,448	310,564	244,400	125,317	203,587	7,417
Operating income	53,385	131,816	99,099	21,317	40,669	(21,801)
Non-operating income and expenses	(1,044)	(3,608)	(12,420)	(57,374)	7,575	(529)
Profit before income tax	52,341	128,208	86,679	(36,057)	48,244	(22,330)
Net profit of the continuing operations	37,189	91,355	54,738	(34,863)	26,997	(22,330)
Loss of the discontinuing operation	-	-	-	-	-	-
Net profit for the year	37,189	91,355	54,738	(34,863)	26,997	(22,330)
Other comprehensive Income (Loss) for the Year, Net of Income tax	11,213	(4,698)	(34,235)	(28,222)	28,827	(7,917)
Total Comprehensive Income for the Year	48,402	86,657	20,503	(63,085)	55,824	(30,247)
Net profit attributed to the owners of parent company	37,060	92,038	61,387	(25,827)	31,232	(21,360)
Net profit attributed to non-controlling interests	129	(683)	(6,649)	(9,036)	(4,235)	(970)
Total comprehensive income attributed to owners of the parent company	48,266	87,760	41,248	(53,505)	59,098	(29,194)
Total comprehensive income attributed to non-controlling interests	136	(1,103)	(20,745)	(9,580)	(3,274)	(1,053)
Earnings per share (EPS)	1.57	3.90	2.60	(1.08)	1.09	(0.75)

Sources: Consolidated financial report audited by accountants for 2018-2022.

\*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
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
2022	KPMG	Phyllis Chang, Lisa Kuang	Unqualified opinion
2023 Q1	KPMG	Phyllis Chang, Aaron Chiang	Unqualified opinion

## 6.2 Five-Year Financial Analysis

### 6.2.1 Financial Analysis

#### (A) Financial Analysis – IFRS

Unit: NTD Thousand

Item ( Note 3 )		Five-Year Financial Summary					
		2018	2019	2020	2021	2022	2023Q1
Financial structure	Debt to assets ratio (%)	47.64	52.66	60.30	58.30	45.37	45.26
	Long-term fund to property, plant and equipment ratio (%)	301.01	331.93	186.02	279.85	225.95	222.79
Liquidity Analysis	Current ratio (%)	184.51	315.03	135.42	203.92	178.14	172.24
	Quick ratio (%)	123.77	215.50	72.71	89.60	91.35	101.37
	Interest coverage ratio (times)	10.25	15.45	8.82	(2.00)	5.31	(7.58)
Operating performance Analysis	Accounts receivable turnover (times)	8.64	8.12	8.47	9.38	15.30	9.93
	Average cash collection days	42	45	43	39	24	37
	Inventory turnover (times)	7.12	7.27	4.62	2.40	3.01	3.26
	Accounts payable turnover (times)	18.16	16.80	12.64	8.14	14.70	22.27
	Inventory turnover Days	51	50	79	152	121	112
	Property, plant and equipment turnover (times)	9.78	8.74	5.61	3.92	5.44	3.94
	Total assets turnover (times)	2.10	1.92	1.41	0.97	1.39	1.11
Profitability Analysis	Return on total assets (%)	7.98	13.50	6.89	(2.51)	4.00	(10.52)
	Return on Equity (%)	12.83	25.52	14.13	(9.27)	6.80	(21.78)
	Pre-tax income to paid-in capital ratio (%) (note 7)	22.15	54.27	36.69	(12.60)	16.85	(31.19)
	Net Profit margin (%)	3.43	6.59	4.34	(3.90)	2.34	(10.71)
	Basic Earnings per share (NT\$)	1.57	3.90	2.60	(1.08)	1.09	(0.75)
Cash flow	Cash flow ratio (%)	Note 2	77.43	6.67	8.07	33.14	11.68
	Cash flow adequacy ratio (%)	Note 1	66.79	19.65	33.81	44.40	61.52
	Cash flow reinvestment ratio (%)	Note 2	23.22	Note 2	Note 2	13.39	4.81
Leverage	Operating leverage	1.21	1.19	1.33	2.59	1.89	0.56
	Financial leverage	1.12	1.07	1.13	2.30	1.38	0.89

The reasons for the changes in the financial ratios over the past two years (if the increase or decrease is less than 20%, no analysis is required).

1. Debt to assets ratio (%): Due to the recent decrease in demand for furniture in the US, customers' orders have been affected, causing the Group to reduce purchases and consequently reduce payables and short-term loans, resulting in a lower debt-to-asset ratio than last year.
2. Interest coverage ratio (times): Due to the shutdown for several months, the Group incurred losses in last year, but this period has returned to normal operation and started to make profits, so the interest coverage ratio has turned positive and increased significantly.
3. Accounts receivable turnover (times) and Average cash collection days: Due to the shutdown, sales revenue was lower in last year. But this period has gradually resumed normal operations, resulting in a significant increase in sales revenue compared to last year. In addition, TC requested a shorter credit period from its major customers during the pandemic period at the end of last year, resulting in an average decrease in receivables, so the overall receivables turnover ratio has increased compared to last year.
4. Inventory turnover (times) and Inventory turnover Days: This period, the production line has gradually resumed normal operation, and this period has increased the provision for inventory stagnation and impairment loss, resulting in an increase in operating costs compared to last year, so the inventory turnover ratio has increased.
5. Accounts payable turnover (times): This period, the production line has gradually resumed normal operation, and this period has increased the provision for inventory stagnation and impairment loss, resulting in an increase in operating costs compared to last year; in addition, due to the decrease in purchases, this period's payables have been relatively reduced, resulting in an increase in payables turnover ratio compared to last year.
6. Property, plant and equipment turnover (times) : Due to the impact of last year's pandemic shutdown, sales revenue was lower. However, with the normalization of operations, sales revenue has increased compared to last year.
7. Total assets turnover (times): Due to the suspension caused by the pandemic last year, the sales revenue was lower, and the operation gradually resumed to normal during this period, thus the sales revenue increased compared to last year; On the other hand, due to the decrease of market demand, the company reduced the inventory and listed more inventory reserve losses, resulting in a significant decrease in inventory, therefore, total assets decreased compared to last year, overall, total assets turnover rate increased.
8. Return on total assets (%), due to the coronavirus causing the group to suffer losses for about 4 months last year, has turned positive and increased significantly as the group has started to make profits and thus the after-tax net income has increased significantly.
9. Return on Equity (%), due to the group's losses caused by the suspension of work for about 4 months last year due to the pandemic, started to make a profit this period, resulting in a substantial increase in net income after tax, so the return on assets turned positive and increased significantly.
10. Pre-tax income to paid-in capital ratio (%) (note 7), due to the group's loss caused by the pandemic shutting down for about 4 months last year, operations have gradually recovered and started to become profitable, so pre-tax net profit has increased significantly, and the asset return rate has turned into a positive number and increased significantly.
11. Net Profit margin (%), due to the pandemic causing the group to suffer losses for around four months last year, has gradually recovered its operations and has begun to turn a profit, resulting in a significant increase in net income, and the asset return rate has turned positive and increased significantly.
12. Basic Earnings per share (NT\$): Due to the pandemic, the Group experienced losses due to the suspension of operations for about four months last year. This period has gradually resumed operations and has begun to turn a profit, resulting in a significant increase in net income after taxes and a positive return on assets.
13. Cash flow reinvestment ratio (%): Due to increased profits over last year-end, the Group generated more net cash inflow from operating activities, and the short-term loan and accounts payable decreased due to the decrease in purchases, resulting in an increase in the cash flow ratio due to the increase in net cash inflow from operating activities and the decrease in current liabilities.

14. Cash flow adequacy ratio (%): The operating activities of the main group are gradually returning to normal this year, resulting in a higher net cash inflow from operations, which has increased the level of net cash inflow from operations in the past 5 years and the cash acceptance ratio has increased compared to last year.
15. Cash flow reinvestment ratio (%): As the group's operations are gradually returning to normal this year and profits are turning from losses to profits, more net cash inflows from operating activities are generated.
16. Operating leverage: The operating leverage decreased due to the coronavirus outbreak last year, which caused the whole year to be shut down for about 4 months, resulting in fewer sales revenues and affecting the overall performance of the operating profit. This period, the subsidiaries of the group have gradually resumed normal operations, and operating profits have increased significantly compared to last year, so the operating leverage has decreased.
17. Financial leverage: Last year, due to the pandemic, the whole year was suspended for about 4 months, so the sales income was less, affecting the overall performance of the business profits. The subsidiaries of the Group have gradually resumed normal operations this period, with a significant increase in business profits compared to last year, thus reducing the operational leverage.

Sources: Consolidated financial report audited by accountants for 2018~2022.

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.**

<p style="text-align: center;">特昇國際股份有限公司 Techcential International Ltd</p> <p style="text-align: center;">AUDIT COMMITTEE' S REVIEW REPORT</p> <p style="text-align: right;">Date: 21 March 2023</p> <p>To: Shareholder' s Annual General Meeting for Year 2023, Techcential International Ltd</p> <p>Board of Directors has prepared the Company' s 2022 Business Report, Consolidated Financial Statement, and annual earnings distributions. 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.</p> <p>According to Article 14-4 of Securities and Exchange Act and Article 219 of Company Law, we hereby submit this report.</p> <p>The Audit Committee, Chairman:</p> <p style="text-align: center;"> Mr Chou Chih Yuan</p>
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**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 Affiliaties:** None.

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

### 7.1 Financial Status

Unit: NTD Thousand; %

Item	Year	2021	2022	Variance	
		Amount	Amount	Amount	%
Current assets		640,644	499,777	(140,867)	(21.99)
Property, Plant and Equipment		127,965	138,468	10,503	8.21
Right of use assets		76,164	81,838	5,674	7.45
Intangible assets		43	-	(43)	(100.00)
Other assets		40,606	58,246	17,640	43.44
Total assets		885,422	778,329	(107,093)	(12.10)
Current liabilities		314,157	280,550	(33,607)	(10.70)
Non-current liabilities		202,084	72,584	(129,500)	(64.08)
Total liabilities		516,241	353,134	(163,107)	(31.60)
Share capital		286,250	286,342	92	0.03
Capital surplus		75,279	76,452	1,173	1.56
Retained earnings		30,392	61,624	31,232	102.76
Other equity		(33,295)	(5,429)	27,866	83.69
Non-control equity		10,555	6,206	(4,349)	(41.20)
Total equity		369,181	425,195	56,014	15.17
<p>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:</p> <ol style="list-style-type: none"> <li>1. Decrease in current assets: Mainly due to (1) reduced purchases due to the impact of the US macro environment, this period adjusted inventory first to deal with inventory with longer shelf life, and listed more dormant losses resulting in a decrease in inventory compared to the same period last year; (2) The first long-term loan of China Rent has expired, so this period has taken back the deposit paid for the guarantee, so other financial assets-current decreases.</li> <li>2. Other assets increased: The main reasons are (1) the increase in deferred tax assets due to the allowance of inventory provision for TC and EHL losses for tax deduction; (2) the gradual increase in EHL production, the deposit to be paid to the Electricity Department for the increase in electricity supply, and the deposit for EHL2 and TC6 factories, resulting in an increase in deposits.</li> <li>3. Non-current liabilities decreased: CB2 bondholders can start selling back the convertible bonds to the conversion company on 11 November, 2023, so CB2 will be converted to current liabilities this period.</li> <li>4. The total liabilities decreased: mainly due to the decrease in orders, resulting in a decrease in purchases, resulting in a decrease in accounts payable and other payables, and due to the decrease in operating capital needs, resulting in a decrease in short-term loans.</li> <li>5. Retained earnings increased: Due to the pandemic last year, the Group suffered losses, but as the pandemic has started to slow down and the operations of the subsidiaries have returned to normal, profits have begun to turn from losses to profits.</li> <li>6. Other equity: In 2021, the NTD exchange rate appreciated, and under the circumstances of the Malaysian ringgit exchange rate being affected by the epidemic and inflation, the exchange difference value generated by the conversion of overseas financial statements increased significantly; although the two countries' currencies continued to decline under the influence of the US rate hike in this period, due to the Taiwan dollar exchange rate falling more than the Malaysian ringgit, the MYR to NTD exchange rate increased, resulting in the accumulated negative value of the financial statements beginning to decrease.</li> </ol>					

## 7.2 Financial Performance

### 7.2.1 Financial performance analysis

Unit: NTD Thousand; %

Item	2021	2022	Difference	
	Amount	Amount	Amount	%
Operating revenues	894,227	1,154,415	260,188	29.10
Operating costs	768,910	950,828	181,918	23.66
Gross profit	125,317	203,587	78,270	62.46
Operating expenses	104,000	162,918	58,918	56.65
Operating income	21,317	40,669	19,352	90.78
Non-operating income and expenses	(57,374)	7,575	64,949	113.20
Profit before income tax	(36,057)	48,244	84,301	233.80
Income tax expense	(1,194)	21,247	22,441	1879.48
Net profit for the year	(34,863)	26,997	61,860	177.44
Other comprehensive income(loss) for the year, net of income tax	(28,222)	28,827	57,049	202.14
Total comprehensive income for the year	(63,085)	55,824	118,909	188.49

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

1. Increase in operating revenues: Mainly due to the fact that the subsidiary was suspended for more than 4 months due to an employee's confirmation in January last year and the mobile control order from June to September, resulting in fewer sales revenue.
2. Increase in operating costs: Mainly due to the increase in sales revenue, resulting in a relative increase in operating costs.
3. Increase in gross profit: There was no stoppage in this period, and the production line has gradually recovered its efficiency, resulting in an increase in gross profit compared to last year.
4. Increase in operating expenses: (1) EHL began shipping in 2021Q4, and due to the credit terms for customers being DDP, freight costs before the goods arrived at the port increased compared to the same period last year. (2) Due to the pandemic and the mobile control order last year, the company was suspended for about 4 months, so TC negotiated with employees for a pay cut, resulting in a decrease in salary expenses, which has now returned to normal operation, resulting in an increase in salary expenses compared to the same period last year.
5. Increase in Operating income: Mainly due to the increase in gross profit in this period.
6. Non-operating income and expenses increased: mainly due to (1) the receipt of the fire insurance claim for TC2 in November of last year from TC; (2) no fire incident occurred in TC2 factory in November of last year; (3) ESKB recognized asset impairment loss in 2021, and has started to lease out equipment and receive rental income, thus there is no impairment.
7. Profit before income tax increase: mainly due to an increase in operating net income, and this period's receipt of TC2 fire insurance claim income.
8. The increase in Income tax expense: due to the increase in pre-tax net profit for the period.
9. Net profit for the year increased: mainly due to increased operating net income, and the receipt of TC2 fire insurance claim income for the period.
10. Other comprehensive income(loss) for the year, net of income tax increased: Mainly due to the appreciation of the Malaysian Ringgit to the New Taiwan Dollar exchange rate from January to December 2022 (6.6456~7.005), while the exchange rate from January to December 2021 showed a downward trend (6.913~6.6416), resulting in the generation of benefits this period.
11. This increase in total comprehensive income for the year: Mainly due to an increase in net profit and appreciation of the exchange rate of MYR to TWD.

#### 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 2022:

Unit: NTD Thousand

Item	2021	2022	Difference	
			Amount	%
Net Cash generate from Operating Activities	25,343	93,017	67,674	267%
Net cash used in Investing activities	(27,891)	(18,430)	9,461	-34%
Net cash used in Financing activities	(14,685)	(123,348)	(108,663)	740%
Variance analysis:				
<ol style="list-style-type: none"> <li>Increase in Net Cash generate from Operating Activities: (1) The Group has started to make profits this year, resulting in more cash inflows. (2) Mainly due to the factors such as the suspension of work and increased freight charges last year, customers slowed down their delivery speed, resulting in more stocks with longer accounts receivable. During this period, the company reduced the purchase, adjusted the inventory, and increased the provision for doubtful inventory losses, resulting in less inventory than at the end of last year, resulting in more cash inflows.</li> <li>Increase in Net cash used in Investing activities: The TC2 plant has begun construction projects, resulting in more capital expenditures.</li> <li>Decrease in Net cash used in Financing activities: (1) In mid-September 2021 after returning to work, TC added more short-term loans for operational needs and repaid them in installments. (2) In 2021Q2, it added long-term loans and has already repaid them in installments. (3) Repayment of financing leases and factory rental fees of subsidiaries. In summary, this period has generated more net cash outflows.</li> </ol>				

### 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%	61,044	Good operating condition	NA
TCH	100.00%	175	Good operating condition	NA
EHL	89.20%	(16,706)	<p>1. High material costs :</p> <ul style="list-style-type: none"> <li>- Due to economic and trade sanctions imposed by the United States and other countries against Russia due to the Russia-Ukraine War, EHL's raw material procurement has shifted from Russia to China and Vietnam, which is more expensive.</li> <li>- Production officially began in 2022 with limited capacity, resulting in the purchase of some semi-finished products from outside, resulting in higher costs.</li> <li>- During the COVID-19 period, due to the congestion of the port, the freight increased tenfold, pushing up the raw material cost.</li> </ul> <p>2. Increase in labor costs :</p> <ul style="list-style-type: none"> <li>- Due to the limited number of foreign workers that can be applied for at the start of the company, the cost of hiring outsourced foreign workers is relatively high .</li> <li>- In May 2022, the Malaysian government raised the minimum wage from MYR1,200 to MYR1,500, an increase of 25% .</li> </ul> <p>In summary, the high cost of raw materials and labor have resulted in EHL not reaching the break-even point yet</p>	<p>The company officially started operations and production in 2022 and has started shipping. Operations are normal.</p>

TCH(US)	100.00%	(11)	Mainly to cooperate with the Group's business reorganization, there is no profit to cover operating expenses.	NA
ESK B	100.00%	556	Good operating condition	NA
ESK WP	100.00%	1,886	Good operating condition	NA

### 7.5.3 The Investment plans for the coming year:

In the post-COVID-19 era of 2022, with international borders gradually being lifted, economies of countries around the world are in the process of recovery. There still remain uncertainty factors such as the Russia-Ukraine war, global inflation, and increases in interest rates by central banks. In 2023, the company will continue to abide by the principle of "keep doing its own business and maintain profitability," focusing on operating and developing existing businesses, actively developing new product lines, new markets, and new customers, striving to use the company's current procurement and production scale to achieve benefits and strengthened cost control in raw materials and processes, in order to achieve the goal of stability.

## 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

Year Item	Year 2021		Year 2022	
	Amount	Net sales share (%)	Amount	Net sales share (%)
Interest income	527	0.06	524	-
Interest expense	12,030	1.35	11,187	0.97

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	2021	2022
Gains (losses) on foreign currency exchange		3,427	1,029
Gains (losses) on financial assets at fair value through profit or loss		(4,619)	(12,807)
Total		(1,192)	(11,778)
Proportion of operating income (%)		(0.13)	(1.02)

The foreign exchange gain/ (loss) for the last two years was NTD3,427 thousand and NTD1,029 thousand respectively, which accounted for (1.02%) and (0.13%) 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, 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, our company has taken advantage of the professional manufacturing factory of wooden bedroom furniture to launch its own brand in the market. In the future, in addition to continuously improving the production efficiency of our company, we must also strengthen the development and manufacturing capabilities of our products in order to meet the different needs of customers. In addition to the expected investment of NTD10 million in 2023, we will continue to invest in research and development expenses in order to continuously enhance the competitiveness of our company. 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) The intention is 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 is still stable. The products are necessary for people's livelihoods and for industries that are not licenced or restricted. 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 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 operations and accounting, etc., the company relies on a network system that may be subject to a 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's 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. 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 promote the latest security information.

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

Our company adheres to the principles of honesty, trust, and sustainable management. Since its establishment, it has been focused on its own business, with a good corporate image and in compliance with relevant laws and regulations. It has

maintained a good corporate image, and there has been no change in the corporate image in recent years or as of the date of publication of the annual report that has caused corporate crisis management.

(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 supplier of purchases in 2021 and 2022 accounted for 7.06% and 6.57% of the total purchases respectively. The local furniture industry chain in Malaysia is complete, and due to the industry characteristics, local procurement is mainly used, which is beneficial for controlling delivery time. The suppliers who cooperated with the company are all long-term raw material suppliers, so the quality and delivery time are relatively stable. In addition, the company's main procurement items have more than two suppliers for supply. If one supplier cannot provide a stable source of goods or delivery time cannot be coordinated, the company will seek alternative manufacturers or other suitable alternative raw materials. The source of supply is stable, which can reduce the risk of centralized purchase and broken material.

(ii) Concentrated selling:

The company's largest sales customer accounted for 23.30% (AFI & AFT) and 23.21% (Elements) of operating revenue in 2021 and 2022, respectively. 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. In the 2022 Q1, the top 5 customers will account for roughly 75% of revenue. In 2022, it will put the kitchen cabinet business into production and delivery in 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

Investors should be aware that although the company has revised its Articles of Association in accordance with the "checklist for protecting shareholders' rights for the foreign issuer" stipulated by the Taipei Exchange (TPEX), there are still many differences between the laws of the Cayman Islands and the laws of the Republic of China. From the perspective of investor protection rights under the laws of the Republic of China, investors should understand and consult experts to determine whether investing in a Cayman Islands company can provide effective shareholder protection.

(iii) The risks related to the 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 our beliefs, 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 its 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 forward-looking 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 or change the forward-looking statements in this annual report 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 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.

Our management team has abundant experience in the operation of this business. After entering the capital market of the Republic of China, they still need to adapt to the regulations of the Republic of China. In the future, part of the management energy will be placed on maintaining investor relations and familiarizing with the relevant regulations of the Securities Law of the Republic of China to avoid distracting from the operation of this business. The company has recruited the necessary qualified personnel to set up an excellent back-office team as a strong backing for the management level to meet the challenges of becoming an over-the-counter company.

(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 itself with no commercial operations in the Cayman Islands. The company has no other assets or 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 by subsidiaries will be restricted by the local country's dividends, and exchange rate changes will affect revenue repatriation laws, cash transfers, and the control of the foreign exchange, which the company cannot fully control.

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 until the printing date of the annual report, conclusive

judgements or major litigations, non-litigations, administrative disputes, disputed facts, subject-matter amount, initial date of litigation, main litigants, and status of 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% Participate 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, the outcome of which 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 shareholders with shares exceeding 10% of all outstanding shares of the company, from the most recent two years until the printing date of the annual report, with conclusive judgement or proceedings litigations, non-litigations, or administrative disputes with outcomes that might have major influence on shareholder rights or the price of securities, the disputed facts, subject-matter amount, initial date of litigation, main litigants, and the status of current proceedings: None.

7.6.4 The issuer's compliance with the second important subsidiary standard 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 next accounting year, or the recommended securities firm, considers that the issuer's financial report is significant. Those with influence should include a description of their risky items:

The company is an exempted company registered in the Cayman Islands. Please see Item 5 below for more information on whether the subsidiaries of TC meet the above-mentioned "important subsidiaries" standards, as well as the local economy, political and economic environment changes, foreign exchange control, taxation, and related laws and regulations, and whether to recognise the risks of ROC civil judgments.

7.6.5 If a foreign issuer applies for stock registration at the counter or on the first board, it must include changes to the general economic, political, and economic environment, relevant laws and regulations, foreign exchange control, and taxation in the country where the foreign issuer is registered and the main operation place. Whether to recognize the risk issues, such as the circumstances under which the ROC courts determine the validity of the judgement 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 Territory in the West Indies, located in the Caribbean Sea south of Miami, Florida. The Cayman Islands have been politically stable for a long time, with the capital city of George Town located on Grand Cayman, which is the administrative, commercial, and financial center. The financial services and tourism industries are the main sources of economic income. The Cayman Islands is one of the major global financial centers.

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

The Cayman Islands government has actively improved its reputation for offshore financial operations in recent years, and in 1986 the British government signed a Mutual Legal Assistance Treaty with the United States in order to jointly prevent international criminal organizations from using the Cayman Islands for illegal transactions such as drug trafficking or money laundering. While fighting crime, the Cayman Islands government is also committed to protecting the privacy of legitimate business activities. As a result, the Cayman Islands have enjoyed a stable political and economic environment and a good level of security for a long time.

Our company is a holding company registered in the Cayman Islands. There is no substantial operating activity generated, and it is an exempt company. Besides, the Cayman Islands have been in a state of political stability for a long time and are the fifth-largest financial centre 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 tax on profits, income, gains, or appreciations of individuals or companies, nor do they have inheritance or estate taxes. Apart from stamp duty applicable to contracts entered into or made in the Cayman Islands, there are no other taxes that may be significant to the Company imposed by the Cayman Islands government. The transfer of shares in a Cayman Islands company is not subject to stamp duty in the Cayman Islands, but this does not apply if the Company has any rights to land in the Cayman Islands. The Cayman Islands have no foreign exchange or currency regulations.

In terms of legal regulations, the Cayman Islands Companies Law requires Cayman companies to establish a Memorandum of Association to specify the name, registered address, and capital composition of the company. However, it does not require companies to establish articles of association. Cayman Islands companies refer to the standard articles of association (First Schedule Table A) of its Companies Law to regulate internal operations. Therefore, this company should comply with its corporate organization articles of association and the Cayman Islands Companies Law and other related regulations. However, the Cayman Islands and the Republic of China laws are not the same. The company has amended the articles of association within the limits of the Cayman Islands regulations and the competent authorities according to the relevant laws of the Republic of China and the laws applicable to foreign issuers to protect the shareholders' rights and interests of Taiwan investors. However, protection of shareholders' rights and interests may still differ from that of a company established under the laws of Taiwan.

### (3) The validity of the civil judgment

#### A. Risk of litigation claims

Since our company will establish and register in the Cayman Islands, although our articles provide for certain shareholder protection matters to be governed by the first instance of the Taipei District Court of Taiwan, and we have appointed agents for litigation and non-litigation pursuant to the Securities and Exchange Act, investors may still bring suit against the issuing company or responsible person in the courts of the Republic of China. The court may still determine the jurisdictional power and service method according to the nature and circumstances of the case, and may also require the investor to explain the foreign laws involved in the case. Therefore, not all cases can be assured of obtaining a substantive judgment in the courts of the Republic of China.

#### B. Risk of recognition and enforcement of judgment

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

Although the judgments of the courts of the Republic of China cannot be enforced in the Cayman Islands, based on the principle that the court with jurisdiction to make the judgment is a foreign court (including the Republic of China) and the judgment is for the debtor to pay the amount determined by the judgment, the Cayman Islands court will recognize and enforce the foreign court (including the Republic of China) judgments with judicial jurisdiction, provided that the judgment is a final judgment and not a monetary payment for taxes or other such obligations, penalties or fines and that the obtaining or enforcement of the judgment will not be contrary to public policy in the Cayman Islands. In certain circumstances, the Cayman Islands court may extend the category of foreign court judgments enforceable in the Cayman Islands to extend beyond monetary judgments to include orders for specific performance, declarations, and injunctions.

The Articles of Incorporation of this company stipulate that, under the Companies Law of the Cayman Islands, the contents of the Articles of Incorporation shall not impede any shareholder from suing to a court with jurisdiction within thirty days after the resolution is made, under the procedures or resolutions of the shareholders' meeting, to seek relief for disputes arising from the above matters. The first instance court with jurisdiction is the Taiwan Taipei District Court. However, since this company is an Exempted Company in the Cayman Islands if a lawsuit is brought in the Cayman Islands Court, the court will first determine whether it has jurisdiction to hear the related disputes. If the court determines that it has jurisdiction to hear the related disputes, it will decide the content of the relief according to its full authority.

Under the Cayman Islands law, there are no specific provisions allowing minority shareholders to bring a derivative action against directors in the Cayman Islands Court. In addition, the company's articles of association are not a contract between shareholders and directors, but an agreement between shareholders and the company. Therefore, even if a derivative action against directors is allowed in the articles of association, such provisions cannot bind directors under the Cayman Islands law. However, under the common law of the Cayman Islands, all shareholders (including minority shareholders) may bring a derivative action (including against directors) regardless of their shareholding ratio or holding period. Once the shareholders sue, the Cayman Islands Court will have the final say on whether the shareholders can continue the lawsuit. Although the articles of association may provide that minority shareholders (or shareholders with the required shareholding ratio or

holding period) may bring a derivative action against directors on behalf of the company, the ultimate decision on whether the lawsuit can proceed will still be made by the Cayman Islands Court. According to relevant judgments of the Cayman Islands Grand Court, when considering whether to approve a derivative action to proceed, the criteria applicable to the Cayman Islands Court is whether it believes and accepts the request made by the plaintiff on behalf of the company as having substance and that the alleged wrongdoing was done by those who can control the company and who can prevent the company from suing. The Cayman Islands Court will decide the case on its facts (although the Court may refer to the articles of association, this is not a determinative 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 was established under Cayman Islands law and was to be listed in the Republic of China. It has revised its articles of incorporation in accordance with 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 and the securities trading system may still cause conflict in the application of the 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 to request the Cayman Islands courts enforce the judgements of our country, 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 practises (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

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

Malaysia is rich in natural resources. In addition to oil and natural gas, it is also a major producer of palm oil in the world. Its rubber output is also among the best in the world. In addition, rubber wood can be used to manufacture high-end furniture, making Malaysia a major furniture exporter in the world. Since planting palm and rubber does not require a lot of manpower, most of the main arable land is used for planting palm and rubber, while the scale of other agricultural products is small, so that rice, fruits, and vegetables still need to be imported. It is estimated that the output value of agriculture, industry, and service industries in Malaysia in 2022 will account for 6.8%, 36.0%, and 57.2% of GDP, respectively.

In 2022, as the pandemic slows down and various pandemic prevention restrictions are relaxed, coupled with a low consumption tax to increase household purchasing power, private consumption will become the main driving force for Malaysia's economic growth, and related infrastructure construction plans will also help increase investment spending. The real GDP growth rate is estimated at 7.30%. The global economic slowdown in 2023 will put pressure on external demand; domestic demand is also expected to slow down, reflecting the adverse impact of monetary policy tightening and the overall decline in investment spending from both local and foreign sources, which forecast real GDP growth rates of 3.90% and 4.10% in 2023 and 2024, respectively.

Malaysia is an export-oriented Southeast Asian economy with a fairly diversified industrial product portfolio, ranging from crude oil to electrical and electronic products. The government will prioritize economic measures to cushion the impact of rising living costs. It is expected that Malaysia will be affected by the slowdown in the growth of major export markets such as the United States in 2023. It is expected that private consumption will become the main driving force for Malaysia's economic growth. With the diversification of regional supply chains, foreign investors will expand the existing facilities of Malaysia's electronics industry. It is predicted that Malaysia's real GDP growth rate will be 3.9% in 2023, the ratio of fiscal deficit to GDP will be 5.1%, the ratio of current account surplus to GDP will be 2.3%, the foreign exchange reserve will be US\$114.46 billion, the total external debt will be US\$271.49 billion, and the proportion of external debt to GDP is 67.9%, and the ability to pay for imports with foreign exchange reserves is 5 months, and its external liquidity is acceptable.

In terms of the political environment, elections for the Malaysian House of Representatives will be held on November 19, 2022. Although Pakatan Harapan (PH)

won the most seats, it is still not enough to form a government on its own, and a coalition government must be formed. PH leader Anwar (Dato' Seri Anwar bin Ibrahim) was appointed by Malaysia's Sultan Abdullah on November 24, 2022, and was sworn in as the 10th Prime Minister of Malaysia. IHS believes that the coalition government has a two-thirds parliamentary majority, enabling it to carry out constitutional changes. The main constituent groups represent two ideologies, one supports multi-ethnicity, and the other represents Malay nationalism, which makes the coalition government easy to split. With PH leading a coalition government including smaller parties, the stabilization agreement will take effect in 2023–2024, but the parties forming the coalition government are still reluctant to cooperate with the opposition group led by the Islamic Party because the Islamic Party has more power than any other single party. More parliamentary seats for political parties, and the next general election is expected to be held in 2027.

## (2) 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 restrictions, 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 with or approved by any agency in Malaysia. As far as the resident company applicable to the Malaysian subsidiary is concerned, its use of foreign currency to pay any amount for imported goods and services is not subject to any restrictions; its export income must be collected in foreign currency, according to the foreign exchange control regulations attached to the notice, which 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 the Bank of Malaysia can convert the maximum amount of MYR 50 million (based on the entire company group) 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. Since January 2008, Malaysia has used a single-tier tax system to replace the original deduction for dividend income. 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. Under the original calculation and deduction system, the corporate income tax paid by the Malaysian company will become the final tax burden. Malaysia has implemented the Sales and Service Tax (SST) since September 1, 2018, to replace the existing Goods and Services 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 is divided into two parts: the service tax, which is collected and levied on taxable services provided by all taxable persons in Malaysia in the course of conducting and promoting business, and the goods tax, which is levied on 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 manufacturing and export-oriented industries to introduce foreign labor, but they must pay a head tax (about 1,250 MYR per year). But there is a trend towards stricter restrictions year by year to solve the labor shortage. Currently, Malaysia mainly permits foreign workers from Indonesia, Thailand, Cambodia, Nepal, Myanmar, Laos, Vietnam, the Philippines, India, Turkmenistan, Uzbekistan, Kazakhstan, and other countries, and established a single application in August 2005. According to reports, the number of officially introduced foreign workers has increased from 700,000 in 2000 to 2.35 million today. Because of its geographical proximity and language communication among them, Indonesia accounts for the majority of foreign labor.

(i) Employees Provident Fund Act 1991

According to the Employees Provident Fund Act of 1991 (Act No. 452), all employers and employees are required to pay the Employees Provident Fund (EPF) under this law. The employer provides the contribution rate based on the employee's monthly salary. If the employee's salary is less than MYR5,000, the contribution ratio is 13%. If the employee's salary is higher than MYR5,000, the allocation ratio is 12%. For employees over 60 who are not Malaysian, there is an exemption in response to the COVID-19-related policies adjusted in 2020. The Minister of Finance, Tengku Zafrul Aziz, pointed out in 2021 when he released the 2022 budget that the 9% EPF contribution rate will be extended from December 31, 2021, to June 30, 2022, with an estimated cost of MYR2 billion. The 9% monthly employee provident fund contribution rate will end on June 30, 2022, and 11% of the provident fund will be paid in July.

(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 of 1969. Employees under the age of 60 have been required to pay social insurance since January 1, 2013. The employer contributes 1.75% of the employee's monthly salary, and the employee contributes 0.5%. For employees over 60 years old or those who reached 55 years old when they first registered with SOCISO, the work injury insurance plan is paid by the employer at 1.25% of the employee's monthly salary, and cash is 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 SOCISO). Employees under the age of 55 who lose their jobs or die for any reason are protected by the Disability Pension Plan, which pays 1% of the employee's monthly salary and is shared equally by the employer and the employee.

(3) 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 following Malaysian legal opinion: it may apply any pecuniary payment judgement obtained from the court of the Republic of China in Malaysia as the basis for a summary judgement proceeding unless the parties raise the following defense:

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

**7.7 Other Significant Matters:** None.

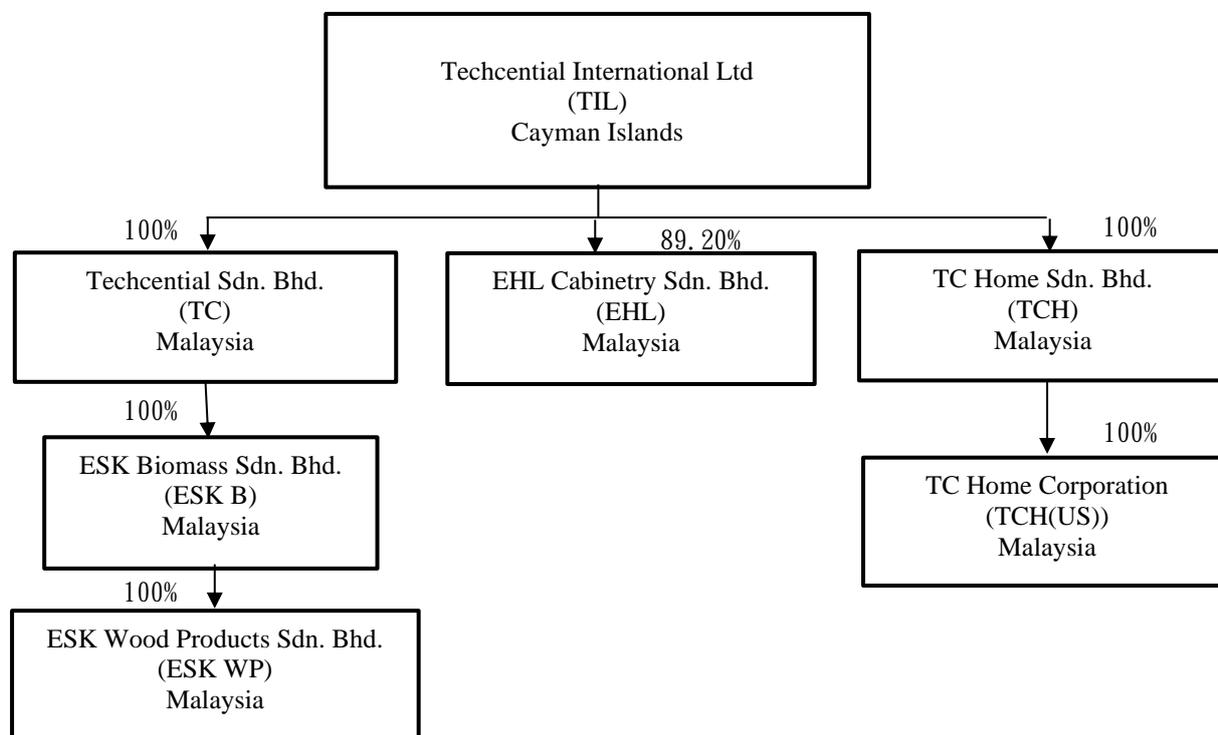
## 8.0 Special Disclosures

### 8.1 Chart of Affiliated Companies

#### 8.1.1 Organization

##### (A) Affiliated Organizational Chart

April 30, 2023



#### 8.1.2 List of Affiliated Companies

April 30, 2023

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	MYR 3,000	Manufacturing &

		Seroja, Jalan Abd. Jabar, Parit Jawa, 84150 Parit Jawa, Muar, Johor.		Trading of 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, leftover rubber wood scraps within the group are temporarily processed and manufactured into wood pellets, which are expected to be sold

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

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

April 30, 2023

Name of Affiliated Companies	Title	Name of Representative	Shareholding	
			Shares	%
Techcential Sdn. Bhd.	Director	Eng Kai Pin	-	-
	Director	Eng Kai Jie	-	-
	Director	Eng Kai Jian	-	-
	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	Eng Kai Jie	-	-
	Director	Lim Swee Soon	3, 510, 000	9. 70%
	CEO	Eng Kai Jie		
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, 2022; 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	670,528	152,903	517,625	835,856	67,531	61,044	NA
TC Home Sdn. Bhd.	MYR 2,000	810	35	775	-	(43)	175	NA
TC Home Corporation	US\$ 100	994	217	777	-	(11)	(11)	NA
EHL Cabinetry Sdn. Bhd.	MYR 19,000	178,458	120,993	57,465	264,451	(21,152)	(20,941)	NA
ESK Biomass Sdn. Bhd.	MYR 8,000	37,485	7,583	29,902	-	(1,582)	556	NA
ESK Wood Products Sdn. Bhd.	MYR 3,000	35,086	4,870	30,216	60,829	3,082	1,886	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 increased capital in the future, either directly or indirectly, or by disposing of TC Shares directly or indirectly, it must be approved by a 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 to the measure shall be disclosed publicly on a reporting website designated by the securities authorities and reported to the 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 holding over 3% of total issued shares for over a year can document proposed matters and reasons and request the board of directors convene an interim shareholders' meeting. If the board of directors has not yet convened, shareholders can hold a meeting with the permission of the competent authority 15 days after the request is made.</p>	<p>1. As for the part that shareholders hold their own shareholders' meeting, since there is no special provision of the Cayman Islands company law for the aforesaid part, Article 19.6 of the articles of incorporation does not regulate that shareholders have to report to the competent authority before holding an interim shareholders' meeting by themselves.</p> <p>2. In addition, if shareholders hold a shareholders' meeting outside of the R.O.C. since shareholders can hold an interim shareholders' meeting without the permission of the Cayman Islands local authority, Article 19.6 of the articles of incorporation merely regulates that they should apply for TWSE's approval, not that shareholders have the agreement of TWSE in a two-day application after getting the permission of the competent authority.</p>	<p>No significant impact to equity.</p>
<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. When the company exercises the right to vote in written or electronic form, it should state the form in the meeting notices for the shareholders' meeting. The shareholders exercising their right to vote in written or electronic form should be regarded as attending the shareholders' meeting in person. However, as for the extempore motions and amendments to the original motions, it is regarded as an abstention.</p>	<p>As for the written or electronic form in exercising the right to vote for shareholders, the Cayman Islands companies law does not mention those forms can be regarded as attending the shareholders' meeting in person, and the lawyers in the Cayman Islands did not find out the relevant cases. To Arrange for others, Article 25.4 of the articles of incorporation regulates that when the shareholders exercise their right to vote in written or electronic form under the previous regulation, the chairperson of the meeting is regarded as their proxy with authorization and exercises the right to vote with their sign in written or electronic form. Because of the status of the meeting chairperson as their proxy, he or she has no right to exercise the shareholders' right to vote for those unmentioned or unstated matters in written or electronic form and/ or the amendment of the original motions. To clarify the doubts, the shareholders' right to vote in such form is regarded as abandoning their right to vote for extempore motions and/ or amendment of the original motion. Also, article 26.3 of the article of incorporation regulates that the proxy voting right of the chairperson of the shareholders' meeting shall not be restricted by any over 3% of the total voting right of the issued shares.</p>	<p>No significant impact to equity.</p>
<p>The following proposals involving major shareholder rights should be represented by shareholders who have issued over two-thirds of the total</p>	<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</p>	<p>No significant impact to equity.</p>

<p>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"> <li>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.</li> <li>2. Alteration of a trading charter.</li> <li>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.</li> <li>4. Distribution of all or one of dividends and bonuses by issuing new shares.</li> <li>5. Resolution of disbanding, merger, or division.</li> <li>6. Those who issued new shares that restrict employee rights.</li> </ol>	<p>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> <ol style="list-style-type: none"> <li>2. According to the Company Act of Cayman Islands, the following matters should be as a special resolution : <ol style="list-style-type: none"> <li>(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.</li> <li>(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 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.</li> </ol> </li> </ol>	
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	<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>	
<ol style="list-style-type: none"> <li>1. The supervisor selected by the shareholders’ and at least the supervisor must have a residence in the country.</li> <li>2. The term of the supervisor shall not exceed three years. But have to re-election.</li> <li>3. When all supervisors are dismissed, the board of directors shall convene an interim meeting of shareholders within sixty years.</li> <li>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.</li> <li>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.</li> <li>6. The supervisor may handle the inspection affairs on behalf of the committee by accountants and lawyers.</li> <li>7. The supervisor may attend the board of directors to present opinions. Board of directors meeting or director’s execution of business violets laws, regulations, or share. The supervisor shall notify the directors immediately of the conduct of the decision of the Eastern Conference. The meeting or directors cease their actions.</li> <li>8. Each supervisor may exercise its supervisory power independently.</li> </ol>	<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>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, 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</p>	<p>No significant impact to equity.</p>

	<p>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>	
<p>1. The company director should perform their business faithfully and do their best to the duty of care of an excellent manager, if any breach of anyone who suffers in damage shall be liable for damages. If the behavior is when it is done by oneself or others, the shareholder's meeting can resolve, treat the income of the act as the company's income.</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>Anyone who violates and causes damage to the company shall be as far as the law allows to a large extent, it shall be liable for the damage. If the directors violate the above regulations, for yourself or others, when any benefit is obtained. In the past, the company should take all appropriate actions and steps to the maximum extent permitted by law, from the directors to make these interests belong to the company. The directors of the company if it violates laws or orders when performing business operations cause the company to have any compensation or damage to anyone's responsibility, the director shall agree with the company on such compensation or damage responsible for joint damages, and for any reason, the director shall not liable for joint compensation with the company. The director shall be responsible for any damage suffered by the company because of its breach</p>	<p>No significant impact to equity.</p>

	<p>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 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.</p>	
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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, 2022 and 2021**

**Address: The Grand Pavilion Commercial, Oleander Way, 802 West  
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Cayman Islands.**

**Telephone: (04)2260 5899**

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

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## Independent Auditors' Report

To the Board of Directors of Techcential International Limited:

### Opinion

We have audited the consolidated financial statements of Techcential International Limited and its subsidiaries ("the Group"), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, the consolidated statements 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, 2022 and 2021, 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 Attestation of Financial Statements by Certified Public Accountants and Standards on Auditing of 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:

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, 2022, the inventory balance of \$225,183 thousands consisted 29% of the total consolidated assets. Valuation of inventory was based on past experience and future sales forecast, which involved the subjective judgment made by the top management. Therefore, the valuation 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, and relevant documents to verify the aging period.
- 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 for inventory obsolescence.

**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 Standards on Auditing of 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 the Standards on Auditing of the Republic of China, we exercise professional judgment and 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 Chung-I Chang and Chun-Hsiu Kuang.

KPMG

Taipei, Taiwan (Republic of China)

March 21, 2023

#### **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, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	December 31, 2022		December 31, 2021			December 31, 2022		December 31, 2021	
	Amount	%	Amount	%		Amount	%	Amount	%
11xx <b>Assets</b>					21xx <b>Liabilities and Equity</b>				
1100 <b>Current assets:</b>					2100 <b>Current liabilities:</b>				
1110 Cash and cash equivalents (note 6(a))	\$ 172,927	22	199,374	22	2100 Short-term loans (notes 6(b), (f), (i), 7 and 8)	\$ 42,633	5	114,514	13
1170 Current financial assets at fair value through profit or loss (notes 6(b) and 7)		135	1,439	-	2120 Current financial liabilities at fair value through profit or loss (notes 6(b), (l) and 7)	1,641	-	13	-
1200 Accounts receivable, net (notes 6(c) and (r))	77,322	10	64,565	7	2130 Current contract liabilities (note 6(r))	6,397	1	12,045	1
1220 Other receivables (note 6(d))	500	-	1,498	-	2170 Accounts payable	33,847	4	73,891	8
1310 Current tax assets	417	-	5,511	1	2180 Accounts payable to related parties (note 7)	-	-	21,596	2
1410 Inventories (note 6(e))	225,183	29	334,876	38	2200 Other payables (notes 6(s) and 7)	28,347	4	43,244	5
1470 Prepayments	18,323	2	24,281	3	2230 Current tax liabilities	8,327	1	419	-
1476 Other current financial assets	-	-	7,275	1	2280 Current lease liabilities (notes 6(j) and 7)	25,825	3	18,698	2
1479 Other current assets	4,970	1	1,825	-	2321 Convertible bonds payable, current portion (notes 6(b), (l) and (o))	113,924	15	4,736	1
<b>Total current assets</b>	<u>499,777</u>	<u>64</u>	<u>640,644</u>	<u>72</u>	2322 Long-term loans, current portion (notes 6(b), (f), (k), 7 and 8)	19,587	3	24,386	3
15xx <b>Non-current assets:</b>					2399 Other current liabilities	22	-	615	-
1536 Non-current financial assets at amortized cost (notes 6(b), (i), (k) and 8)	3,969	1	3,733	1	<b>Total current liabilities</b>	<u>280,550</u>	<u>36</u>	<u>314,157</u>	<u>35</u>
1600 Property, plant and equipment (notes 6(f), (i), (k), 7 and 8)	138,468	18	127,965	14	25xx <b>Non-Current liabilities:</b>				
1755 Right-of-use assets (notes 6(f), (g) and (j))	81,838	10	76,164	9	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	-	2531 Convertible bonds payable (notes 6(b), (l) and (o))	-	-	111,079	13
1840 Deferred tax assets (note 6(n))	30,042	4	17,078	2	2540 Long-term loans (notes (b), (f), (k), 7 and 8)	23,292	3	39,580	4
1915 Prepayments for equipment (note 6(f))	2,491	-	2,425	-	2570 Deferred tax liabilities (note 6(n))	2,689	-	1,147	-
1920 Refundable deposits	21,744	3	17,370	2	2580 Non-current lease liabilities (notes 6(j) and 7)	42,090	5	44,806	5
<b>Total non-current assets</b>	<u>278,552</u>	<u>36</u>	<u>244,778</u>	<u>28</u>	2670 Other non-current liabilities	4,513	1	4,608	1
					<b>Total non-current liabilities</b>	<u>72,584</u>	<u>9</u>	<u>202,084</u>	<u>23</u>
				2xxx <b>Total liabilities</b>	<u>353,134</u>	<u>45</u>	<u>516,241</u>	<u>58</u>	
				31xx <b>Equity attributable to owners of the Company (notes 6(l), (o) and (p)):</b>					
				3110 Common stock	286,342	37	286,250	32	
				3200 Capital surplus	76,452	10	75,279	9	
				3300 Retained earnings:					
				3310 Legal reserve	84	-	84	-	
				3320 Special reserve	30,308	4	5,617	1	
				3350 Unappropriated retained earnings	31,232	4	24,691	3	
				Total retained earnings	61,624	8	30,392	4	
				3410 Exchange differences on translation of foreign financial statements	(5,429)	(1)	(33,295)	(4)	
				<b>Total equity attributable to owners of the Company</b>	<u>418,989</u>	<u>54</u>	<u>358,626</u>	<u>41</u>	
				36xx <b>Non-controlling interests</b>	6,206	1	10,555	1	
				3xxx <b>Total equity</b>	<u>425,195</u>	<u>55</u>	<u>369,181</u>	<u>42</u>	
1xxx <b>Total assets</b>	<u>\$ 778,329</u>	<u>100</u>	<u>885,422</u>	<u>100</u>	2-3xxx <b>Total liabilities and equity</b>	<u>\$ 778,329</u>	<u>100</u>	<u>885,422</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, 2022 and 2021

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

	2022		2021		
	Amount	%	Amount	%	
4000	Operating revenue (note 6(r))	\$ 1,154,415	100	894,227	100
5000	Operating costs (notes 6(e), (f), (g), (h), (j), (m), 7 and 12)	950,828	82	768,910	86
5900	Gross profit from operations	203,587	18	125,317	14
6000	Operating expenses (notes 6(c), (f), (g), (h), (j), (m), (s), 7 and 12):				
6100	Selling expenses	93,300	8	45,562	5
6200	Administrative expenses	62,793	6	52,408	6
6300	Research and development expenses	7,416	1	6,377	1
6450	Gain on reversal of expected credit loss	(591)	-	(347)	-
	Total operating expenses	162,918	15	104,000	12
6900	Operating income	40,669	3	21,317	2
7000	Non-operating income and expenses (notes 6(b), (e), (f), (g), (j), (l) and (t)):				
7100	Interest income	524	-	527	-
7010	Other income	31,202	3	8,715	1
7020	Other gains and losses	(12,964)	(1)	(54,586)	(6)
7050	Finance costs	(11,187)	(1)	(12,030)	(1)
	Total non-operating income and expenses	7,575	1	(57,374)	(6)
7900	Profit (loss) before tax	48,244	4	(36,057)	(4)
7950	Less: Income tax expenses (benefit) (note 6(n))	21,247	1	(1,194)	-
8200	Net profit (loss)	26,997	3	(34,863)	(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	28,827	2	(28,222)	(3)
8399	Income tax relating to items that may be reclassified subsequently to profit or loss	-	-	-	-
8300	Other comprehensive income (loss), net	28,827	2	(28,222)	(3)
8500	Total comprehensive income (loss)	\$ 55,824	5	(63,085)	(7)
	Net profit (loss), attributable to:				
8610	Owners of the Company	\$ 31,232	3	(25,827)	(3)
8620	Non-controlling interests	(4,235)	-	(9,036)	(1)
	Total comprehensive income (loss) attributable to:	\$ 26,997	3	(34,863)	(4)
	Owners of the Company	\$ 59,098	5	(53,505)	(6)
8720	Non-controlling interests	(3,274)	-	(9,580)	(1)
	Total comprehensive income (loss) attributable to:	\$ 55,824	5	(63,085)	(7)
	Basic earnings (deficits) per share (expressed in New Taiwan dollars) (note (q))				
9750	Basic earnings (deficits) per share	\$ 1.09		(1.08)	
9850	Diluted earnings (deficits) per share	\$ 1.02		(1.08)	

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, 2022 and 2021  
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent										
	Common stock	Capital surplus	Retained earnings				Total	Exchange differences on translation of foreign financial statements	Total equity attributable to owners of the Company	Non- controlling interests	Total equity
			Legal reserve	Special reserve	Unappropriated retained earnings						
<b>Balance at January 1, 2021</b>	\$ 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 appropriated	-	-	-	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 of convertible bonds issued	-	6,892	-	-	-	-	-	6,892	-	6,892	
Share-based payment 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	
Appropriation and distribution of retained earnings:											
Special reserve	-	-	-	24,691	(24,691)	-	-	-	-	-	
Net profit (loss) for the year	-	-	-	-	31,232	31,232	-	31,232	(4,235)	26,997	
Other comprehensive income (loss) for the year	-	-	-	-	-	-	27,866	27,866	961	28,827	
Total comprehensive income (loss) for the year	-	-	-	-	31,232	31,232	27,866	59,098	(3,274)	55,824	
Conversion of convertible bonds	92	98	-	-	-	-	-	190	-	190	
Changes in ownership interests in subsidiaries	-	1,075	-	-	-	-	-	1,075	(1,075)	-	
<b>Balance at December 31, 2022</b>	\$ <b>286,342</b>	<b>76,452</b>	<b>84</b>	<b>30,308</b>	<b>31,232</b>	<b>61,624</b>	<b>(5,429)</b>	<b>418,989</b>	<b>6,206</b>	<b>425,195</b>	

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, 2022 and 2021  
(Expressed in Thousands of New Taiwan Dollars)

	2022	2021
<b>Cash flows from (used in) operating activities:</b>		
Profit (loss) before income tax	\$ 48,244	(36,057)
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit:</b>		
Depreciation expense	36,257	33,728
Amortization expense	44	108
Gain on reversal of expected credit loss	(591)	(347)
Net loss on financial assets or liabilities at fair value through profit or loss	12,807	2,151
Interest expense	11,187	12,030
Interest income	(524)	(527)
Share-based payments transaction	-	2,850
Loss (gain) on disposal of property, plant and equipment	13	(385)
Impairment loss on non-financial assets	-	13,488
Gain on lease modifications	-	(227)
COVID-19-related rent concessions	-	(566)
Loss on incident	-	39,438
<b>Total adjustments to reconcile profit</b>	<u>59,193</u>	<u>101,741</u>
<b>Changes in operating assets and liabilities:</b>		
<b>Changes in operating assets:</b>		
Financial assets at fair value through profit or loss	472	2,775
Accounts receivable	(12,166)	51,963
Other receivables	998	(590)
Inventories	109,693	(81,940)
Prepayments	5,958	11,212
Other current assets	(3,145)	(322)
<b>Total changes in operating assets</b>	<u>101,810</u>	<u>(16,902)</u>
<b>Changes in operating liabilities:</b>		
Financial liabilities at fair value through profit or loss	(11,209)	-
Contract liabilities	(5,648)	11,341
Accounts payable	(40,044)	(19,257)
Accounts payable to related parties	(21,596)	21,406
Other payables	(11,040)	(2,935)
Other current liabilities	(593)	(675)
<b>Total changes in operating liabilities</b>	<u>(90,130)</u>	<u>9,880</u>
<b>Total changes in operating assets and liabilities</b>	<u>11,680</u>	<u>(7,022)</u>
<b>Total adjustments</b>	<u>70,873</u>	<u>94,719</u>
Cash inflow generated from operations	119,117	58,662
Interest received	524	527
Interest paid	(8,052)	(12,167)
Income taxes paid	(18,620)	(21,679)
<b>Net cash flows from operating activities</b>	<u>92,969</u>	<u>25,343</u>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of property, plant and equipment	(22,000)	(29,181)
Proceeds from disposal of property, plant and equipment	669	3,791
Increase in refundable deposits	(4,374)	(7,814)
Decrease in other current financial assets	7,275	-
Decrease in prepayments for equipment	-	5,313
<b>Net cash flows from (used in) investing activities</b>	<u>(18,430)</u>	<u>(27,891)</u>
<b>Cash flows from (used in) financing activities:</b>		
Increase (decrease) in short-term loans	(71,881)	5,188
Proceeds from issuance of convertible bonds	-	118,148
Repayments of bonds	(4,800)	(196,176)
Proceeds from long-term loans	2,087	62,945
Repayments of long-term loans	(25,843)	(25,807)
Payment of lease liabilities	(22,768)	(17,965)
Decrease in other non-current liabilities	(95)	(478)
Cash dividends paid	-	(47,250)
Capital increase by cash	-	80,765
Change in non-controlling interests	-	5,945
<b>Net cash flows used in financing activities</b>	<u>(123,300)</u>	<u>(14,685)</u>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<u>22,314</u>	<u>(21,266)</u>
<b>Net decrease in cash and cash equivalents</b>	<u>(26,447)</u>	<u>(38,499)</u>
<b>Cash and cash equivalents at beginning of period</b>	<u>199,374</u>	<u>237,873</u>
<b>Cash and cash equivalents at end of period</b>	<u>\$ 172,927</u>	<u>199,374</u>

See accompanying notes to consolidated financial statements.

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

**Notes to the Consolidated Financial Statements**

**For the years ended December 31, 2022 and 2021**

**(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 listing 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 10, 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 21, 2023.

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

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

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2022:

- Amendments to IAS 16 "Property, Plant and Equipment – Proceeds before Intended Use"
- Amendments to IAS 37 "Onerous Contracts – Cost of Fulfilling a Contract"
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 "Reference to the Conceptual Framework"

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

The Group's adoption of the new amendments, effective for annual period beginning on January 1, 2023, are expected to have the following impacts:

Amendments to IAS 1 "Disclosure of Accounting Policies" the key amendments to IAS 1 include:

- requiring companies to disclose their material accounting policies rather than their significant accounting policies;
- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and

(Continued)

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

- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The Group is continuing on evaluating and reviewing the accounting policies that should be disclosed in the consolidated financial statements to comply with the amendment.

The following amendments are not expected to have a significant impact on the Group's consolidated financial statements.

- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”
- Amendments to IAS 8 “Definition of Accounting Estimates”

(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:

<b>Standards or Interpretations</b>	<b>Content of amendment</b>	<b>Effective date per IASB</b>
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The amendments has removed the requirement for a right to be unconditional and instead now requires that a right to defer settlement must exist at the reporting date and have substance.  The amendments clarify how a company classifies a liability that can be settled in its own shares – e.g. convertible debt.	January 1, 2024

(Continued)

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

<u>Standards or Interpretations</u>	<u>Content of amendment</u>	<u>Effective date per IASB</u>
Amendments to IAS 1 “Non-current Liabilities with Covenants”	<p>After reconsidering certain aspects of the 2020 amendments 1, new IAS 1 amendments clarify that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current.</p> <p>Covenants with which the company must comply after the reporting date (i.e. future covenants) do not affect a liability's classification at that date. However, when non-current liabilities are subject to future covenants, companies will now need to disclose information to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date.</p>	January 1, 2024

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”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information “
- IFRS16 “Requirements for Sale and Leaseback Transactions”

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

The following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

**(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. (hereinafter referred to as "the IFRS endorsed by the FSC").

(Continued)

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

(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, which are measured at fair value.

(ii) Functional and presentation currency

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

(c) Basis of consolidation

(i) Principles of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries.

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 Company 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, 2022	December 31, 2021	
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	89.20 %	70.00 %	Note 1
TC	ESK Biomass Sdn. Bhd. (ESKB)	Wood pellet manufacturing and sales	100.00 %	100.00 %	
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 2

(Continued)

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

Note 1: In December 2021 as well as in April and June 2022, the Company participated in the cash injection of EHL. As of December 31, 2021 and 2022, the total amounts invested by the Company were MYR 15,100 thousand and MYR 9,100 thousand, respectively.

Note 2: 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, 2022 and 2021, the total investment amounts were both MYR 3,000 thousand.

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

(d) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date.

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

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

(ii) Foreign operations

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

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

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, Exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

(Continued)

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

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

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

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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

An entity shall classify a liability as current when:

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash comprises cash on hand, demand deposits and checking deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(g) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue.

(Continued)

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

(i) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at amortized cost or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost 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 fair value through other comprehensive income (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, financial assets at amortized costs, accounts receivable, other receivables, other financial assets and refundable deposits).

Loss allowances for bank balances, financial assets at amortized cost, other receivables, other financial assets and refundable deposits are measured by 12-month ECL for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

(Continued)

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

Loss allowance for accounts receivable is always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment as well as forward-looking information.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

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

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

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

(Continued)

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

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

4) Derecognition of financial assets

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

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

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

3) Compound financial instruments

Compound financial instruments issued by the Group comprise convertible bonds denominated in NTD that can be converted to ordinary shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

The liability component of compound financial instruments is initially recognized at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognized at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

(Continued)

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

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured.

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

4) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

5) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

6) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(iii) Derivative financial instruments

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

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

(Continued)

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

(h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. When there's fixed production expense being unallocated due to low production capacity and idle equipments, it should be recognized as cost of goods sold during the period that it occurs.

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

(i) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent cost

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

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

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

Buildings	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.

(Continued)

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

(j) Lease — as a lessee

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

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

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

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

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

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

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

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- there is a change of its assessment on whether it will exercise a extension or termination option; or
- there are any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

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**TEHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES**  
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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.

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.

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.

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(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 cash generating units (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 assets other than goodwill, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(m) Recognition of Revenue

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The Group recognizes revenue when control of the products has been transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

The group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the group does not adjust any of the transaction prices for the time value of money.

(n) 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.

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(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.

(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

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**TEHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES**  
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- (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.

- (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 new issuance of shares due to capitalization of earnings or capital surplus is adjusted retrospectively. The adjustment is also made retrospectively when the date of capitalization of earnings or capital surplus falls before the issuance date of financial statement. 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 discrete financial information.

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**TEHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES**  
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**(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:

As inventories are stated at the lower of cost or net realizable value, the Group estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Please refer to note 6(e) for further description of the subsequent measurements of inventories.

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

(a) Cash and cash equivalents

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Cash	\$ 509	716
Demand and checking deposits	172,418	198,658
Cash and cash equivalents	<b>\$ 172,927</b>	<b>199,374</b>

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

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, 2022 and 2021.

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Forward exchange contracts:

<b>December 31, 2022</b>				
	<b>Amount (in thousands)</b>	<b>Currency</b>	<b>Maturity dates</b>	<b>Fair value of assets</b>
Forward exchange sold	USD 200	USD to MYR	2023.1.3	<u>\$ 135</u>
<b>December 31, 2021</b>				
	<b>Amount (in thousands)</b>	<b>Currency</b>	<b>Maturity dates</b>	<b>Fair value of assets (liabilities)</b>
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>

Detail on derivative financial liability generated due to the issuance of convertible bond by the Group was as follow:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Derivate financial liability		
Corporate bonds payable— call and put options	<u>\$ 1,641</u>	<u>864</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 at fair value through profit or loss components from issuing unsecured convertible bonds.

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

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Restricted time deposits	<u>\$ 3,969</u>	<u>3,733</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 at amortized cost.

- 1) For credit risk, please refer to note 6(u).
- 2) As of December 31, 2022 and 2021, the financial assets at amortized costs of the Group had been pledged as collateral for its long-term and short-term borrowings. Please refer to note 8.

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## (c) Accounts receivable

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Accounts receivable	\$ 81,632	69,232
Less: loss allowance	<u>(4,310)</u>	<u>(4,667)</u>
	<b><u>\$ 77,322</u></b>	<b><u>64,565</u></b>

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, 2022 and 2021. To measure the expected credit losses, accounts receivable have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including macroeconomics and relevant industry information.

The Group's analyses on the expected credit loss of its accounts receivable from the operating segment of its furniture (bedding and kitchen cabinets included) manufacturing and sales, as of December 31, 2022 and 2021 were as follows:

	<b>December 31, 2022</b>		
	<b>Gross carrying amount</b>	<b>Weighted average loss rate (%)</b>	<b>Loss allowance provision</b>
Not yet due	\$ 34,444	0.24	83
Past due 1~30 days	15,331	0.54	83
Past due 31~60 days	21,852	4.22	922
Over 91 days	<u>90</u>	100.00	<u>90</u>
	<b><u>\$ 71,717</u></b>		<b><u>1,178</u></b>
	<b>December 31, 2021</b>		
	<b>Gross carrying amount</b>	<b>Weighted average loss rate (%)</b>	<b>Loss allowance provision</b>
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	<u>978</u>	100.00	<u>978</u>
	<b><u>\$ 43,175</u></b>		<b><u>1,033</u></b>

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The Group's analyses on the expected credit loss of its accounts receivable from the operating segment of its rubber wood processing and sales, as of December 31, 2022 and 2021 were as follow:

	<b>December 31, 2022</b>		
	<b>Gross carrying amount</b>	<b>Weighted average loss rate (%)</b>	<b>Loss allowance provision</b>
Not yet due	\$ 4,088	0.22	9
Past due 1~30 days	659	0.60	4
Past due 31~60 days	941	1.52	14
Past due 61~90 days	898	3.59	32
Past due 181~120 days	341	24.93	85
Over 210 days	214	100.00	214
	<b>\$ 7,141</b>		<b>358</b>

	<b>December 31, 2021</b>		
	<b>Gross carrying amount</b>	<b>Weighted average loss rate (%)</b>	<b>Loss allowance provision</b>
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
	<b>\$ 23,417</b>		<b>1,174</b>

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, 2022 and 2021 were as follow:

	<b>December 31, 2022</b>		
	<b>Gross carrying amount</b>	<b>Weighted average loss rate (%)</b>	<b>Loss allowance provision</b>
Over 91 days	\$ 2,774	100.00	2,774

	<b>December 31, 2021</b>		
	<b>Gross carrying amount</b>	<b>Weighted average loss rate (%)</b>	<b>Loss allowance provision</b>
Past due 1~30 days	\$ 287	38.49	110
Past due 31~60 days	5	31.61	2
Over 210 days	2,348	100.00	2,348
	<b>\$ 2,640</b>		<b>2,460</b>

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

	<u>2022</u>	<u>2021</u>
Balance as of January 1	\$ 4,667	5,274
Gain on reversal of impairment	(591)	(347)
Foreign exchange loss	<u>234</u>	<u>(260)</u>
Balance as of December 31	<u><u>\$ 4,310</u></u>	<u><u>4,667</u></u>

The accounts receivables of the Group were not associated with factoring transactions nor pledged as collaterals.

(d) Other receivables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Other receivables	<u><u>\$ 500</u></u>	<u><u>1,498</u></u>

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

(e) Inventories

	<u>December 31, 2022</u>		
	<u>Cost</u>	<u>Allowance for loss</u>	<u>Net receivables value</u>
Raw materials	\$ 63,323	10,789	52,534
Work in process	26,452	928	25,524
Semi-finished goods	70,074	19,029	51,045
Finished goods	<u>113,436</u>	<u>17,356</u>	<u>96,080</u>
	<u><u>\$ 273,285</u></u>	<u><u>48,102</u></u>	<u><u>225,183</u></u>
	<u>December 31, 2021</u>		
	<u>Cost</u>	<u>Allowance for loss</u>	<u>Net receivables value</u>
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><u>\$ 358,296</u></u>	<u><u>23,420</u></u>	<u><u>334,876</u></u>

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

	<u>2022</u>	<u>2021</u>
Balance as of January 1	\$ 23,420	6,494
Losses recognized	22,609	17,519
Foreign currency translation effect	<u>2,073</u>	<u>(593)</u>
Balance as of December 31	<u><u>\$ 48,102</u></u>	<u><u>23,420</u></u>

For the years ended December 31, 2022 and 2021, in addition to the costs of goods sold, the following loss and revenue were included in the Group's operating costs:

	<u>2022</u>	<u>2021</u>
Provision for inventory devaluation and obsolescence	\$ 22,609	17,519
Revenue from sale of scraps	(609)	(494)
Loss on inventory write-off	68	660
Loss on excess capacity	5,217	45,430
Physical count variance	<u>29</u>	<u>257</u>
	<u><u>\$ 27,314</u></u>	<u><u>63,372</u></u>

A fire incident broke out in 2021, wherein the Group recognized the losses on its inventories amounting to \$22,177 thousand, which reported as other gains and losses.

As of December 31, 2022 and 2021, 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, 2022 and 2021, were as follows:

	<u>Land</u>	<u>Buildings and construction</u>	<u>Machinery and equipment</u>	<u>Transportation Equipment</u>	<u>Office Equipment</u>	<u>Other facilities</u>	<u>Construction in progress and equipment to be inspected</u>	<u>Total</u>
Cost or deemed cost:								
Balance on January 1, 2022	\$ 16,566	79,539	81,177	25,283	10,066	18,127	7,949	238,707
Additions	-	901	4,191	60	316	1,235	11,402	18,105
Disposal	-	(74)	(1,905)	(73)	(300)	-	-	(2,352)
Reclassification (note 1)	-	-	6,198	7,888	-	1,009	-	15,095
Foreign currency translation effect	<u>907</u>	<u>4,381</u>	<u>4,738</u>	<u>1,659</u>	<u>551</u>	<u>1,070</u>	<u>834</u>	<u>14,140</u>
Balance at December 31, 2022	<u><u>\$ 17,473</u></u>	<u><u>84,747</u></u>	<u><u>94,399</u></u>	<u><u>34,817</u></u>	<u><u>10,633</u></u>	<u><u>21,441</u></u>	<u><u>20,185</u></u>	<u><u>283,695</u></u>
Balance at 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 2)	-	5,104	10,384	-	-	524	(11,561)	4,451
Foreign currency translation effect	<u>(878)</u>	<u>(4,539)</u>	<u>(3,832)</u>	<u>(1,333)</u>	<u>(529)</u>	<u>(806)</u>	<u>(633)</u>	<u>(12,550)</u>
Balance at December 31, 2021	<u><u>\$ 16,566</u></u>	<u><u>79,539</u></u>	<u><u>81,177</u></u>	<u><u>25,283</u></u>	<u><u>10,066</u></u>	<u><u>18,127</u></u>	<u><u>7,949</u></u>	<u><u>238,707</u></u>

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	<u>Land</u>	<u>Buildings and construction</u>	<u>Machinery and equipment</u>	<u>Transportation Equipment</u>	<u>Office Equipment</u>	<u>Other facilities</u>	<u>Construction in progress and equipment to be inspected</u>	<u>Total</u>
Depreciation and impairments loss:								
Balance at January 1, 2022	\$ -	36,457	39,206	15,598	8,036	11,445	-	110,742
Depreciation	-	2,287	5,850	2,946	1,158	3,751	-	15,992
Disposal	-	(22)	(1,382)	(23)	(243)	-	-	(1,670)
Reclassification (note 1)	-	-	4,790	7,344	-	1,009	-	13,143
Foreign currency translation effect	-	2,074	2,469	1,213	471	793	-	7,020
Balance at December 31, 2022	<u>\$ -</u>	<u>40,796</u>	<u>50,933</u>	<u>27,078</u>	<u>9,422</u>	<u>16,998</u>	<u>-</u>	<u>145,227</u>
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	<u>\$ -</u>	<u>36,457</u>	<u>39,206</u>	<u>15,598</u>	<u>8,036</u>	<u>11,445</u>	<u>-</u>	<u>110,742</u>
Carrying amounts:								
Balance at December 31, 2022	<u>\$ 17,473</u>	<u>43,951</u>	<u>43,466</u>	<u>7,739</u>	<u>1,211</u>	<u>4,443</u>	<u>20,185</u>	<u>138,468</u>
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>

Note: 1. Transferred from right-of-use assets.

Note 2. Transferred from prepayment of equipments.

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

The Group used value in use to calculate the recoverable amount as the basis to measure the impairment. The difference between the recoverable amount and book value was recognized as loss on impairment and reported as other gains and losses. The calculation of value in use was based on the financial prediction of cash flow within the next five years and a discount rate of 8.48% before tax on December 31, 2021, so that it reflected 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 was 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.

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(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 was presented below:

	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Transportation Equipment</u>	<u>Other equipment</u>	<u>Total</u>
Cost:						
Balance at January 1, 2022	\$ 134	36,194	69,161	11,543	990	118,022
Additions	135	23,538	-	-	-	23,673
Reclassified to property, plant and equipment	-	-	(6,198)	(7,888)	(1,009)	(15,095)
Disposals (end of contract)	(136)	(227)	-	-	-	(363)
Foreign currency translation effect	<u>7</u>	<u>2,796</u>	<u>3,567</u>	<u>356</u>	<u>19</u>	<u>6,745</u>
Balance at December 31, 2022	<u>\$ 140</u>	<u>62,301</u>	<u>66,530</u>	<u>4,011</u>	<u>-</u>	<u>132,982</u>
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	<u>(7)</u>	<u>(2,101)</u>	<u>(3,759)</u>	<u>(611)</u>	<u>(52)</u>	<u>(6,530)</u>
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>
Accumulated depreciation and impairment losses:						
Balance at January 1, 2022	\$ 104	16,253	15,931	8,580	990	41,858
Depreciation	45	12,749	6,442	1,029	-	20,265
Reclassified to property, plant and equipment	-	-	(4,790)	(7,344)	(1,009)	(13,143)
Disposals (end of contract)	(136)	(227)	-	-	-	(363)
Foreign currency translation effect	<u>3</u>	<u>1,327</u>	<u>930</u>	<u>248</u>	<u>19</u>	<u>2,527</u>
Balance at December 31, 2022	<u>\$ 16</u>	<u>30,102</u>	<u>18,513</u>	<u>2,513</u>	<u>-</u>	<u>51,144</u>
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	<u>(4)</u>	<u>(638)</u>	<u>(450)</u>	<u>(405)</u>	<u>(52)</u>	<u>(1,549)</u>
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>
Carrying amount:						
Balance at December 31, 2022	<u>\$ 124</u>	<u>32,199</u>	<u>48,017</u>	<u>1,498</u>	<u>-</u>	<u>81,838</u>
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>

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 was 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.

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**TEHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES**  
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## (h) Intangible assets

The cost, amortization and impairment of the intangible assets of the Group for the years ended December 31, 2022 and 2021, were as follows:

	<b>Computers and Software</b>
Cost:	
Balance at January 1, 2022	\$ 665
Foreign currency translation effect	<u>36</u>
Balance at December 31, 2022	<u><u>\$ 701</u></u>
Balance at January 1, 2021	\$ 700
Foreign currency translation effect	<u>(35)</u>
Balance at December 31, 2021	<u><u>\$ 665</u></u>
Amortization:	
Balance at January 1, 2022	\$ 622
Amortization	44
Foreign currency translation effect	<u>35</u>
Balance at December 31, 2022	<u><u>\$ 701</u></u>
Balance at January 1, 2021	\$ 543
Amortization	108
Foreign currency translation effect	<u>(29)</u>
Balance at December 31, 2021	<u><u>\$ 622</u></u>
Carrying amount:	
Balance at December 31, 2022	<u><u>\$ -</u></u>
Balance at December 31, 2021	<u><u>\$ 43</u></u>

## (i) Short-term loans

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Secured bank loans	<u><u>\$ 42,633</u></u>	<u><u>114,514</u></u>
Unused credit line	<u><u>\$ 246,516</u></u>	<u><u>146,669</u></u>
Interest rate (%)	<u><u>3.67~5.80</u></u>	<u><u>1.60~4.12</u></u>

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

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**TEHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES**  
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(j) Lease liabilities

The carrying value of the lease liabilities of the Group for the years ended December 31, 2019, were as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Current	\$ 25,825	18,698
Non-current	42,090	44,806
Total	<u>\$ 67,915</u>	<u>63,504</u>

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

The amounts recognized in profit or loss were as follows:

	<b>2022</b>	<b>2021</b>
Interest on lease liabilities	<u>\$ 3,933</u>	<u>4,292</u>
Expenses relating to short-term leases	<u>\$ 1,052</u>	<u>1,968</u>
COVID-19-related rent concessions (recognized as other income)	<u>\$ -</u>	<u>566</u>

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

	<b>2022</b>	<b>2021</b>
Total cash flows from operating activities	\$ (4,985)	(6,260)
Total cash flows from investing activities	(22,768)	(17,965)
Total cash outflow for leases	<u>\$ (27,753)</u>	<u>(24,225)</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 seven 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 elected not to assess whether the rent concessions were lease modifications, wherein the effect of the changes in the lease liability was 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.

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**TEHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES**  
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## (k) Long-term loans

The details were as follows:

<b>December 31, 2022</b>				
	<b>Currency</b>	<b>Interest rate (%)</b>	<b>Maturity date</b>	<b>Amount</b>
Secured loans	MYR	3.20~6.48	2023.2.1~2029.2.1	\$ 17,146
Secured loans from lease finance company	MYR	3.60	2026.9.2	2,827
Secured loans from lease finance company	USD	0.12	2024.5.25	22,906
Subtotal				42,879
Less: current portion				19,587
Total				<b>\$ 23,292</b>
Unused credit line				<b>\$ -</b>
<b>December 31, 2021</b>				
	<b>Currency</b>	<b>Interest rate (%)</b>	<b>Maturity date</b>	<b>Amount</b>
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				<b>\$ 39,580</b>
Unused credit line				<b>\$ -</b>

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

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**TEHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES**  
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(l) Corporate bonds payable

	<b>December 31, 2022</b>		
	<b>First unsecured convertible bond</b>	<b>Second unsecured convertible bond</b>	<b>Total</b>
Total amount of convertible bonds	\$ 202,000	120,000	322,000
Less: Discount on convertible bonds issuance	9,660	6,127	15,787
Underwriting expense	5,126	3,212	8,338
Discounted present value of bond payable when issued	187,214	110,661	297,875
Cumulative amortization of discount on bonds payable	9,814	3,451	13,265
Reversal of discount upon exercising put option	4,924	12	4,936
Less: Cumulative amount of put option exercised	197,152	-	197,152
Cumulative converted amount	-	200	200
Cumulative redeemed amount	4,800	-	4,800
Ending balance of bonds payable	<u>\$ -</u>	<u>113,924</u>	<u>113,924</u>
	<b>December 31, 2021</b>		
	<b>First unsecured convertible bond</b>	<b>Second unsecured convertible bond</b>	<b>Total</b>
Total amount of convertible bonds	\$ 202,000	120,000	322,000
Less: Discount on convertible bonds issuance	9,660	6,127	15,787
Underwriting expense	5,126	3,212	8,338
Discounted present value of bond payable when issued	187,214	110,661	297,875
Cumulative amortization of discount on bonds payable	9,750	418	10,168
Reversal of discount upon exercising put option	4,924	-	4,924
Less: Cumulative amount of put option exercised	197,152	-	197,152
Ending balance of bonds payable	<u>\$ 4,736</u>	<u>111,079</u>	<u>115,815</u>

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**TEHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES**  
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On December 31, 2022, the conversion price of the second unsecured convertible bonds of the Group was \$21.70 per share.

Based on the resolution of the board of directors' meetings held on October 7, 2019, for loan repayment and plant expansion, 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:

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

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:

	<b>Second unsecured convertible bond</b>
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>
	<b><u>\$ 121,578</u></b>

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**TEHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES**  
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- (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.

- 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.

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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.

8) The Group's first unsecured convertible bond was due for repayment on December 31, 2022.

Second unsecured convertible bonds

- 1) Coupon rate: 0%
- 2) Issue period: 3 years (November 11, 2021 to November 11, 2024)
- 3) Repayment term:

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

4) Conversion period:

Beginning from three month after the issuance date (February 12, 2022) until maturity (November 11, 2024), the bondholders may convert the bonds into common stock according to the conversion arrangement.

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

Beginning from three month after the issuance date (February 12, 2022) until 40 days before maturity (October 2, 2024), if the stock closing price exceeds 30% of the conversion price for 30 consecutive working days, or the remaining amount of bonds payable which have not yet been converted into shares is lower than 10% of the total issue amount, the Company is entitled to send a "bond redemption notification" to bondholders and publish an announcement through the TPEX to exercise its call option.

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**TEHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES**  
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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.

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

	<b>2022</b>		<b>Total</b>
	<b>First unsecured convertible bond</b>	<b>Second unsecured convertible bond</b>	
Balance as of January 1	\$ -	864	864
Add: Valuation loss	-	779	779
Less: Conversion	-	2	2
Balance as of December 31	<u>\$ -</u>	<u>1,641</u>	<u>1,641</u>

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**TEHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES**  
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	<b>2021</b>		
	<b>First unsecured convertible bond</b>	<b>Second unsecured convertible bond</b>	<b>Total</b>
Balance as of January 1	\$ 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>

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

	<b>2022</b>		
	<b>First unsecured convertible bond</b>	<b>Second unsecured convertible bond</b>	<b>Total</b>
Balance as of January 1	\$ 214	6,892	7,106
Less: Conversion	-	11	11
Redemption	214	-	214
Balance as of December 31	<u>\$ -</u>	<u>6,881</u>	<u>6,881</u>

	<b>2022</b>		
	<b>First unsecured convertible bond</b>	<b>Second unsecured convertible bond</b>	<b>Total</b>
Balance as of January 1	\$ 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>

The second 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 the second anniversary after the issuance date (November 11, 2023). The Group reclassified the above convertible bonds to current liabilities on December 31, 2022.

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(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. Except for contributing to its employee benefits monthly, the Group has no further obligation.

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>2022</u>	<u>2021</u>
Operating costs	\$ 1,889	1,545
Operating expenses	<u>4,884</u>	<u>4,048</u>
	<u><u>\$ 6,773</u></u>	<u><u>5,593</u></u>

(n) Income taxes

(i) The components of income tax in the years 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Current tax expense (benefit)		
Current period	\$ 26,614	13,049
Adjustment for prior periods	<u>4,828</u>	<u>(4,432)</u>
	<u>31,442</u>	<u>8,617</u>
Deferred tax benefit		
Origination and reversal of temporary differences	<u>(10,195)</u>	<u>(9,811)</u>
Income tax expense (benefit)	<u><u>\$ 21,247</u></u>	<u><u>(1,194)</u></u>

Reconciliation of income tax expense (benefit) and profit before tax for 2022 and 2021 was as follows:

	<u>2022</u>	<u>2021</u>
Profit (loss) before income tax	<u>\$ 48,244</u>	<u>(36,057)</u>
Income tax calculated by a statutory tax rate applied by subsidiaries	\$ 15,353	(7,742)
Adjustment according to tax act	745	5,539
Under (over) provision in prior periods	4,828	(4,432)
Current-year losses for which no deferred tax asset was recognized	321	5,441
Total	<u><u>\$ 21,247</u></u>	<u><u>(1,194)</u></u>

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

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

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

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Deductible temporary differences	\$ 25,466	5,928
Tax losses	8,643	8,263
	<b>\$ 34,109</b>	<b>14,191</b>

According to Malaysia Finance Bill, which was released in November 2021, the net losses before 2018, as assessed by the tax authorities, are allowed 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 ten years for local tax purposes. Such items are not recognized as deferred tax assets since the Group is not likely to have sufficient taxable income in the future to utilize the temporary differences.

The Group's estimated unused loss carry-forwards up to December 31, 2022, were as follows:

<b>Year of loss</b>	<b>Unused amount</b>	<b>Year of expiry</b>
ESKB:		
2019	\$ 3,132	2029
2020	3,751	2030
2021	1,380	2031
2022	335	2032
EHL:		
2022	45	2032
	<b>\$ 8,643</b>	

2) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2022 and 2021 were as follows:

Deferred tax assets:

	<b>Provision of doubtful debts</b>	<b>Provision of inventory Obsolescence</b>	<b>Tax loss carryforward</b>	<b>Property Plant and Equipment useful life</b>	<b>Other</b>	<b>Total</b>
Balance at January 1, 2022	\$ 530	5,620	5,174	3,128	2,626	17,078
Recognized in profit or loss	(183)	5,419	3,665	2,530	192	11,623
Foreign currency translation effect	22	498	411	260	150	1,341
Balance at December 31, 2022	<b>\$ 369</b>	<b>11,537</b>	<b>9,250</b>	<b>5,918</b>	<b>2,968</b>	<b>30,042</b>

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	<u>Provision of doubtful debts</u>	<u>Provision of inventory Obsolescence</u>	<u>Tax loss carryforward</u>	<u>Property Plant and Equipment useful life</u>	<u>Other</u>	<u>Total</u>
<b>Balance at January 1, 2021</b>	\$ -	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)
<b>Balance at December 31, 2021</b>	<u>\$ 530</u>	<u>5,620</u>	<u>5,174</u>	<u>3,128</u>	<u>2,626</u>	<u>17,078</u>

Deferred tax liabilities:

	<u>Property Plant and Equipment useful life</u>	<u>Other</u>	<u>Total</u>
<b>Balance at January 1, 2022</b>	\$ (863)	(284)	(1,147)
Recognized in profit or loss	(252)	(1,176)	(1,428)
Foreign currency translation effect	(58)	(56)	(114)
<b>Balance at December 31, 2022</b>	<u>\$ (1,173)</u>	<u>(1,516)</u>	<u>(2,689)</u>
<b>Balance at January 1, 2021</b>	\$ -	(1,539)	(1,539)
Recognized in profit or loss	(899)	1,230	331
Foreign currency translation effect	36	25	61
<b>Balance at December 31, 2021</b>	<u>\$ (863)</u>	<u>(284)</u>	<u>(1,147)</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 costs, losses, tax expenses, and other non-taxable items as regulated in relevant tax regulations.
- b) The tax rate for both 2022 and 2021 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 2022 and 2021 was 21%. The tax rate of North Carolina State for both years 2022 and 2021 was 2.5%.

The Group's subsidiaries have declared their income tax through the year of 2021 to their local tax agencies.

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**TEHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES**  
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(o) Share capital and other equity

As of December 31, 2022 and 2021, 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 28,634 thousand and 28,625 thousand, respectively. All payments have been received as of the reporting date.

Reconciliations of shares outstanding in 2022 and 2021 were as follows:

	Unit: thousand share	
	<b>2022</b>	<b>2021</b>
Balance on January 1	28,625	23,625
Issued for cash	-	5,000
Conversion of convertible bonds	9	-
Balance at December 31	<b>28,634</b>	<b>28,625</b>

(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. In 2022, the Company issued 9 thousand new shares at par value, amounting to \$92 thousand due to the conversion rights exercised by the holders of the second convertible bonds.

(ii) Capital surplus

The balance of capital surplus was as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Additional paid-in capital stock	\$ 54,504	54,395
Recognition of changes in equity of subsidiaries	3,196	2,121
Share-based payment	2,955	2,955
Issuance of convertible bonds — stock option	6,881	7,106
Stock option of convertible bonds — expired	8,916	8,702
	<b>\$ 76,452</b>	<b>75,279</b>

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**TEHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES**  
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(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.

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

Distribution of 2021 earnings was resolved during the shareholders' meeting on June 29, 2022. Except for the special reserve for the net decrease in other shareholders' equity recorded in accordance with the regulations of the FSC, there is no earnings available for distribution, therefore, no dividends will be distributed.

The resolution of 2020 earnings distribution was carried out through electronic voting on June 26, 2021, which was consistent with the resolution of the shareholders' meeting held on August 13, 2021, and the amount of dividends distributed to shareholders was as follows:

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

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**TEHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES**  
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On March 21, 2023, the Company's Board of Directors resolved to appropriate the 2022 earnings.

These earnings were appropriated as follows:

	<b>2022</b>
Dividends distributed to ordinary shareholders	
Cash	\$ 2,863
Shares	14,317
Total	<b>\$ 17,180</b>

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:

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

(i) Determining the fair value of 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:

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

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**TEHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES**  
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(ii) Details of the employee stock options are as follows:

	<u>2021</u>	
	<u>Weighted average exercise price</u>	<u>Number of options</u>
Outstanding at January 1	\$ -	-
Granted during the year (number)	16.25	500,000
Exercised during the year (number)	16.25	<u>(500,000)</u>
Outstanding at December 31	-	<u>-</u>
Exercisable at December 31	-	<u>-</u>

(iii) Employee expenses

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

There was no capital increase allocated for employees' subscription in 2022.

(q) Earnings (deficits) per share

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

	<u>2022</u>	<u>2021</u>
Basic earnings (deficits) per share:		
Net profit (loss) attributable to owners of partner	\$ <u>31,232</u>	<u>(25,827)</u>
Weighted average number of common shares (thousand shares)	<u>28,630</u>	<u>24,022</u>
Basic earnings (deficits) per share (New Taiwan dollars)	\$ <u>1.09</u>	<u>(1.08)</u>
Diluted earnings (deficits) per share:		
Net profit (loss) attributable to owners of partner	\$ 31,232	(25,827)
Potential dilutive effect on common stock		
Loss on remeasurements of embedded derivative instruments	779	-
Expected reduction in interest expense due to bonds conversion	3,097	-
Net profit (loss) attributable to owners of partner for calculating diluted EPS	\$ <u>35,108</u>	<u>(25,827)</u>

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**TEHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES**  
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	<u>2022</u>	<u>2021</u>
Weighted average number of common shares (thousand shares)	28,630	24,022
Potential dilutive effect on common stock		
Influence of employee stock remuneration	236	-
Conversion of convertible bonds	<u>5,662</u>	<u>-</u>
Weighted-average number of common shares outstanding – diluted	<u><u>34,528</u></u>	<u><u>24,022</u></u>
Diluted earnings (deficits) per share (New Taiwan dollars)	<u><u>\$ 1.02</u></u>	<u><u>(1.08)</u></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>2022</u>			
	<u>Department A</u>	<u>Department B</u>	<u>Department C</u>	<u>Total</u>
Primary geographical markets				
United States	\$ 756,742	254,229	-	1,010,971
Malaysia	17,942	9,713	54,905	82,560
Other	<u>60,884</u>	<u>-</u>	<u>-</u>	<u>60,884</u>
	<u><u>\$ 835,568</u></u>	<u><u>263,942</u></u>	<u><u>54,905</u></u>	<u><u>1,154,415</u></u>
Major products/services lines				
Bedding manufacturing and sales	\$ 840,929	-	-	840,929
Kitchen cabinets manufacturing and sales	-	265,063	-	265,063
Rubber wood machining and sales	-	-	55,025	55,025
Less: Sales returns and discount	<u>5,361</u>	<u>1,121</u>	<u>120</u>	<u>6,602</u>
Net sales	<u><u>\$ 835,568</u></u>	<u><u>263,942</u></u>	<u><u>54,905</u></u>	<u><u>1,154,415</u></u>

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**TEHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES**  
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	2021				Total
	Department A	Department B	Department C	Department D	
Primary geographical markets					
United States	\$ 720,406	-	-	-	720,406
Malaysia	33,113	6,078	46,380	5,574	91,145
Other	82,676	-	-	-	82,676
	<u>\$ 836,195</u>	<u>6,078</u>	<u>46,380</u>	<u>5,574</u>	<u>894,227</u>
Major products/services lines					
Bedding manufacturing and sales	\$ 837,528	-	-	-	837,528
Kitchen cabinets manufacturing and sales	-	6,078	-	-	6,078
Rubber wood processing and sales	-	-	46,439	-	46,439
Wood pellet manufacturing and sales	-	-	-	5,717	5,717
Less: Sales returns and discount	1,333	-	59	143	1,535
Net sales	<u>\$ 836,195</u>	<u>6,078</u>	<u>46,380</u>	<u>5,574</u>	<u>894,227</u>

(ii) Remaining balances of contract

	December 31, 2022	December 31, 2021	January 1, 2021
Accounts receivables	\$ 81,632	69,232	121,455
Less: Loss allowance	(4,310)	(4,667)	5,274
Total	<u>\$ 77,322</u>	<u>64,565</u>	<u>126,729</u>
Contract liabilities	<u>\$ 6,397</u>	<u>12,045</u>	<u>704</u>

The amount of revenue recognized for the years ended December 31, 2022 and 2021 that was included in the contract liability balance at the beginning of the period were \$11,647 thousand and \$704 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).

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**TEHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES**  
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(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.

For the year ended December 31, 2022, the Company's remunerations to its employees, as well as directors and supervisors, amounted to \$3,230 thousand and \$141 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 2022 and 2021. 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:

	<u>2022</u>	<u>2021</u>
Interest income	\$ <u>524</u>	<u>527</u>

(ii) Other income

The details of other income were as follows:

	<u>2022</u>	<u>2021</u>
Settlement of insurance claim	\$ 29,012	3,305
COVID-19-related rent concessions	-	566
Government grants	1,144	3,227
Others	<u>1,046</u>	<u>1,617</u>
Total	\$ <u>31,202</u>	<u>8,715</u>

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**TEHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES**  
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(iii) Other gains and losses

The details of other gains and losses were as follows:

	<u>2022</u>	<u>2021</u>
Gains (losses) on disposals of property, plant and equipment	\$ (13)	385
Gains on lease modification	-	227
Gains on foreign exchange	1,029	3,427
Losses on financial assets (liabilities) at fair value through profit or loss	(12,807)	(4,619)
Impairment losses	-	(13,488)
Losses on incident	-	(39,438)
Others	<u>(1,173)</u>	<u>(1,080)</u>
Total	<u>\$ (12,964)</u>	<u>(54,586)</u>

(iv) Finance costs

The details of finance costs were as follows:

	<u>2022</u>	<u>2021</u>
Interest expense:		
Bank loans	\$ (4,157)	(2,765)
Lease liabilities	(3,933)	(4,292)
Convertible bonds	<u>(3,097)</u>	<u>(4,973)</u>
Total	<u>\$ (11,187)</u>	<u>(12,030)</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 76% and 44% of the total amount of accounts receivable as of December 31, 2022 and 2021. As of December 31, 2022 and 2021, the Group's accounts receivable concentrated on three main customers were \$58,933 thousand and \$28,428 thousand, respectively.

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**TEHCENTIAL 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>
<b>December 31, 2022</b>					
Non derivative financial liabilities					
Short-term loans	\$ 42,633	45,124	45,124	-	-
Accounts payable	33,847	33,847	33,847	-	-
Other payables	28,347	28,347	28,347	-	-
Long-term loans	42,879	46,105	21,117	23,216	1,772
Lease liabilities	67,915	73,440	29,042	44,398	-
Convertible bonds payable (include derivative financial liabilities)	115,565	120,000	120,000	-	-
	<u>\$ 331,186</u>	<u>346,863</u>	<u>277,477</u>	<u>67,614</u>	<u>1,772</u>

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**TEHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES**  
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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>
<b>December 31, 2021</b>					
Non derivative financial liabilities					
Short-term loans	\$ 114,514	114,776	114,776	-	-
Accounts payable (include related party)	95,487	95,487	95,487	-	-
Other payables	43,244	43,244	43,244	-	-
Long-term loans	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:					
Inflow	-	(11,078)	(11,078)	-	-
Outflow	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>

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, 2022</u>			<u>December 31, 2021</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	\$ 5,864	30.75	180,341	6,455	27.66	178,551
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	1,242	30.75	38,198	1,582	27.66	43,771

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**TEHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES**  
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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, 2022 and 2021, would have decreased (increased) the net profit before tax for the years ended December 31, 2022 and 2021 by \$355 thousand and \$337 thousand, respectively.

3) Foreign exchange gain and loss on monetary items

Due to the different types of functional currency of the Group, the Group discloses its exchange gains and losses of monetary items aggregately. The Company's exchange gain, including realized and unrealized, were \$1,029 thousand and \$3,427 thousand for the years ended December 31, 2022 and 2021, 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 \$815 thousand and \$1,747 thousand for the years ended December 31, 2022 and 2021.

(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, 2022				
	Amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets measured of fair value through profit or loss					
Derivative financial assets	\$ 135	-	135	-	135
Financial assets measured at amortized cost					
Cash and cash equivalents	172,927	-	-	-	-
Financial assets at amortized cost	3,969	-	-	-	-
Accounts receivables	77,322	-	-	-	-
Other receivables	500	-	-	-	-
Refundable deposits	21,744	-	-	-	-
Total	<u>\$ 276,597</u>	<u>-</u>	<u>135</u>	<u>-</u>	<u>135</u>

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**TEHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES**  
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December 31, 2022					
	Amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial liabilities measured of fair value through profit or loss					
Derivative financial liabilities	\$ 1,641	-	1,641	-	1,641
Financial liabilities measured at amortized cost					
Short-term loans	42,633	-	-	-	-
Accounts payable	33,847	-	-	-	-
Other payables	28,347	-	-	-	-
Long-term loans	42,879	-	-	-	-
Lease liabilities	67,915	-	-	-	-
Convertible bonds payable	113,924	-	-	-	-
Subtotal	329,545	-	-	-	-
Total	<u>\$ 331,186</u>	<u>-</u>	<u>1,641</u>	<u>-</u>	<u>1,641</u>
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 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	<u>\$ 295,254</u>	<u>-</u>	<u>1,439</u>	<u>-</u>	<u>1,439</u>
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	43,244	-	-	-	-
Long-term loans	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>

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**TEHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES**  
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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, financial assets at amortized cost, other financial assets, 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 loans and lease liabilities 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, the fair value of long-term loans is estimated by using 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.

b) Derivative financial instruments

Forward exchange contracts were usually estimated by using the current forward exchange rates of the transaction banks. Foreign currency option contracts were evaluated by using the Black Scholes model provided by the transaction banks. The fair value of redemption rights and put options of the convertible bonds was estimated according to the external expert's valuation report. The valuation model is a binary tree convertible bond valuation model that uses market-based observable input values that include stock price volatility, risk-free interest rate, risk discount rate and liquidity risk to reflect the fair value of the options.

(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.

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**TEHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES**  
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(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.

(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) Accounts receivable 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, 2022, 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 banks form an important source of liquidity for the Group. As of December 31, 2022 and 2021, the Group's unused credit line amounted to \$246,516 thousand and \$146,669 thousand, respectively.

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(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and changes in equity instrument prices, which will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

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

1) Currency risk

The Group is exposed to currency risk on sales, purchases, and borrowings that are denominated in a currency other than the respective functional currencies of the Group's entities, primarily the USD and MYR. According to Malaysian regulations announced in December 2016, at any point of time, if any foreign exchange transactions occur, 75% of the foreign currency must be exchanged 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.

(Continued)

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

The Group's collective quantitative data is as follows:

	<b>December 31,</b>	<b>December 31,</b>
	<b>2022</b>	<b>2021</b>
Total liabilities	<b>\$ 353,134</b>	<b>516,241</b>
Total equity	<b>\$ 425,195</b>	<b>369,181</b>
Debt-to-equity ratio	<b>83.05 %</b>	<b>139.83 %</b>

(x) Non-cash financing activities

For the years ended December 31, 2022 and 2021 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 note 6(j) for related information.

Reconciliation of liabilities from financing activities of the Company in 2022 and 2021 were as follows:

	January 1, 2022	Cash flows	Non-cash changes				December 31, 2022
			Acquisition of contracts	Conversion of bonds	Amortization of discount	Translation effect	
Long-term loans	\$ 63,966	(23,756)	-	-	-	2,669	42,879
Short-term loans	114,514	(71,881)	-	-	-	-	42,633
Lease liabilities	63,504	(22,768)	23,673	-	-	3,506	67,915
Convertible bonds payable	115,815	(4,800)	-	(188)	3,097	-	113,924
Total liabilities from activities	<b>\$ 357,799</b>	<b>(123,205)</b>	<b>23,673</b>	<b>(188)</b>	<b>3,097</b>	<b>6,175</b>	<b>267,351</b>

	January 1, 2021	Cash flows	Non-cash changes						December 31, 2021
			Acquisition of contracts	Cancellation of contracts	COVID-19-related rent concessions	Issuance of bonds	Repayment of bonds	Amortization of discount	
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	<b>\$ 418,510</b>	<b>(53,667)</b>	<b>1,924</b>	<b>(3,708)</b>	<b>(566)</b>	<b>(7,487)</b>	<b>3,948</b>	<b>4,973</b>	<b>357,799</b>

(7) Related-party transactions

(a) Names and relationship with related parties

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

Name of related party	Relationship with the Group
Eng Say Kaw	Management of the Company
Eng Kai Pin	Management of the Company
Eng Kai Jie	Management of the Company
Yee Foo Chong	Management of the Company
Tey Pek Kiang	Management of the Company
Lim Swee Soon	Management of the Company
Hock Guan Seng Sdn Bhd	Other related parties

(Continued)

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

(b) Significant transactions with related parties

(i) Purchase and operating costs

Purchase and commission related parties for processing

	2022	2021
Other related parties	\$ 45,487	30,683

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

(ii) 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, 2022	December 31, 2021
Account payables	Other related parties		
	Hock Guan Seng Sdn Bhd	\$ -	21,596
Other payables	Other related parties	123	1,639
Total		\$ 123	23,235

(iii) Property transactions – disposals of property, plant and equipment

The disposals of property, plant and equipment to related parties were summarized as follows:

	2022	
Relationship	Disposal price	Gain (loss) from disposal
Other related parties	\$ 48	-

The Group sold office equipment and transportation equipment to other related parties in June and August 2022 with a total amount of \$48 thousand. The proceeds were received on December 31, 2022.

(iv) Guarantee

For the years ended December 31, 2022 and 2021, Eng Say Kaw, Eng Kai Pin, Eng Kai Jie, Yee Foo Chong and Tey Pek Kiang are the joint guarantors providing credit guarantees to the Group for forward transactions, loans and leases.

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

(c) Management personnel compensation

Key management personnel compensation comprised:

	<u>2022</u>	<u>2021</u>
Short-term employee benefits	\$ 19,451	15,626
Post-employment benefits	2,048	1,511
	<u>\$ 21,499</u>	<u>17,137</u>

For the years ended December 31, 2022 and 2021, the costs of motor vehicles offered for management use by the Group were \$20,570 thousand (MYR 3,039 thousand) and \$20,496 thousand (MYR 3,039 thousand), respectively.

**(8) Pledged assets:**

<u>Pledged assets</u>	<u>Object</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Financial assets at amortized cost – non-current			
Restricted time deposit	Long-term and short-term loans	\$ 3,969	3,733
Property, plant and equipment:			
Land	Long-term and short-term loans	17,473	16,566
Building and constructions	Long-term and short-term loans	35,495	34,399
Machinery and equipment	Long-term loans	13,564	14,446
Total		<u>\$ 70,501</u>	<u>69,144</u>

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

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

**(11) Subsequent Events:None**

**(12) Other:**

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

Function	2022			2021		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Personnel costs						
Salaries	103,444	43,472	146,916	85,825	39,520	125,345
Health insurance	1,233	415	1,648	918	401	1,319
Pension	1,889	4,884	6,773	1,545	4,048	5,593
Other personnel expense	1,213	568	1,781	2,158	696	2,854
Depreciation	32,516	3,741	36,257	31,466	2,262	33,728
Amortization	-	44	44	3	105	108

(Continued)

## TEHCENTIAL INTERNATIONAL LIMITED

### Notes to Consolidated Interim Financial Statements

#### (13) Other disclosures:

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

The following were the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group for the year ended December 31, 2022:

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

(In Thousands of New Taiwan Dollars)

Number	Name of lender	Name of borrower	Account name	Related party	Maximum balance of financing to other parties during the period	Ending balance	Actual usage amount during the period (note 3)	Range of interest rates during the period	Purposes of fund financing for the borrower (note 1)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt (note 3)	Collateral		Individual funding loan limits (note 2)	Maximum limit of fund financing (note 2)
													Item	Value		
1	TC	The Company	Other receivables	Yes	56,040 (MYR8,000)	38,528 (MYR5,500)	38,528 (MYR5,500)	2.9	2	-	Operating capital	-	-	-	1,552,878	1,552,878
1	TC	TCH	Other receivables	Yes	3,853 (MYR550)	3,853 (MYR550)	3,853 (MYR550)	2.7	2	-	Operating capital	3,858	-	-	1,552,878	1,552,878
1	TC	EHL	Other receivables	Yes	42,030 (MYR6,000)	42,030 (MYR6,000)	42,030 (MYR6,000)	2.9-4.0	2	-	Operating capital	-	-	-	155,288	207,050
1	TC	ESKB	Other receivables	Yes	7,005 (MYR1,000)	7,005 (MYR1,000)	7,005 (MYR1,000)	4.0	2	-	Operating capital	-	-	-	1,552,878	1,552,878

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

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

Note 2: According to TC's policy on loan granted for others, the maximum aggregate amount of loans granted and individual loan granted by TC 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 lending Company.

Note 3: Transactions within the Group have been eliminated in the preparation of the consolidated financial statements.

Note 4: Calculated with year end exchange rate (MYR:NTD = 1: 7.0050).

##### (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)	Maximum 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)	Guarantee provided by parent company	Guarantee provided by subsidiaries	Guarantee for companies in China area
		Name	Relationship with the Company (note 1)										
1	TC	EHL	3	207,050	101,762 (MYR14,527)	101,762 (MYR14,527)	63,164 (MYR9,017)	-	19.66 %	258,813	N	N	N
1	TC	ESKB	1	207,050	6,094 (MYR870)	2,921 (MYR417)	2,921 (MYR417)	-	0.56 %	258,813	N	N	N
1	TC	ESKW	1	207,050	36,391 (USD500; MYR3,000)	36,391 (USD500; MYR3,000)	2,802 (USD400)	-	7.03 %	258,813	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 endorsement / guarantee provider's latest financial statements.
2. the aggregate endorsement/ guarantees amount and the maximum amount permitted to any single entity 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 = 1:30.7520; MYR:NTD = 1:7.0050).

##### (iii) Securities held as of December 31, 2022 (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.

##### (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.

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**TEHCENTIAL INTERNATIONAL LIMITED**  
**Notes to Consolidated Interim Financial Statements**

(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	39,598	Loans, no available comparisons. The mutual negotiable terms and conditions.	5.09%
1	TC	EHL	2	Other receivable	43,160	Loans, no available comparisons. The mutual negotiable terms and conditions.	5.55%

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, 2022:

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2022			Net income (losses) of investee (Note 1)	Share of profits/losses of investee (Notes 1 and 2)	Note
				December 31, 2022	December 31, 2021	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 %	517,626	61,044	61,044	Subsidiary
The Company	TCH	Malaysia	Furniture manufacturing and sales	13,842	13,842	2,000,000	100.00 %	775	175	175	Subsidiary
The Company	EHL	Malaysia	Kitchen cabinet manufacturing and sales	105,008	64,364	32,211,111	89.20 %	51,259	(20,941)	(16,706)	Subsidiary
TC	ESKB	Malaysia	Wood pellet manufacturing and sales	56,884	56,884	8,000,012	100.00 %	29,902	556	556	Sub-subsidiary
TCH	TCH(US)	United States	Management Consultant	3	3	100	100.00 %	778	(11)	(11)	Sub-subsidiary
ESKB	ESKW	Malaysia	Rubber wood processing and sales	22,512	22,512	3,000,000	100.00 %	30,215	1,886	1,886	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 auditor.

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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**TEHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES**  
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(d) Major shareholders:

Unit: share

Shareholder's Name	Shareholding	Shares	Percentage
Eng Synergy Management Sdn. Bhd.		10,344,000	36.12 %
Eng Say Kaw		2,100,000	7.33 %
Surging Success Sdn. Bhd.		1,890,000	6.60 %
Only Inspiration Sdn. Bhd.		1,654,000	5.77 %
Bank SinoPac as Custodian for Conceptscope Resources Sdn. Bhd. Investment Account		1,489,000	5.20 %

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

On January 1, 2022, the restructuring of the Group's organization and segments resulted in the segment measurement basis being different from that of the consolidated financial statements for 2021. The Group has restated the comparative information for the prior period in accordance with IFRS 8, and the adjusted reportable segments and their operations were as follows:

- (i) Segment A: manufacturing and sales of bedding
- (ii) Segment B: manufacturing and sales of kitchen cabinets
- (iii) Segment C: manufacturing and sales of rubber wood
- (iv) Segment D: manufacturing and sales of wood pallet

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

The operating segments and the operations of the Group before the restructuring of its organization were 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.

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:

	2022					
	Segment A	Segment B	Segment C	Segment D	Adjustments and eliminations	Total
Revenue						
Revenue from external customers	\$ 835,568	263,942	54,905	-	-	1,154,415
Intersegment revenues	289	509	5,924	-	(6,722)	-
Interest revenue	2,626	50	-	-	(2,152)	524
Total revenue	<u>\$ 838,483</u>	<u>264,501</u>	<u>60,829</u>	<u>-</u>	<u>(8,874)</u>	<u>1,154,939</u>
Interest Expense	<u>\$ 7,794</u>	<u>4,994</u>	<u>312</u>	<u>241</u>	<u>(2,154)</u>	<u>11,187</u>
Depreciation and Amortization	<u>\$ 17,789</u>	<u>17,107</u>	<u>394</u>	<u>1,011</u>	<u>-</u>	<u>36,301</u>
Reportable segment profit or loss	<u>\$ 74,295</u>	<u>(27,501)</u>	<u>2,780</u>	<u>(1,330)</u>	<u>-</u>	<u>48,244</u>

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

	2021					Adjustments and eliminations	Total
	Segment A	Segment B	Segment C	Segment D			
Revenue							
Revenue from external customers	\$ 836,195	6,078	46,380	5,574	-	-	894,227
Intersegment revenues	-	41	13,184	-	(13,225)	-	-
Interest revenue	2,048	12	43	-	(1,576)	-	527
Total revenue	<u>\$ 838,243</u>	<u>6,131</u>	<u>59,607</u>	<u>5,574</u>	<u>(14,801)</u>	-	<u>894,754</u>
Interest Expense	<u>\$ 7,835</u>	<u>4,779</u>	<u>325</u>	<u>667</u>	<u>(1,576)</u>	-	<u>12,030</u>
Depreciation and Amortization	<u>\$ 15,991</u>	<u>14,236</u>	<u>1,118</u>	<u>2,491</u>	<u>-</u>	-	<u>33,836</u>
Reportable segment profit or loss	<u>\$ 18,215</u>	<u>(38,916)</u>	<u>4,132</u>	<u>(19,488)</u>	<u>-</u>	-	<u>(36,057)</u>

(c) Product and service information

Revenue from external customers of the Group was as follows:

Products and Services	2022	2021
Furniture manufacturing and sales	\$ 835,568	836,195
Kitchen cabinets manufacturing and sales	263,942	6,078
Rubber wood processing and sales	54,905	46,380
Wood pellet manufacturing and sales	-	5,574
Total	<u>\$ 1,154,415</u>	<u>894,227</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 was as follows:

Export sales

Region	2022	2021
United States	\$ 1,010,971	720,406
Malaysia	82,560	91,145
Other	60,884	82,676
Total	<u>\$ 1,154,415</u>	<u>894,227</u>

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

Non-current Assets

<b>Region</b>	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Malaysia	<b>\$ 222,797</b>	<b>206,597</b>

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 was as follows:

	<b>2022</b>	<b>2021</b>
Customer A	\$ 267,941	208,381
Customer B	254,229	171,858
Customer C	165,706	165,941
Total	<b>\$ 687,876</b>	<b>546,180</b>

**Techcential International Ltd**

特昇國際股份有限公司



**Person-In-Charge : Eng Kai Pin**

