Stock Code: 6616

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

2019 Annual Report

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

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

Printed on 30 April 2020

Notice to Readers

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

I. Spokesperson and deputy spokesperson

Spokesperson: Linc Yee — Position: Internal Audit
Tel: +606-987-3999 — Email: investor@techcential.com

Deputy spokesperson: Chang Ming-Huang — Position: Director
Tel: (886)4-2297-5559 — Email: investor@techcential.com

II. Litigation and non-litigated agent

Name: Chang Ming-Huang — Position: Director
Tel: (886)4-2297-5559 — Email: max@richcpa.com.tw

III. Company Information

a) Techcential International Ltd
Address: 4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman, KY1-1002, Cayman Islands
Website: https://www.techcential-international.com
Tel: +60-6-987-3999

b) Subsidiary: Techcential Sdn. Bhd.
Address: PTD 4093 Kaw Perindustrian Parit Jamil, Parit Jawa 84150 Muar, Johor, Malaysia.
Tel: +60-6-987-3999

c) Subsidiary: TC Home Sdn. Bhd.
Address: 35, lst Floor Jalan Seroja 8, Taman Seroja, Jalan Abd. Jabar, Parit Jawa 84150 Muar, Johor, Malaysia.
Tel: +60-6-987-3087

d) Subsidiary: EHL Cabinetry Sdn. Bhd.
Address: PTD 4093, Kawasan Perindustrian P.T Jamil, PT. Jawa, 84150 Muar, Johor, Malaysia.
Tel: +60-6-987-3999

e) Subsidiary: TC Home Corporation
Address: c/o Isaacson Isaacson Sheriden Fountain & Leftwich, LLP, 804 Green Valley Road, Suite 200, Greensboro, Guilford County, North Carolina 27408.
Tel: +60-6-987-3087

f) Subsidiary: ESK Biomass Sdn. Bhd.
Address: Lot 1673, Batu 3, Jalan Labis, 83700 Yong Peng, Johor.
Tel: +607-455-8398

g) Subsidiary: ESK Rubber Wood Sdn. Bhd.
Address: Lot 1673, Batu 3, Jalan Labis, 83700 Yong Peng, Johor.
Tel: +607-455-8398

IV. Stock Agency

Name: Sinopac Securities — Website: www.sinopacsecurities.com
Address: 3F, No.17, Bo’ai Rd., Zhongzheng Dist., Taipei City 100, Taiwan
Tel: (02)2381-6288

V. Auditors

Auditors: Charlotte Chao, Lisa Kuang

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

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

Tel: (02)8101-6666

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

VII. Directors:

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

VIII. Corporate website：http://www.techcential-international.com

Contents

I. 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 2019 and the operating outlook for 2020 as follows:

1. 2019 business report

The trade war between China and the United States continued in 2019, but its impact on TIL belongs to positive: the company's operation and profitability in 2019 are stable. Among them, the furniture manufacturing sector benefited from above mentioned trade war successfully developed two new customers, and with the development of new product models, the revenue has increased steadily. Due to the development of international situations, the TCH (own brand) operation was adjusted and temporarily slowed down. The subsidiaries of the group which operates the rubber wood procurement and processing local business also achieved considerable results. As for the Biomass particles, the international market demand and the selling price was affected by the impact of the trade war, so the pace of development is temporarily slowed down. It is worth mentioning that TIL invested in the business of kitchen cabinets in the fourth quarter of 2019. This move takes place on the opportunity of the United States to implement anti-dumping duties on Chinese kitchen cabinets. In addition, the company also issued the unsecured convertible corporate bonds in the R.O.C. for the first time, and raised funds of NTD 200 million to develop the kitchen cabinet business and as working capital to enhance the furniture manufacturing business.

The company's overall operations in 2019 are as follows:

(1) Operating income

The Group's net operating income in 2019 was NTD 1.386 billion, which was an increase of 28% compared with 1.083 billion in 2018. In addition to the furniture manufacturing business benefiting from the turnaround effect of the trade war, added a number of new Customers, as well as some new design of PU Paper products have been recognized by customers, resulting in increased orders for bedroom furniture. There are also raw material procurement and processing businesses, which inject new momentum into operating income.

(2) Net profit after tax

The Group's net profit after tax in 2019 was NTD 91,355 thousand, compared with the net profit after tax in 2018 of NTD 37,189 thousand, increase more than 1.4 times, mainly due to the increase in the total revenue, the factory's production capacity reached the economic effect, the exchange rate of USD and MYR was stable, and also the gross profit margin was maintained at an ideal level, coupled with the price of raw materials lower than the same period last year and the cost was properly controlled.

(3) Budget implementation

The financial forecast is not publicly announced in 2019.

(4) Overview of research and development

The company's main research and development status in 2019 is as follows:

- Research and improvement of production process technology, development of alternative raw materials and introduction of automated machinery and equipment
- Actively cooperate with market demand to develop new series designs and functions, focusing on value-added products (ie. placing a USB charging stand in the bedside table, and a bluetooth music player in the bedside etc.)
- Increasing the strength of material development and style design of PU Paper products which more favored by young consumers.

2. Summary of the 2020 business plan

The COVID-19 is a global and ongoing issue in 2020, and it will have a tremendous impact on world economic powers such as China, the United States, Japan, Germany, and the United Kingdom. Malaysia is also inevitably affected. During this arduous period, while doing well in its business, TIL will actively compliance with standard operating procedures of the relevant authorities for epidemic prevention, take care of the health and safety of employees, and also pay attention to the subsequent development of the US and global capital markets, so as to moderate the company's operating strategy at any time. In cultivating the furniture market and expanding sales, the company will also continue to research automated processes and actively develop more functional and value-added products, in order to strengthen competitiveness and meet customer needs for product design and quality in a timely manner. In addition, TIL will actively invest in the processing, manufacturing and trading of raw materials, rubber wood, and the kitchen cabinet business is also expected to start production in 2020. Therefore, although the global economy is expected to slow down in 2020, the Group's revenue is expected to have sufficient momentum to maintain steady 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 Say Kaw

CEO : Eng Kai Pin

CFO : Tan Kok Bee

II. Company Profile

A. Introduction

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

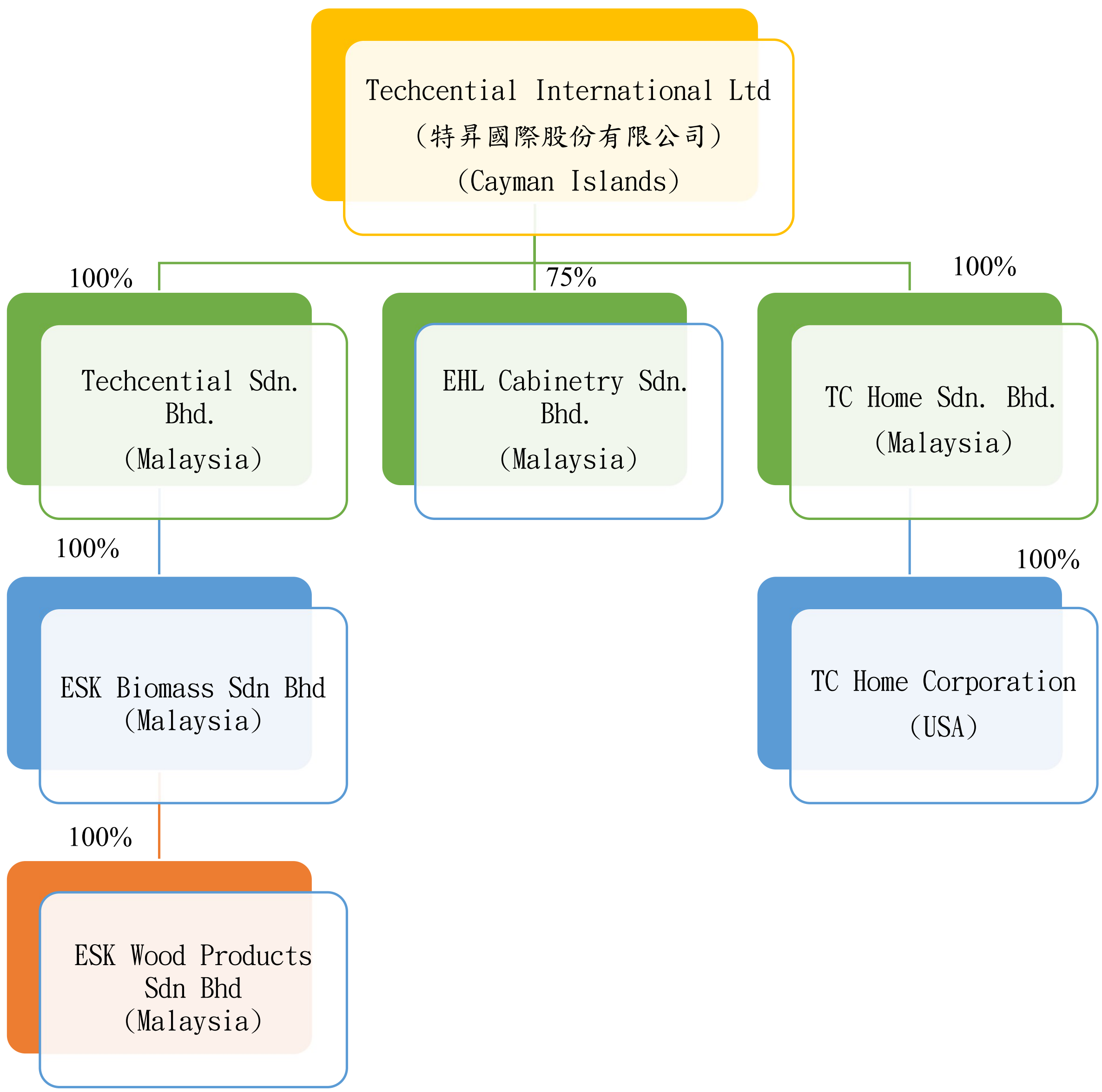
Techcential Sdn. Bhd. (“TC”), founded in 2001, mainly engaged in the design, manufacture and sale of American wooden bedroom furniture. TC Home Sdn. Bhd. (“TCH”) was established in 2013 and is mainly engaged in the wholesale of American wooden restaurant furniture and children's bed furniture. ESK Biomass Sdn. Bhd. is a investment company (75% shareholding) newly added by the company in September 2018, and is mainly responsible for the production and manufacturing of wood pellets. ESK Wood Products Sdn. Bhd. is a subsidiary invested by ESK Biomass Sdn. Bhd., the main operating project is the processing and manufacturing of raw materials-rubber wood. EHL Cabinetry Sdn. Bhd. is currently building a plant and machinery to enter the kitchen cabinet manufacturing business.

B. Company History

Year	Accomplishment
2012	TC revenue over RM60 million.
2013	1. Established TC Home Sdn. Bhd., mainly developing the trading of furniture. 2. The number of employees of the group has increased to 400. 3. Dingxin WorkFlow ERP GP system was introduced into company management.
2014	1. The Group's revenue exceeded RM80mil with an annual growth rate of approximately 30%. 2. TC built a second plant to expand production capacity.
2015	1. The Group's revenue is approximately RM100mil with an annual growth rate of approximately 20%. 2.TCH launched its own brand TC Home in High Point, North Carolina, USA, and has since operated its own brand furniture business. 3.TCH became one of the world's largest furniture exhibition "High Point Furniture Market" exhibitors.
2016	1.TCH actively explored the US West market and joined the Las Vegas Furniture Market. 2.TCH set up a warehouse in Malaysia to fully promote the “Mixed Container Program”, which provide more flexibilities and more choices for small and medium-sized retailers in the United States.
2017	Techcential won the "International Golden Eagle Award" hosted by Malaysia Nanyang Siang Pau and in the same year, it was approved listing by the TPEX.

Year	Accomplishment
2018	On January 10th, TIL became one of the public listed company in Taiwan, and TIL actively invested in the procurement and manufacturing of rubber wood.
2019	1. Tecential Sdn Bhd participated in MIFF International Furniture Fair in Kuala Lumpur, Malaysia. 2. TIL Issuance of the first unsecured conversion of corporate bonds in the Republic of China (Taiwan).

C. Group Structure



D. Risk Factors

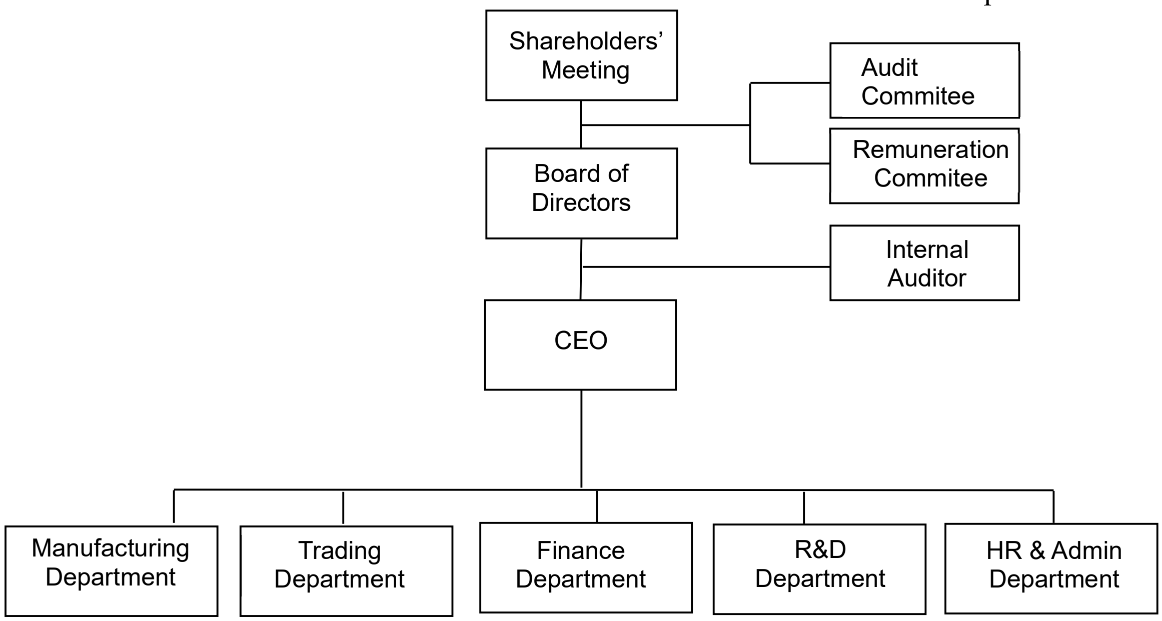
Please refer to page 76 for Analysis and assessment of risk matters.

III、Corporate Governance

A. Company Organization

1.Organizational Chart

30 April 2020



2.Main Corporate Functions

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

B. Director, supervisor, general manager, deputy general manager, associate, department and branch supervisor

1. Directors and Supervisors

（1） Board of Directors 30 April 2020; Unit: Thousand Shares；%

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

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

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

Note 1: Director Eng Chong Len (Representative of Eng Synergy Management Sdn Bhd) had resigned on 28 June 2018.

（2） Supervisor: Not applicable.

2. Major shareholders of the institutional shareholders：

Institutional shareholders	Major shareholders
Eng Synergy Management Sdn. Bhd.	Tay Su Siang 68.75%, Eng Chong Len 31.25%
Surging Success Sdn. Bhd.	Chong Yu Chau 50.11%, Eng Xin Yi 49.89%

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

3. Professional qualifications and independence analysis of Directors and Supervisors:

30 April 2020

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

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

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

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

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

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

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

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

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

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

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

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

4. President, Vice President of the Company and its affiliates

30 April 2020; Unit: Thousand Shares；%

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

Title	Name	Gender	Nationality	Date Elected	Shareholding		Spouse and Minor Shareholdings		Shareholding by Nominee Arrangement		Education and Experience	Current Positions at Other Companies	Spouse or Relative Within Two Degrees of Consanguinity Serving as a Manager or Director			Status of Manager obtains employee stock options
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
TC - Manager of Costing & Purchasing	Poa Keng Ling	Female	Malaysia	2016.5.20	8	0.03	0	0.00	0	0.00	Universiti Utara Malaysia, Bachelor of Economic LH Kiln Dry & Moulding Sdn.Bhd., PA of CEO Techcential Sdn.Bhd., Executive of Costing & Purchasing Techcential Sdn. Bhd., Manager of Costing & Purchasing	Techcential Sdn. Bhd., President of Costing & Purchasing	–	–	–	–
CEO of EHL	Lim Swee Soon	Male	Malaysia	2019.11.14	-	-	-	-	-	-	Malaysiaj Informative College, Diploma of Marketing Hgs Components Enterprise, Owner Hock Guan Seng Sdn Bhd, Director	–	–	–	–	–

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

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

31 December 2019 , Unit: NTD Thousand

Title	Name	Remuneration								Total Remuneration (A+B+C+D) as a % of Net Income		Relevant remuneration received by Directors who are also employees								Total Compensation (A+B+C+D+E+F+G) as A % of Net Income		Compensation Paid to Directors from Nonconsolidated Affiliates
		Base Compensation (A)		Severance Pay and Pension (B)		Directors' Remuneration (C) (Note 1)		Allowances (D)				Compensation, Bonuses, and Allowances (E)		Severance Pay and Pension (F)		Employees' Bonuses (G)						
																The Company		Companies in the Consolidated Financial Report				
		The Company	Companies in the Consolidated Financial Report	The Company	Companies in the Consolidated Financial Report	The Company	Companies in the Consolidated Financial Report	The Company	Companies in the Consolidated Financial Report	The Company	Companies in the Consolidated Financial Report	The Company	Companies in the Consolidated Financial Report	The Company	Companies in the Consolidated Financial Report	Cash	Stock (Fair Market Value)	Cash	Stock (Fair Market Value)	The Company	Companies in the Consolidated Financial Report	
Chairman	Eng Say Kaw																					
Director	Eng Synergy Management Sdn. Bhd. Representative: Eng Kai Pin																					
Director	Eng Chong Len (Representative of Eng Synergy Management Sdn. Bhd.)	236	4,312	–	–	–	–	-	-	0.26 %	4.72%	–	4,076	–	–	–	-	–	–	0.26 %	9.18%	–
Director	Surging Success Sdn. Bhd. Representative: Poa Keng Ling																					
Director	Chang Ming-Huang																					
Independent Director	Tay Puay Chuan																					
Independent Director	Oun Lek Wee	892	892	-	-	-	-	25	25	1.00 %	1.00%	-	-	-	-	-	-	-	-	1.00 %	1.00%	-
Independent Director	Liao Wei Chuan																					

Remuneration Table

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

(ii) Compensation to Supervisors: Not Applicable.

(iii) Remuneration of President and Vice Presidents

31 December 2019 , Unit: NTD Thousand

Title	Name	Salary (A)		Severance Pay and Pension (B)		Bonus and Allowances (C)		Employees' Bonus (D)				Total Compensation (A+B+C+d) as a % of Net Income		Compensation Paid to President and Vice Presidents From Non-consolidated Affiliates
		The Company	Companies in the Consolidated financial report	The Company	Companies in the Consolidated financial report	The Company	Companies in the Consolidated financial report	The Company		Companies in the Consolidated financial report		The Company	Companies in the Consolidated financial report	
								Cash	Stock (Fair Market Value)	Cash	Stock (Fair Market Value)			
CEO	Eng Kai Pin													
ESK B Excecutive Director	Eng Kai Jie	–	3,738	–	–	–	2,828	–	–	–	–	–	7.19%	–
CEO of EHL	Poa Keng Ling													

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$11,000,000（includes）～NT$2,000,000 （not included）	–	Poa Keng Ling
NT$2,000,000（includes）～NT$5,000,000 （not included）	–	Eng Kai Jie, Eng Kai Pin
NT$5,000,000（includes）～NT$10,000,000（not included）	–	–
NT$10,000,000（includes）～NT$15,000,000（not included）	–	–
NT$15,000,000（includes）～NT$30,000,000（not included）	–	–
NT$30,000,000（includes）～NT$50,000,000（not included）	–	–
NT$50,000,000（includes）～NT$100,000,000（not included）	–	–
Over NT$ 100,000,000	–	–
Total	0	3

(iv)Names of executives distributing employees' bonuses:

Unit: NTD Thousand ; %

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

(v) 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 2018		Year 2019	
	Amount	%	Amount	%
Remuneration of Directors, President and Vice Presidents	8,385	22.63	9,305	10.19
The Company's Consolidated Net Income	5,165	13.94	6,566	7.19

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

A. Directors

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

B. President and Vice Presidents

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

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

(a) The state of operations of the Board of Directors

The Board of Directors held a total of 7 meetings from the fiscal year 2019 to the printing date of this Annual Report. The attendance of Directors is as below:

Title	Name	Number of Actual Attendance	Number of Delegate Attendance	Rate of Actual Attendance (%)	Note
Chairman	Eng Say Kaw	7	0	100%	-
Director	Eng Synergy Management Sdn. Bhd. Representative: Eng Kai Pin	6	1	100%	-
Director	Surging Success Sdn. Bhd. Representatvie：Poa Keng Ling	7	0	100%	-
Director	Chang Ming Huang	7	0	100%	-
Independent Director	Tay Puay Chuan	7	0	100%	-
Independent Director	Oun Lek Wee	7	0	100%	-
Independent Director	Liao Wei Chuan	7	0	100%	-

Other matters that require reporting:

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.15 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.

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

Date	Name of Director	Content	Reason	Results
2019/3/20	Eng Say Kaw Poa Keng Ling	Performance assessments and rewards of Directors and managerial officers for the year 2018.	Due to personal interest	Except for the aforesaid directors, the chairman consulted the remaining attending directors and passed the case without objection.
2019/5/10	Eng Say Kaw Eng Kai Pin Poa Keng Ling	Performance assessments and rewards of Directors and managerial officers for the 2019 Q1.	Due to personal interest	Except for the aforesaid directors, the chairman consulted the remaining attending directors and passed the case without objection.
2019/8/9	Eng Say Kaw Eng Kai Pin Poa Keng Ling	Performance assessments and rewards of Directors and managerial officers for May-Aug 2019.	Due to personal interest	Except for the aforesaid directors, the chairman consulted the remaining attending directors and passed the case without objection.
2020/2/13	Eng Say Kaw Eng Kai Pin Poa Keng Ling	Performance assessments and rewards of Directors and managerial officers for Sep-	Due to personal interest	Except for the aforesaid directors, the chairman consulted the remaining attending directors and passed the case without objection.

		Dec 2019.		

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

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

(b) The state of operations of the Audit Committee

The Audit Committee has held 6 meetings from this fiscal year 2019 to the printing date of this Annual Report. The attendance of Independent Directors is as below:

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

Other matters that require reporting:

1. When the below matters have occurred, the date, series, motion content, opinions from Independent Directors, and the Company's handling on such opinions shall be noted in the minutes of the Board of Directors meeting:
   a. the matters listed in Article 14-5 of Securities and Exchange Act have occurred: Please refer to Annual Report (Chinese Version) Pg.18 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: -
2. The Company shall state the implementation of Audit Committees recusing themselves from motions in their personal interests, including the name of directors, motion content, recusing reason and voting participation: -
3. Communication between the Audit Committee, internal audit director, and CPA: (should include major issues, methods and results for communicating the company's financial and business conditions)：
   a. The internal auditor reports the results of auditing and the implementation of the follow-up report periodically via Email as well as informs the Audit Committee immediately in case of special situation.
   b. The Company's Audit Committee will convey a pre-briefing with CFO and Internal Auditor to understanding the company operationg status and see the necessity will invite the CPA to attend the meeting and to have them report their audit result.

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

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

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

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

Items	Implementation Status			Deviations from "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	Description	
			suppliers on the basis of honesty, the company helps the supplier to grow together and create a win-win situation under the various environmental protection treaties and social responsibilities.	
			(v)Interests of stakeholders: The company implements the spokesperson system to improve the relationship between shareholders. Shareholders have the right to give opinios to the company's operating performance, and the company will respect and try to meet the requirements of all stakeholders (shareholders, employees, customers, suppliers).	No significant difference
			(vi)The progress of training of directors: The directors of the company have all participated in the relevant courses of corporate governance; there is no supervisor.	No significant difference
			(vii)Implementation of risk management policies and risk measurement standards: The company has an internal control system and related management measures, and is implemented according to the measures to reduce and prevent any possible risks.	No significant difference
			(vii)Implementation of customer policy: The marketing department is responsible for dealing with customer requests and complaints.	No significant difference
			(ix)Company's purchase of liability insurance for directors and supervisors: The company has purchased liability insurance for directors.	No significant difference
9. Regarding TWSE corporate governace: According to the results of the company's self-assessment of corporate governance in 2019, there are no major differences. The company updates its own assessment of corporate governance matters at any time according to the actual situation. Except for non-applicable index items, most of them conform to the spirit of corporate governance. The company has not yet commissioned other professional organizations for evaluation. In the future, it will cooperate with the needs of the company and the regulations of the competent authority, and will be reviewed and improved regularly every year.				

Please refer to Annual Book (Chinese Version)-Pg.24 for the company Directors' training list in Year 2019.

(d) The state of operations of the Remuneration Committee

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

1. Member of the Remuneration Committee:

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

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

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

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

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

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

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

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

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

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

2. The state of operations of the Remuneration Committee:

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

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

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

Other matters that require reporting:

1. When the Board of Directors don't adopt or revise the suggestions from compensation committee, the date, series, motion content, opinions from the Board of Directors, and the Company's handling on such opinions (e.g., in case the remuneration approved by the Board of Directors is superior to the suggestions from compensation committee, describe the reason and the differences): Please refer to Annual Book (Chinese Version)-Pg.27 for further details.
2. When a member has a dissenting opinion or qualified opinion and has written representation, the date, series, motion content, opinions from all members, and the Company's handling on such opinions: None

(e) The status of the Company's implementation of social responsibilities

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

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

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

(f) The status of the Company's implementation of Ethical Corporate Management Best Practice Principles

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

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

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

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

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

(g) Internal control system implementation status

1.Statement of Internal Control System

Techcential International Ltd
Statement of Internal Control System

Date: March 20, 2020

Based on the findings of self-assessment, Techcential International Ltd states the following with regard to its internal control system in 2019:

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, 2019, 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 2019 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 20, 2020 with zero of seven attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Techcential International Ltd & its subsidiaries

Chairman: Eng Say Kaw

CEO: Eng Kai Pin

2. Report of Independent Accountants on Internal Controls

安侯建業聯合會計師事務所
KPMG

台北市11049信義路5段7號68樓(台北101大樓)
68F., TAIPEI 101 TOWER, No. 7, Sec. 5, Xinyi Road, Taipei City 11049, Taiwan (R.O.C.)
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Internet 網址 kpmg.com/tw

內部控制制度審查報告

後附特昇國際股份有限公司及其子公司民國一〇九年三月二十日謂經評估認為其與外部財務報導及保障資產安全有關之內部控制制度，於民國一〇八年十二月三十一日係有效設計及執行之聲明書，業經本會計師審查竣事。維持有效之內部控制制度及評估其有效性係公司管理階層之責任，本會計師之責任則為根據審查結果對公司內部控制制度之有效性及上開公司之內部控制制度聲明書表示意見。

本會計師係依照「公開發行公司建立內部控制制度處理準則」及一般公認審計準則規劃並執行審查工作，以合理確信公司上述內部控制制度是否在所有重大方面維持有效性。此項審查工作包括瞭解公司內部控制制度、評估管理階層評估整體內部控制制度有效性之過程、測試及評估內部控制制度設計及執行之有效性，以及本會計師認為必要之其他審查程序。本會計師相信此項審查工作可對所表示之意見提供合理之依據。

任何內部控制制度均有其先天上之限制，故特昇國際股份有限公司及其子公司上述內部控制制度仍可能未能預防或偵測出業已發生之錯誤或舞弊。此外，未來之環境可能變遷，遵循內部控制制度之程度亦可能降低，故在本期有效之內部控制制度，並不表示在未來亦必有效。

依本會計師意見，依照「公開發行公司建立內部控制制度處理準則」之內部控制有效性判斷項目判斷，特昇國際股份有限公司及其子公司與外部財務報導及保障資產安全有關之內部控制制度，於民國一〇八年十二月三十一日之設計及執行，在所有重大方面可維持有效性；特昇國際股份有限公司及其子公司於民國一〇九年三月二十日所出具謂經評估認為其上述與外部財務報導及保障資產安全有關之內部控制制度係有效設計及執行之聲明書，在所有重大方面則屬允當。

KPMG

特昇國際股份有限公司及其子公司業已依照「公開發行公司取得或處分資產處理準則」、「公開發行公司資金貸與及背書保證處理準則」、「公開發行公司建立內部控制制度處理準則」及有關法令規定，針對取得或處分資產、從事衍生性商品交易、資金貸與他人之管理、為他人背書或提供保證之管理、關係人交易之管理、財務報表編製流程之管理及對子公司之監督與管理訂定相關作業程序。

安侯建業聯合會計師事務所

會計師：趙敏如 關春修

中華民國一〇九年四月十日

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

(i) Major Resolutions of Shareholders' Meeting and Board Meetings

1. Major Resolutions of Shareholders' Meeting and Implementation Status:

Date	Major Resolutions		State of Implementation
2019/06/27	1	Discussion Item: To amend and adopt the Company's M&A	The result of the resolution has been followed
	2	Discussion Item: To amend the Management Procedures for Asset Acquisition and Disposition	The result of the resolution has been followed
	3	Discussion Item: To amend the Procedure for Lending Funds to Other Parties	The result of the resolution has been followed
	4	Discussion Item: To amend the Endorsement/ Guarantee Operation Procedure	The result of the resolution has been followed
	5	Election Item: Election of the 3rd Board of Directors and Independent Director	The result of the resolution has been followed
	6	Other motions: To Release of the Directors' Participation in Competing Businesses.	The result of the resolution has been followed

2. Major Resolutions of Board Meetings:

Date	Major Resolutions	
2019/03/20	1	To adopt the Distribution of 2018 Employee and Director remuneration
	2	To adopt 2018 Consolidated Financial Statements and Annual Report
	3	To adopt Annual Earnings Distributions for the year 2018
	4	To present the 2018 Statements of Internal Control System
	5	To adopt the assessment of the Independence and the 2019 annual remuneration of Certified Public Accountant
	6	To adopt the Performance assessments and rewards of Directors and managerial officers for the year 2018.
	7	To amend the Company M&A
	8	To amend the Management Procedures for Asset Acquisition and Disposition
	9	To amend the Corporate governance - code of practice
	10	To amend the Procedure for Lending Funds to Other Parties
	11	To amend the Endorsement/ Guarantee Operation Procedure
	12	To adopt "Re-election of Directors (including independent directors)"
	13	To adopt the list of nominated candidates (by Board).
	14	To release of the Directors' Participation in Competing Businesses
	15	To discuss shareholders' proposals and candidates' nomination for Director Lists.
	16	To adopt 2019 Annual Shareholders'meeting
2019/05/10	1	Reassignment of the Company's Acting spokesman
	2	Appointment of Chief Executive Officer of Techcential Sdn. Bhd.
	3	To adopt Performance assessments and rewards of Managerial officers for the First-Quarter of 2019.
	4	To adopt the Standard operating procedures for handling requests from directors
2019/06/27	1	Election of the Third Term Chairman of the Board of Directors
	2	Establishment of 2nd Term of Audit Committee
	3	Establishment of 2nd Term of Remuneration Committee
2019/08/09	1	To adopt 2019 First-Half Consolidated Financial Statements

	2	To adopt 2019 First-Half Annual Earnings Distributions
	3	To adopt Performance assessments and rewards of Directors and managerial officers for the year 2019 May - August.
	4	To invest a New subsidiary of TECHCENTIAL SDN BHD
	5	To Change the address of the registered office of the company
2019/10/07	1	To adopt the Issuance of 1st Non-Guaranteed Convertible Corporate Bond in Taiwan R.O.C
	2	To increase Paid-Up Capital of subsidiary of TECHCENTIAL SDN BHD
2019/11/12	1	To adopt Company Business Plan and Budget for 2020
	2	To adopt Audit Plan for 2020
	3	To amend the Procedures for Financial Derivative Transaction
	4	To Increase Paid-Up Capital of Techcential Sdn Bhd
2019/12/05	1	To adopt the granting of loans to Techcential Sdn Bhd
2020/02/13	1	To revise the amount and the period of granting loan to Techcential Sdn Bhd
	2	To acquire 100% equity of EHL Cabinetry Sdn Bhd from Techcential Sdn Bhd【
	3	To amend the Procedure for Lending for Funds to Other Parties
	4	To amend the Management Method for Preparation Process of Financial Statement
	5	To adopt Performance assessments and rewards of Directors and managerial officers for Sep-Dec 2019
2020/03/20	1	To adopt the Distribution of 2019 Employee and Director remuneration
	2	To adopt 2019 Consolidated Financial Statements and Annual Report
	3	To adopt Annual Earnings Distributions for the year 2019
	4	To present the 2019 Statements of Internal Control System
	5	To adopt the assessment of the Independence and the 2020 annual remuneration of Certified Public Accountant
	6	To appoint Chief Executive Officer of EHL Cabinetry Sdn Bhd
	7	To adopt the Increase of issued share capital and the offering of the new shares of EHL Cabinetry Sdn Bhd, and waiver by the shareholders of their pre-emptive rights over the new shares
	8	To open Current Accounts with Citi Bank Malaysia.
	9	To amend the Company M&A
	10	To amend “Corporate Social Responsibility Best Practice Principles”,“the Corporate governance - code of practice”and “Procedures for Ethical Management and Guidelines for Conduct”
	11	To amend “the Procedure for Lending for Funds to Other Parties”
	12	To amend “Rules and Procedures of Board Meetings”
	13	To amend “Rules and Procedures of Shareholders’ Meetings”
	14	To adopt 2020 Annual Shareholders’meeting

(j)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

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

D.Information Regarding Independent Auditors

(i)Auditors information and audit fees

Audit Firm	CPA		Service Period	Note
KPMG	Charlotte Chao	Lisa Kuang	108.01.01~108.12.31	-

Unit: NTD in Thousands

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

(ii)Information of Audit & Non-Audit Fees
Unit: NTD Thousand

Audit Firm	CPA	Audit Fees	Non Audit Fees					Service Period	Note
			System Design	Register-aton	Human Resources	Others	Subtotal		
KPMG	Charlotte Chao Lisa Kuang	3,210	-	-	-	1,180	1,180	108.01.01~108.12.31	-

Note 1: Non-audit fees including internal control project review fee NTD 1,180 thousand.

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

(iv) Audit fees reduced more than 15% year over year: None

E.Information on replacement of certified public accountant: None.

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

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

(i) Net Change in Shareholding and Net Change in Shares Pledged by Directors, Management and Shareholders with 10% Shareholdings or More

Title	Name	Year 2019		30 April 2020	
		Shareholding Increase (Decrease)	Pledged Shareholding Increase (Decrease)	Shareholding Increase (Decrease)	Pledged Shareholding Increase (Decrease)
Chairman	Eng Say Kaw	–	–	–	–
Director	Eng Synergy Management Sdn Bhd	–	–	–	–
	Representative: Eng Kai Pin	–	–	–	–
Director	Chang Ming Huang	–	–	–	–
Director	Surging Success Sdn. Bhd.	–	–	–	–
	Representative: Poa Keng Ling	–	–	–	–
Independent Director	Oun Lek Wee	–	–	–	–
Independent Director	Tay Puay Chuan	–	–	–	–
Independent Director	Liao Wei Chuan	–	–	–	–
Manager	Eng Kai Pin	–	–	–	–
Manager	Eng Kai Jie	(13,000)	–	–	–
Manager	Tan Kok Bee	(9,000)	–	(9,000)	–
Manager	Poa Keng Ling	–	–	–	–
Manager	Lim Swee Soon	–	–	–	–

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

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

H.Information on the relationship between theCompany'stop 10 shareholders and their spouse or relatives within two degrees of consanguinity.

April 20, 2020; unit:share；%

Name	Current Shareholding		Spouse and minor Shareholding		Shareholding by nominee arrangement		Title, name, or relationship between the top 10 shareholders and their spouse or relatives within two degrees of consanguinity		Note
	Shares	%	Shares	%	Shares	%	Title (or Name)	Relationship	
Eng Synergy Management Sdn. Bhd. Representative: Eng Say Kaw	9,844,000	41.67	—	—	—	—	Eng Say Kaw	Same person	—
							Golden Encore Holdings Sdn. Bhd.	Second-class relatives	—
							Youlen Enterprise Sdn. Bhd.		—
							Only Inspiration Sdn. Bhd.		—
Eng Say Kaw	2,100,000	8.89	—	—	—	—	Eng Synergy Management Sdn. Bhd.	Same person	—
							Golden Encore Holdings Sdn. Bhd.	Second-class relatives	
							Youlen Enterprise Sdn. Bhd.		
							Only Inspiration Sdn. Bhd.		
Surging Success Sdn. Bhd. Representative: Eng Xin Yi	1,890,000	8.00	—	—	—	—	—	—	—
Bank SinoPac as Custodian for Conceptscope Resources Sdn. Bhd. Investment Account	1,713,000	7.25	—	—	—	—	—	—	—
Only Inspiration Sdn. Bhd. Representative: Eng Say Ben	1,659,000	7.02	-	—	—	—	Eng Say Kaw	Second-class relatives	—
							Eng Synergy Management Sdn. Bhd.		—
							Golden Encore Holdings Sdn. Bhd.		—
							Youlen Enterprise Sdn. Bhd.		—
Youlen Enterprise Sdn. Bhd. Representative: Lau Miow Xiang	1,429,000	6.05	—	—	—	—	Eng Say Kaw	Second-class relatives	—
							Eng Synergy Management Sdn. Bhd.		—
							Golden Encore Holdings Sdn. Bhd.		—
							Only Inspiration Sdn. Bhd.		—
Golden Encore Holdings Sdn. Bhd. Representative: Eng Ai Ten	1,384,000	5.86	—	—	—	—	Eng Say Kaw	Second-class relatives	—
							Eng Synergy Management Sdn. Bhd.		—
							Youlen Enterprise Sdn. Bhd.		—
							Only Inspiration Sdn. Bhd.		—
XY Chen	183,000	0.77	—	—	—	—	—	—	—
KS Yan	130,000	0.55	—	—	—	—	—	—	—

Name	Current Shareholding		Spouse and minor Shareholding		Shareholding by nominee arrangement		Title, name, or relationship between the top 10 shareholders and their spouse or relatives within two degrees of consanguinity		Note
	Shares	%	Shares	%	Shares	%	Title (or Name)	Relationship	
GB Lin	124,000	0.52	—	—	—	—	—	—	-

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

April 30, 2020; Unit: Shares; %

Investment (Note)	Ownership by Parade		Direct/Indirect Ownership by Directors and Management		Total Ownership	
	Shares	%	Shares	%	Shares	%
Techcential Sdn. Bhd.	10,000,000	100.00	-	-	10,000,000	100.00
TC Home Sdn. Bhd.	2,000,000	100.00	-	-	2,000,000	100.00
EHL Cabinetry Sdn. Bhd.	7,000,000	87.50	1,000,000	12.50	8,000,000	100.00
TC Home Corporation	100	100.00	-	-	100	100.00
ESK Biomass Sdn. Bhd.	6,000,000	75.00	-	-	6,000,000	75.00
ESK Wood Products Sdn. Bhd.	6,000,000	100.00	-	-	6,000,000	100.00

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

IV. Capital and Shares

A. Capital and Shares

(i) Equity source

1. Types of Shares

April 30, 2020; Unit: Shares

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

2. Share capital formation:

April 30, 2020; Unit: Thousand Shares; NTD Thousand

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

3. General information about the reporting system: None.

(ii) Composition of Shareholders

April 20, 2020; Unit: Person; Shares; %

Shareholder Composition	Government Agencies	Financial Institutions	Other Institutional Investors	Natural Persons	Foreign Institutions and Foreign Persons	Treasury Shares
Number of Shareholders	-	4	2	493	9	508
Shares Held	-	1,806,000	21,000	3,468,000	18,330,000	23,625,000
%	-	7.645%	0.089%	14.679%	77.587%	100%

Remarks: Share held by PRC: 0%.

(iii) Distribution Profile of Share Ownership

1.Common Shares April 20, 2020; Unit: Person; Shares; %

Shareholder Ownership	Number of Shareholders	Shares Held	Percentage of Shareholding
1 to 999	42	1,509	0.01
1,000 to 5,000	345	657,491	2.78
5,001 to 10,000	49	399,000	1.69
10,001 to 15,000	17	214,000	0.90
15,001 to 20,000	14	262,000	1.11
20,001 to 30,000	8	222,000	0.94
30,001 to 50,000	10	388,000	1.64
50,001 to 100,000	9	586,000	2.48
100,001 to 200,000	7	876,000	3.71
200,001 to 400,000	-	-	-
400,001 to 600,000	-	-	-
600,001 to 800,000	-	-	-
800,001 to 1,000,000	-	-	-
1,000,001 and above	7	20,019,000	84.74
Total	508	23,625,000	100.00

2. Special stock: None.

(iv) Major Shareholders:

April 20, 2020; Unit: Shares

Shares / Name of Shreholders	Shares Held	Percentage of Shareholding
Eng Synergy Management Sdn. Bhd.	9,844,000	41.67
Eng Say Kaw	2,100,000	8.89
Surging Success Sdn. Bhd.	1,890,000	8.00
Bank SinoPac as Custodian for Conceptscope Resources Sdn. Bhd. Investment Account	1,713,000	7.25
Only Inspiration Sdn. Bhd.	1,659,000	7.02
Youlen Enterprise Sdn. Bhd.	1,429,000	6.05
Golden Encore Holdings Sdn. Bhd.	1,384,000	5.86
XY Chen	183,000	0.77
KS Yan	130,000	0.55
GB Lin	124,000	0.52

(v) The per share market price, net worth, profit, dividend and relevant information for the past two fiscal years

Item			Year 2018	Year 2019	2020 Q1 (Note 8)
Market Price Per Share(Note1)	Highest		28.20	42.25	38.70
	Lowest		9.52	14.75	21.45
	Average		14.85	28.76	33.11
Net Value Per Share (Note2)	Before Distribution		13.69	15.98	15.56
	After Distribution		12.69	13.78	Note 8
Basic Earnings Per Share	Weighted-Average Number of Shares		23,575	23,625	23,625
	Earnings Per Share(note3)		1.57	3.90	0.35
Dividend Per Share	Cash Dividends		23,625	70,875	Not Applicable
	Free Gratis Dividends	Retained Earnings Dividend	-	-	Not Applicable
		Capital Surplus Dividend	-	-	Not Applicable
	Accumulated Undistributed Dividends (Note4)		-	-	Not Applicable
Rate of Return Analysis	Price/Earnings Ratio（Note5）		9.46	7.37	Not Applicable
	Price/Dividend Ratio（Note6）		14.85	9.59	Not Applicable
	Cash Dividend Yield（Note7）		0.07	0.10	Not Applicable

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

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

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

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

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

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

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

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

(vi) Company dividend policy and implementation status

1. Company dividend policy

The Company is in the business of supplying customized products in a specific market and is in the 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 and so on and submit the proposal for the Members' approval. For so long as the shares are traded on the ESM or listed on the TPEx or TSE, if there are profits, in making the profits distribution recommendation, the Board shall set aside out of the profits of the Company for each financial year:

(i) a reserve for payment of tax for the relevant financial year;

(ii) an amount to offset losses incurred in previous years; and

(iii) a special surplus reserve as required by the applicable securities authority of the ROC under the Applicable Public Company Rules.

If there should be any remaining profits, subject to 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, the combined amount shall be allocated as dividends to the Members in proportion to their shareholdings. 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 ten per cent (10%) of profit after tax of the relevant year, provided that if in any year, the Company has net loss or the amount of the accumulated undistributed profits is less than twenty per cent (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 dividends or by way of stock dividends or a combination thereof, provided that, the cash dividends shall not be less than ten per cent (10%) of the total amount of dividends payable.

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

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

The distribution of dividend in the most recent year (2018): The shareholders' meeting has distributed a cash dividend of NT$1 per share on June 27, 2019, and it has been fully distributed on August 10, 2020. The company's 2018 earnings distribution table is as below:

Items	Total NTD
Beginning retained earnings	7,407,200
Add: net profit after tax	37,052,941
Statutory reserve (10%)	-
Distributable net profit	44,460,141
Distributable items: Cash Dividend	23,625,000
Ending retained earnings	20,835,141

The earnings distribution for the first half of the year (2019): On August 9, 2019, the board of directors decided to distribute the first half of 2019 cash dividends of NTD 0.8 per share, and all of them were paid out on October 8, 2019 .

The distribution of surplus in the second half of this year (2019): The shareholders' meeting proposed to distribute cash dividends of NTD 2.2 per share.

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

Items	Total NTD
Beginning retained earnings	20,835,141
Add: net profit after tax	92,038,216
Statutory reserve (10%)	-
Distributable net profit	112,873,357
Distributable items: Interim Dividend	18,900,000
Distributable items: Dividend	51,975,000
Ending retained earnings	41,998,357

(vii)The impact of stock dividend distributions contemplated for the current fiscal year on company operating performance and earnings per share:

Not Applicable.

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

1. The percentages or ranges with respect to employee, director, and supervisor compensation, as set forth in the company's articles of incorporation:
   If there is profit (defined below) for the year, the Company shall set aside no less than one per cent (1%) of the profit as employee compensation and no more than 5 per cent (5%) of the profit as compensation for the Directors. However, if the Company has accumulated losses in previous years, it shall reserve an amount of the pre-tax profit for offsetting the accumulated losses. The employee compensation referred to in this Article 14.4 shall be distributed in the form of stock or cash and may be distributed to employees of the Company's Subsidiaries, if such employees satisfy certain qualifications as may be resolved by the Board from time to time.

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

If there is profit (defined below) for the year, the Company shall set aside no less than one per cent (1%) of the profit as employee compensation and no more than 5 per cent (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. If the actual distribution amount is different from the estimated price, it will be treated according to the accounting changes and the impact of the change will be recognized as the profit and loss of the next year.

3. Information on any approval by the board of directors of distribution of compensation:

(a) The amount of any employee compensation distributed in cash or stocks and compensation for directors and supervisors. If there is any discrepancy between that amount and the estimated figure for the fiscal year these expenses are recognized, the discrepancy, its cause, and the status of treatment shall be disclosed: On March 20, 2020, the Board of Directors passed the 2019 Employee and Directors' remuneration, which were NT$2,899,922 and NT$179,526 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 2018 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.

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

The Company's employee and directors' remuneration in 2018 were consistent with the amount approved by the 2018 shareholders' meeting and have been fully distributed.

(vx) Status of company buyback of corporate stocks:

Not Applicable.

B.Status of issue and private placemnt of "Corporate Bonds" (including overseas corporate bonds):

Coprorate Bond	**The first unsecured convertible corporate bond in the Republic Of China.**
Issued Date	December 3, 2019
Denomination	NT$100,000
Place of issue and transaction	Republic of China
Issuing price	101% of the denomination value.
Total Amount	NT$202 million
Interest rate	The coupon interest rates are 0%
Period	3 years. validity: December 3, 2022.
Guarantee agency	Not applicable.
Trustee	Bank SinoPac
Underwriting agency	SinoPac Securities
Certified attorney	Far East Law Offices, Charles Chou
Certified Accountant	KPMG CPA: Charlotte Chao, Lisa Kuang
Repayment method	In case of conversion into the Company's common shares in accordance with the Regulations for Issuance or in a case where the Company exercises the right of re-purchase in accordance with the Regulations for Issuance or where the Company redeems before expiry in accordance with the Regulations for Issuance or where the Company buys back for revocation, the Company shall pay back in cash in a lump-sum based on the face amount of the bonds upon expiry of the bonds.
Outstanding principal	NT$200,000,000
Redemption or advance payment	Please refer to the company's first unsecured corporate bond issuance and conversion method in the Republic of China.
Restrictions	Not applicable.
Credit rating agency name, rating date, corporate debt rating and other results	Not applicable.

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

Status of convertible bonds:

Unit: NT$

Bond type		The first unsecured convertible corporate bond in the Republic Of China.	
Year / Item		2019	Year-To-Date 2020/4/20
The market prices	Highest	101.65	101.95

of the convertible corporate bonds	Lowest	98.05	94.00
	Average	100.12	99.01
Conversion Price		40.8	40.8
Date of issuance and conversion prices upon issuance		2019/12/3 40.8	
Ways of fulfilling conversion obligation		Issuance of new shares	

C. Status of issue and private placement of “Preferred Shares”:

Not Applicable.

D. Status of participation in the issue and private placement of "overseas depositary receipts":

Not Applicable.

E. Status of issue and private placement of employee stock warrants:

Not Applicable.

F. Status of issue and private placement of employee restricted stock awards:

Not Applicable.

G. Status of mergers and acquisitions:

Not Applicable.

H. Status of implementation of fund utilization plan:

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

(i) Contents of the plan:

1. Date and file number of approval by the Financial Supervisory Commission, Executive Yuan: 14 November 2019, approved by The Financial Supervision and Administration Commission approved under letter No. 1080335239
2. The total fund amount needed for the plan：NT$202,000,000
3. Fund source：The first unsecured convertible corporate bond in the Republic Of China, 2,000 copies, each with a denomination of NT$100 thousand. During the three-year period, the coupon rate is 0%, issued at 101% of the denomination, and the total amount issued is NT$202,000.
4. Items under the plan and scheduled progress

Unit: NTD Thousand

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

(ii) Execution:

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

Unit: NTD Thousand

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

V. Operational Highlights

A. Business Activities

1. Business Scope

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

(1) Summary of product revenue and percentage of sales

Unit: NTD in Thousands; %

Products	Year 2018		Year 2019	
	Amount	%	Amount	%
Wooden Furniture	983,599	90.83	1,170,983	84.45
Others	99,269	9.17	215,644	15.55
Total	1,082,868	100.00	1,386,627	100.00

(2) Current Main Product Lines

The company mainly designs, manufactures and sells 5-piece bedroom furniture, including bed frames, night stand, dresser, chest and mirror. In addition, it also invests in the procurement, processing and sales of raw materials - board and rubber wood. TIL is starting kitchen cabinet manufacturing business in 2019 Q4.

(3) Prospective New Products Development

A. Development of diversified products: The company has more than 18 years of experience in bedroom furniture manufacturing, and has accumulated a large number of resources and customers. Therefore, it intends to invest in research and development of diversified products, in order to benefit the company's revenue.

2. Industry Overview

(1) Current Markets

A.Global Market

According to the "World Furniture Outlook 2017" report published by the International Industrial Research Center of Milan (CSIL) (Figure 1), the global furniture output growth rate during the financial crisis has increased over the past decade. This is mainly due to the growth of the global urban population, household income and investment in the construction industry. The report's survey of the world's 70 most important furniture producing countries shows that after the 2009 recession, global furniture trade began to rebound in 2010 and returned to pre-recession levels in 2011, rising from US$106 billion to US$117 billion. Subsequently, the global furniture trade continued to grow, reaching $135 billion in 2014 and a slight decline to $134 billion in 2015. CSIL expects to maintain the same market size as in 2015, and in 2017 and 2018 there will be a delay due to uncertainties arising from Brexit and the new US international trade policy.

Figure 1. 2009-2019 Global Furniture Trade Volume

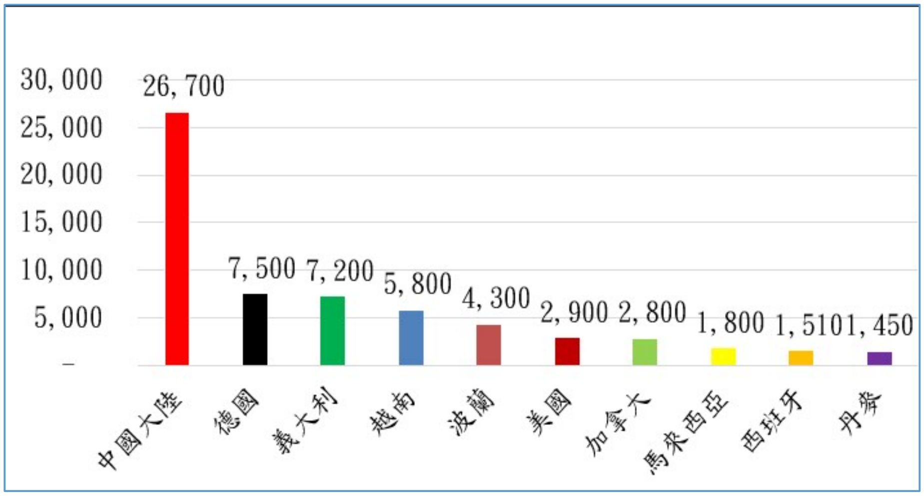
Unit: US$ billion

Source: CSIL "World Furniture Outlook for 2019"

In addition, in 2017, the world's top ten major furniture exporters is China, Germany, Italy, followed by Vietnam, Poland, the United States, Canada, Malaysia, Spain and Denmark, of which Malaysia accounted for 2.2% of the global furniture export market. (Figure 2).

Figure 2. 2017 World's top Ten major furniture exporting countries

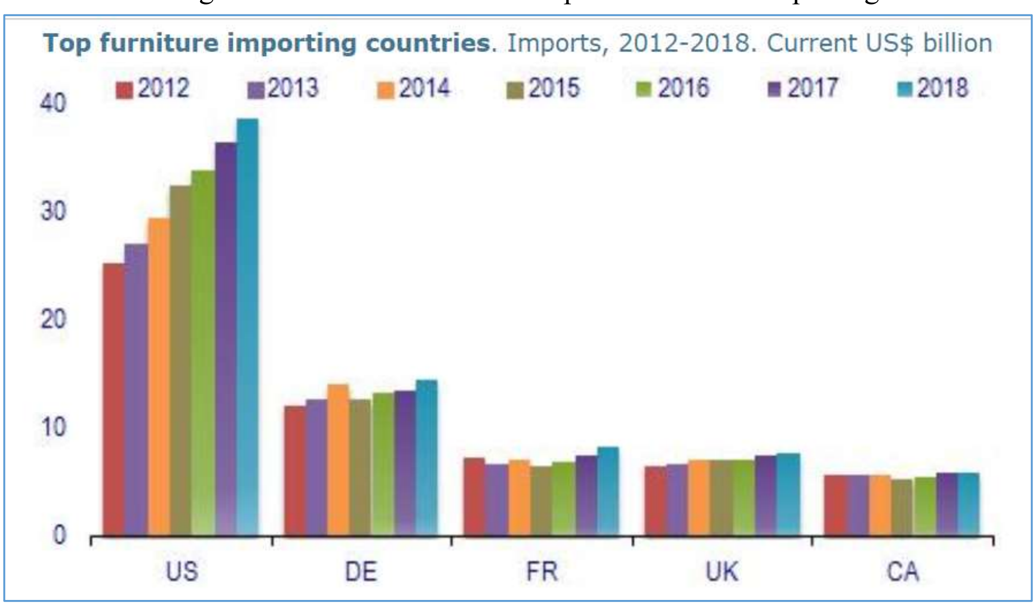
Unit: US$ million



Source: World's Richest Countries(2018/12)

The top 5 furniture importing countries are the United States, Germany, France, the United Kingdom and Canada (Figure 3). The United States has been the largest importing country for many years. Its furniture import expansion is the main reason for the increase in total furniture trade in recent years

Figure 3. 2012~2018 World's top Five furniture importing countries

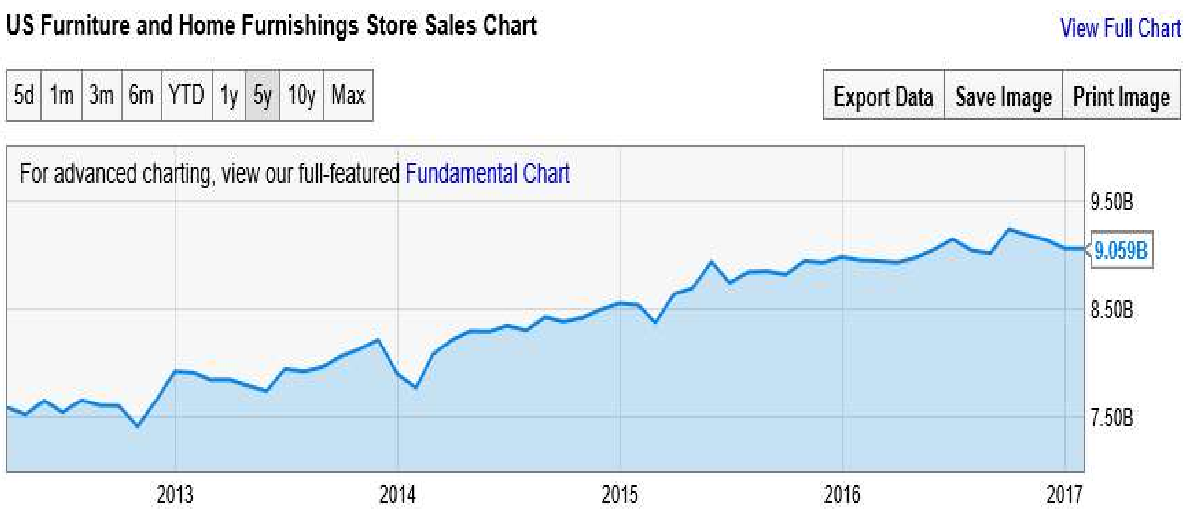


Soursces: CSIL "2019 World Furniture Outlook"

B.North-America Market

The sales area of the Company is mainly in the United States. In 2018, the Company's sales in the United States accounted for 84.23% of sales revenue, respectively. With the economic development of the United States and the recovery of real estate, the number of new housing constructions has increased, and the demand for furniture has expanded, which is conducive to the performance of the overall furniture industry. According to statistics from the Census Bureau, the monthly sales of US furniture and home appliance sellers increased from approximately $7.911 billion in January 2013 to $10.960 billion in December 2016 (Figure 4). It is obvious that the US furniture industry has shown a long-term steady growth trend.

Figure 4. 2013-2016 US furniture and homeware sellers monthly sales



Sources: US Census Bureau

The US household products market is large in scale, the sales system is complex, and the market is diversified. Different sales channels are derived from different customer groups, including international brand stores, supermarkets, comprehensive room supply stores, old furniture stores, chain stores and online sales. Among them, online sales have become the future market for furniture distributors. Important pathway In addition to the development of network access, physical furniture imports are also one of the important trends in the US furniture market. The US furniture industry is dominated by the furniture retail industry, followed by furniture importers.

Furniture importers are resold to department stores, large shopping malls or other retailers through substantial purchases, so the role of furniture importers will be increasingly valued as the international furniture trade grows. According to CSIL data, the annual compound growth rate of US furniture imports from 2010 to 2016 is about 17.95%. According to the latest statistics from the well-known American magazine Furniture Today, the United States imports furniture from China is about 56% of the total imports, followed by Vietnam, around 14%; if it is wooden bedroom furniture, Vietnam is the largest importer in the United States, accounting for 46.50%, followed by Malaysia, accounting for 10.27%. US furniture manufacturers' factories are moved to relatively low-cost overseas countries, and finished products are imported into the United States, so that the import value will increase year by year. The main reason for the growth of the US furniture import ratio is the low labor cost and production overhead of imported furniture, which makes the products an advantage in price competitive. In response to this trend, local furniture manufacturers in the United States continue saving costs through factory merging and acquisitions, or choose to differnet products, change to more high-quality, high-priced product line, and target high-end customers.

C. Asean Market

According to World's Richest Countries and CSIL research institutes, China is the world's largest furniture exporter China’s total export furniture has shown an increasing trend, and its exports to the United States have increased year by year. Although China is the largest furniture exporter in Asia, with the local government’s protection against forest and costs rising issues, buyers from various countries have begun to look for other purchase pipeline that providing the same quality but lower price. International buyers began to search in the Southeast Asian market, which is dominated by Vietnam and Malaysia, which have rich forest resources.

According to the "Taiwan Business Service Network" published by the Ministry of Economic Affairs, ROC in March 2017, Malaysia is now ranked as the 8th largest furniture exporter in the world. The furniture industry has become a major contributor to the country's economy. 80% of Malaysia's furniture output is for export. The main export markets are the United States, Japan and

Australia. Malaysia's export commodities are mainly wooden furniture. In 2017, the export value of wooden furniture reached RM10.14 billion, a 6.4% increase from 2016. The target of 2020 furniture export of is expected to reach RM12 billion, and it is expected to rank among the world's top 5 major furniture exporters.

(2) The upstream and downstream parts of the industry

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

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

Malaysia has abundant natural resources, sufficient timber production and low labor costs compared to Western countries. Because of the good quality of wooden furniture, it is favored by consumers. According to the statistics of the Malaysian Furniture Promotion Bureau in 2016, the export value of wooden furniture accounts is about the 80% of total furniture exports. The company's main sales area is the United States, the US furniture industry is mature and highly competitive, and there are many brand and distributors. According to the US furniture magazine Furniture Today's sales survey of the US furniture retail industry in 2016, the total sales of the top 100 furniture manufacturers is around 81% of the total sales in the United States, including the Top 1 - Ashley Furniture market share of more than 7%. The Company's American-style wooden bedroom furniture, which is sold to retailers, importers and small and medium-sized furniture brands in the United States. The production quality is recognized by customers, so that TC's revenue grows steadily. Since the company has been producing wooden bedroom furniture for export to the United States for many years, it has accumulated enough experience, and with the launch of its own brand in 2015, it is expected to directly cut into the American wooden bedroom furniture market.

3. Technology and R&D profile

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

The company's main business is entrusted to produce wooden bedroom furniture. The product design is mostly handled by the sales customers. The company's R&D department has 17 personnel at the end of April 2019. The R&D department is mainly engaged in the company's furniture design, improvement, proofing and assembly testing, production process and product quality improvement responsibilities, to assist the company to achieve production process improvement, reduce costs, increase production capacity and improve production efficiency. Looking forward to the future, the company will continue to train R&D personnel and continue to invest resources to research and improve production process technology and equipment as future growth momentum.

(2) R&D personnel and their academic experience

Unit: Person

Year		2017	2018	2019	Till April 30, 2020
Education	Master & Above	-	-	-	-
	Degree	9	9	9	9
	High School & Below	9	7	13	15
Total		17	18	22	24

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

Unit: NTD Thousand; %

Item \ Year	2017	2018	2019
R&D Expenses	6,436	5,655	8,371
Consolidated net operating income	875,674	1,082,868	1,386,627
%	0.73	0.52	0.60

4. Long- and Short-Term Business Development Plans

(1) Short-term business development plans

A. Actively develop raw materials direct procurement business

B. Actively develop the US market and new customers

C. Introducing automated production equipment to gradually replace labor

(2) Long-term business development plans

A. Development of diversified products

B. Market, Production and Sales Overviews

1. Market Analysis

(1) Revenue by Geographic Region

Unit: NTD in Thousands; %

Regions	Year 2017		Year 2018		Year 2019	
	Revenue	%	Revenue	%	Revenue	%
Domestic Sales	1,243	0.14	100,175	9.25	220,746	15.92
Overseas Sales	874,431	99.86	982,693	90.75	1,165,881	84.08
Total	875,674	100.00	1,082,868	100.00	1,386,627	100.00

(2) Market Share of Main Products and Services

The company is mainly engaged in the design, manufacture and sale of American wooden bedroom furniture. According to the research firm World's Richest Countries, the total sales of Malaysian furniture to the US market in 2018 was approximately US$248 million. In future, the company will continue to increase overall sales and market share by actively developing products and expanding channels.

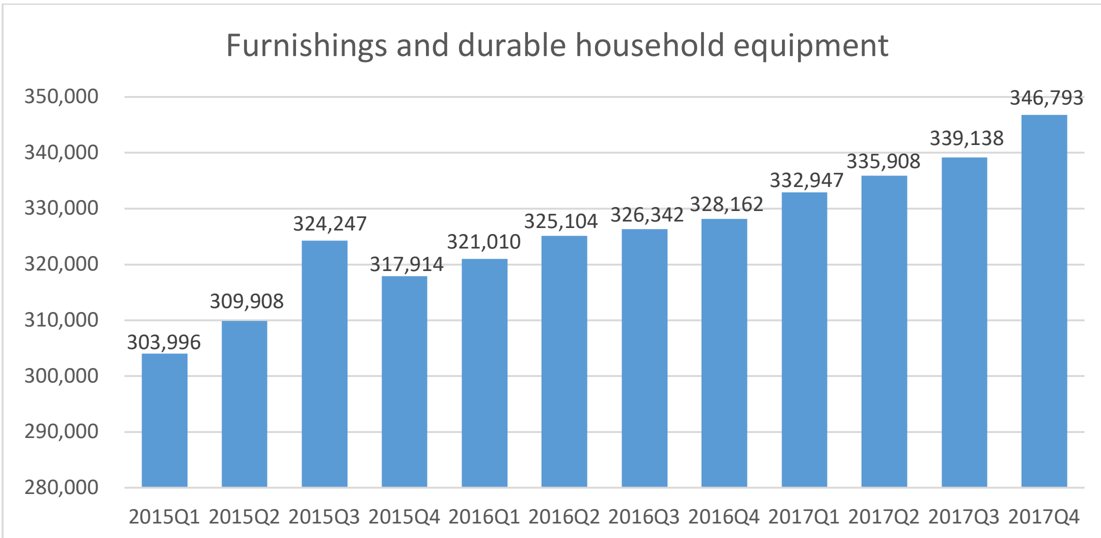
(3) End Market Dynamics and Growth Potential

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

On the demand side, the United States is the world's largest consumer of furniture. With the recovery of the economy, the US furniture market is promising, benefiting from the increase in new housing construction, the increase in personal disposable income and the expectation that the demand for furniture will continue to grow steadily in the next few years. According to statistics from the US Department of Commerce's Bureau of Economic Analysis on personal consumption expenditures in the United States, since the first quarter of 2015, the amount of spending on furniture and household equipment in the United States has shown a growth trend (Figure 6). As of 2017, the quarterly total consumption of seasonal furniture and household equipment products reached US$346.8 billion. The United States has a large housing area and a high level of per capita income. Together with the immigration of people from all over the world to the United States, it has brought a large amount of new housing construction each year. At the same time, Americans have the habit of relocating regularly and changing furniture regularly, making the demand for furniture remains high.

Figure 6: Personal consumption expenditure in the United States (furniture and household equipment products) during 2015-2017

Unit: USD million



Sources: US Bureau of Economic Analysis

(4) Competitive Niche

A. Professional management team

B. Direct purchase of raw materials

C. R&D design and product customization

D. Flexible mass production

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

A. Advantageous factors

(A) Growing demand in the Americas market

With the recovery of the economy, the US furniture market is promising, benefiting from the increase in new housing construction, the increase in personal disposable income and the expectation that the demand for furniture will continue to grow steadily in the next few years. The company's main business is the manufacture of American-style bedroom furniture, and the United States is the main sales area. In the future, the income of the Americans will continue to grow steadily, and the revenue will have room for growth.

(B) Geographical advantages

Malaysia is the world's top three natural rubber wood producers. Rubber wood is the main raw material for the company's wooden furniture. The company has geographical advantages. The raw materials can be directly sourced and purchsed locally to reduce the risk of material shortage.

(C) Long-term relationship with major customers

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

B.Disadvantageous factors and countermeasures

(A) Price fluctuation of raw materials

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

(B) Concentrated sales

Measures：The company's largest customer is currently the largest furniture retailer in the United States, and its products are well received by market consumers. Its revenue has increased year by year. TC is the largest supplier of this customer in Malaysia, which has led to the sale of the company more concentrated. In addition to the largest customers, the company's major customers in the United States are long-term cooperative relationships, and the company's services are comprehensive, able to meet the needs of customers, and has formed a fixed supply chain, coupled with product quality is deeply recognized. However, considering the better growth momentum in the future, we will expand new customers and new markets based on existing customers to reduce the risk of sales concentration.

In addition, the Company has invested in the procurement and manufacturing of raw materials (rubber wood and board) that the targeted customers are Malaysian small and medium-sized furniture manufacturers. This investment can also contribute to the Group's revenue and reduce the risk of concentrated sales of bedroom furniture.

2. Key Product Applications and Manufacturing Processes

(1) Key Product applications

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

(2)Production Processes

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

3. Major Raw Material Supply Situation

Major Raw Material	Major Supplier	Supply Situation
Board	Robin Resources、Allgreen Timber、Mieco Manufacturing、Five Hills、Hua Joo、Genting Kekal、Bripanel、Goodwood	Good
Wood	Strategi Mutiara、Pine & Hill、BP、GREEN RIVER、Unikaya、Steadfast、Y&J	Good
Paint	Nikkolac、KH、Lycora	Good
Packaging	Sothern Legend、Pine	Good

4. Major suppliers and customers

(1) 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 is mainly engaged in the design, manufacture and sale of American wooden bedroom furniture, as well as the wholesale sale of American wooden restaurant furniture and children's bed furniture, and the development of the sales of its own brand wooden bedroom furniture. The raw materials purchased are board, wood, paint and cardboard boxes, etc. In the past two years, there were no suppliers who accounted for more than 10% of the total purchases, so it is not applicable.

(2) 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 2018				Year 2019			
Customer	Sales Amount	Ratio to Net Sales (%)	Relationship with the Company	Customer	Sales Amount	Ratio to Net Sales (%)	Relationship with the Company
Ashley (AFI)	513,902	47.46	None	Ashley (AFI)	442,650	31.92	None
Others	568,966	52.54		Ashley (AFT)	170,581	12.30	None
				Others	773,396	55.78	
Net Sales	1,082,868	100.00		Net Sales	1,386,627	100.00	

Ashley is the largest furniture retailer in United States, with approximately 550 outlets across the USA. Its products are very popular amongst American consumers. In 2019 Q4, all sourcing from Malaysia will be handled by Ashley Furniture Trading – AFT as part of their globalized business restructuring. Therefore, part of the deliveries was shifted from Ashley AFI to Ashley AFT.

5. Production Volume and Value in the past 2 years

Unit: Container; Volume in NTD Thousands

	Year 2018			Year 2019		
Main Products	Production Capacity	Production Volume	Production Value	Production Capacity	Production Volume	Production Value
Wooden Furniture	940,000	779,724	953,770	977,000	931,000	1,164,000

Explanation on the changes:

The Company added one plant "TC5" in 2019 Q3 to increase the capacity. Due to strong demand for our products and additional capacity, our output continues to grow in 2019.

6. Sales Volume and Value in the past 2 years

Unit: Container; Volume in NTD Thousands

Main Products	Year 2018				Year 2019			
	Domestic Sales		Overseas Sales		Domestic Sales		Overseas Sales	
	Volume	Amount	Volume	Amount	Volume	Amount	Volume	Amount
Wooden Furniture	930	906	780,927	982,693	3,133	5,102	893,699	1,165,881
Others	Note1	99,269	Note 1	-	Note 1	215,644	Note 1	-

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

Explanation on the changes:

The increase in sales of wooden furniture in 2019 were mainly due to stronger demand from our customer and more favorable exchange rate for MYR against NTD. Domestic sales increased significantly compared to last year due to additional 2 new local mixed container program's customers.

C. Employees

Unit:Person/%

Year		2018	2019	Till 30 April 2020
Number of Employees	Management staff	14	18	19
	Normal staff	66	84	85
	Production Line	538	542	512
	Total	618	644	616
Average age		29.89	31.84	32.27
Average Years of Service		3.00	3.66	3.97
Education (%)	Doctoral	-	-	-
	Master	0.16	0.16	0.16
	University & College	8.01	7.45	6.98
	High School	7.19	10.25	8.77
	Below High School	84.64	82.14	84.09

D. Information on EnvironmentalProtection Expenditures

Describing the loss suffered by the Company due to 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 possible expenses to be incurred: The Company did not receive any fines from the Competent Authority for pollution and environmental violations.

E. Labor Relations

1. Setting forth all employee welfare, continuing education, training, retirement systems, and the status of their implementation, as well as the status of agreements between labor

and management, and all measures aimed at preserving the rights and interests of employees:

(1) Employee welfare:

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

(2) Education and training:

In the corporate culture of integrity, we are constantly striving towards the goal of sustainable management and maintaining market competitiveness. With the perfect education and training plan, each colleague can continuously improve work performance, develop self-potency, achieve the win-win goal of enterprise development and self-growth, and provide various professional on-the-job education according to various functions and developments.

(3) Retirement systems and their implementation

All are handled in accordance with the relevant laws and regulations.

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

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

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

F. Important Contracts

(a) Techcential Sdn Bhd

Contractual nature	Involved Party	Contract date	Content	Restricted terms
Loan Contract	Citibank	2013.07.04（Corrected by an addendum with date 2013.11.21, 2014.11.21, 2015.11.09, 2016.03.18 , 2017.01.16 & 2019.07.04）	Bank Loan	NA
Loan Contract	Hong Leong Bank	2013.03.26（Corrected by an addendum with date 2013.06.10, 2015.06.23, 2016.02.02, 2016.02.17, 2016.10.07, 2017.03.28, 2017.06.19, 2017.08.28, 2017.10.09 &2019.07.02）	Bank Loan	NA
Loan Contract	Chailease Finance Co., Ltd	2019.06.26-2022.06.25	Bank Loan	NA
Loan Contract	Hong Leong Bank	2015.08.22-2020.07.22	Hire Purchase	NA
Loan Contract	Public Bank	2016.03.18-2021.03.17	Hire Purchase	NA
Loan Contract	AmBank	2017.12.06-2020.12.05	Hire Purchase	NA
Loan Contract	Hong Leong Bank	2017.06.30-2020.06.29	Hire Purchase	NA
Loan Contract	Hong Leong Bank	2018.04.30-2022.04.29	Hire Purchase	NA
Loan Contract	AmBank	2018.04.30-2021.04.29	Hire Purchase	NA
Loan Contract	Hong Leong Bank	2019.06.06-2022.06.05	Hire Purchase	NA
Loan Contract	BMW Credit (Malaysia) Sdn Bhd	2019.06.06-2023.06.05	Hire Purchase	NA
Loan Contract	Hong Leong Bank	2019.10.06-2021.10.05	Hire Purchase	NA
Loan Contract	BMW Credit (Malaysia) Sdn Bhd	2019.11.06-2024.11.05	Hire Purchase	NA
Loan Contract	Public Bank	2019.12.19-2024.12.18	Hire Purchase	NA

Contractual nature	Involved Party	Contract date	Content	Restricted terms
Loan Contract	Bank Sinopac	2018.09.26-2019.09.25	Bank Loan	NA
Lease contract	Yong Long Sdn Bhd	2019.11.01-2021.10.31	Factory lease	NA
Lease contract	Imei Furniture	2019.06.01-2022.05.31	Factory lease	NA

(b) ESK Biomass Sdn Bhd

Contractual nature	Involved Party	Contract date	Content	Restricted terms
Lease contract	Xia Huat Importers & Exporters Sdn Bhd	2018.10.01-2021.9.30	Factory lease	NA
Loan Contract	BMW Credit (Malaysia) Sdn Bhd	2019.02.28-2024.02.27	Hire Purchase	NA
Loan Contract	BMW Credit (Malaysia) Sdn Bhd	2019.02.28-2022.02.27	Hire Purchase	NA
Loan Contract	AmBank	2019.08.11-2022.08.10	Hire Purchase	NA

(c) ESK Wood Products Sdn Bhd

Contractual nature	Involved Party	Contract date	Content	Restricted terms
Lease contract	Xia Huat Importers & Exporters Sdn Bhd	2018.10.01-2024.09.30	Factory lease	NA
Lease contract	Fortress Harvest	2019.03.01-2025.02.28	Factory lease	NA
Lease contract	Lim Wil Lian	2019.07.01-2022.06.30	Factory lease	NA

VI、Financial Information

A、Five-Year Financial Summary

(i) Condensed Balance Sheets

1. Condensed Balance Sheets – IFRSs

Unit: NTD Thousand

Item / Year		Five-Year Financial Summary (Note 1)				
		2015 (Simulated)	2016 (Simulated)	2017	2018	2019
Current Assets		232,763	279,311	299,650	471,074	552,737
Property, plant and equipment (Note2)		85,718	95,631	100,409	121,014	144,649
Right-of-use assets		-	-	-	-	51,693
Intangible assets		-	-	244	285	323
Other assets (Note2)		14,689	11,740	12,388	27,191	77,776
Total assets		333,170	386,682	412,691	619,564	827,178
Current liabilities	Before Distribution	91,721	148,145	128,454	255,305	175,457
	After Distribution	114,472	148,145	128,454	(Note 3)	(Note 3)
Non-current liabilities		29,943	23,285	29,059	39,874	260,159
Total liabilities	Before Distribution	121,664	171,430	157,513	295,179	435,616
	After Distribution	144,415	171,430	157,513	(Note 3)	(Note 3)
Equity		211,506	215,252	255,178	323,329	377,480
Share Capital		26,164	210,000	212,527	236,250	236,250
Capital surplus		-	-	3,941	23,735	32,651
Retained earnings	Before Distribution	226,191	57,572	31,116	44,544	94,057
	After Distribution	203,440	57,572	31,116	(Note 3)	(Note 3)
Other equity interest		(40,849)	(52,320)	7,594	18,800	14,522
Treasury stock		-	-	-	-	-
Non-controlling interests		-	-	-	1,056	14,082
Total Equity	Before Distribution	211,506	215,252	255,178	324,385	391,562
	After Distribution	188,755	215,252	231,553	300,760	(Note 3)

Sources: Simulated consolidated financial report of the 2015 & 2016 audited by the accountant and the 2017~2019 consolidated financial report audited by accountant.

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

Note 2: Those who have applied for asset revaluation in the current year should be listed on the date of processing and the value of the revaluation.

Note 3: As per 31st December 2019 financial report, Stakeholder yet to decide on dividend distribution during AGM, therefore no allocation on dividend is stated in the report.

2. Condensed Balance Sheet – ROC's Financial Accounting Standards: Not Applicable

(ii) Condensed Income Statements

1. Condensed Income Statements – IFRS

Unit: NTD Thousand

Item \ Year	Five-Year Financial Summary (Note 1)				
	2015 (Simulated)	2016 (Simulated)	2017	2018	2019
Operating revenues	778,293	715,660	875,674	1,082,868	1,386,627
Gross profit	203,541	142,992	152,238	185,448	310,564
Operating income	112,841	59,061	44,735	53,385	131,816
Non-operating income and expenses	(12,008)	(4,299)	(3,846)	(1,044)	(3,608)
Profit before income tax	100,833	54,762	40,889	52,341	128,208
Net profit of the continuing operations	80,463	37,968	30,278	37,189	91,355
Loss of the discontinuing operation	-	-	-	-	-
Net profit for the year	80,463	37,968	30,278	37,189	91,355
Other comprehensive Income (Loss) for the Year, Net of Income tax	(34,394)	(11,471)	7,016	11,213	(4,698)
Total Comprehensive Income for the Year	46,069	26,497	37,294	48,402	86,657
Net profit attributed to the owners of parent company	80,463	37,968	37,294	37,060	92,038
Net profit attributed to non-controlling interests	-	-	-	129	(683)
Total comprehensive income attributed to owners of the parent company	46,069	26,497	37,294	48,266	87,760
Total comprehensive income attributed to non-controlling interests	-	-	-	136	(1,103)
Earnings per share (EPS)	3.83	1.81	1.44	1.57	3.90

Sources: Simulated consolidated financial report of the 2015 & 2016 audited by the accountant and the 2017~2019 consolidated financial report audited by accountant.

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

2. Condensed consolidated income statement– ROC's Financial Accounting Standards: Not Applicable

(iii) Auditors' opinions for the most recent years

Year	CPA Firm	Name of CPA	Audit / Review Opinions
2015	KPMG	Charlotte Chao, Lisa Kuang	Unqualified opinion
2016	KPMG	Charlotte Chao, Lisa Kuang	Unqualified opinion
2017	KPMG	Charlotte Chao, Lisa Kuang	Unqualified opinion
2018	KPMG	Charlotte Chao, Lisa Kuang	Unqualified opinion
2019	KPMG	Charlotte Chao, Lisa Kuang	Unqualified opinion

B. Five-Year Financial Analysis

(i) Financial Analysis

1. Financial Analysis – IFRS

Unit: NTD Thousand

Item (Note 3) \ Year (Note 1)		Five-Year Financial Summary				
		2015 (Simulated)	2016 (Simulated)	2017	2018	2019
Financial structure	Debt to assets ratio (%)	36.52	44.33	38.17	47.64	52.66
	Long-term fund to property, plant and equipment ratio (%)	281.68	249.43	283.08	301.01	331.93
Liquidity Analysis	Current ratio (%)	253.77	188.54	233.27	184.51	315.03
	Quick ratio (%)	145.75	95.32	143.68	123.77	215.50
	Interest coverage ratio (times)	45.11	16.80	10.92	10.25	15.45
Operating performance Analysis	Accounts receivable turnover (times)	14.11	10.23	10.23	8.64	8.12
	Average cash collection days	26	36	36	42	45
	Inventory turnover (times)	6.00	5.02	5.88	7.12	7.27
	Accounts payable turnover (times)	13.76	13.17	16.77	18.16	16.80
	Inventory turnover Days	61	73	62	51	50
	Property, plant and equipment turnover (times)	8.44	7.89	8.93	9.78	8.74
	Total assets turnover (times)	2.24	1.99	2.19	2.10	1.92
Profitability Analysis	Return on total assets (%)	23.71	11.22	8.34	7.98	13.50
	Return on Equity (%)	39.53	17.79	12.87	12.83	25.52
	Pre-tax income to paid-in capital ratio (%) (note 7)	385.39	26.08	19.47	22.15	54.27
	Net Profit margin (%)	10.34	5.31	3.46	3.43	6.59
	Basic Earnings per share (NT$)	3.83	1.81	1.44	1.57	3.90
Cash flow	Cash flow ratio (%)	109.09	Note 2	20.24	Note 2	77.43
	Cash flow adequacy ratio (%)	Note 1	Note 1	Note 1	Note 1	66.79
	Cash flow reinvestment ratio (%)	27.69	Note 2	7.12	Note 2	23.22
Leverage	Operating leverage	1.10	1.23	1.21	1.21	1.19
	Financial leverage	1.02	1.06	1.10	1.12	1.07

Please indicate the reasons for the changes in the financial ratios in the last two years. (If the increase or decrease is less than 20%, it can be exempted)

1. Current ratio：Improve due to cash derived from the issuance of bonds and repayment of short-term loan.
2. Quick ratio：Improve due to cash derived from the issuance of bonds and repayment of short-term loan.
3. Interest coverage ratio (times)：Mainly due to the improvement of earnings before interest and taxes.
4. Return on total assets：Mainly due to improvement of profit after taxes.
5. Return on Equity：Mainly due to improvement of profit after taxes.
6. Pre-tax income to paid-in capital ratio：Mainly due to increase in profit before tax.
7. Net Profit margin (%)：Mainly due to improvement of gross profit margin.
8. Basic Earnings per share：Mainly due to improvement of profit after taxes.

Sources: Simulated consolidated financial report of the 2015 & 2016 audited by the accountant and the 2018~2019 consolidated financial report audited by accountant.

Note 1：Any year that has not been verified by an accountant 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, pland 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 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 business operation) = Cost of goods sold / Average accounts payable (including accounts payable and notes payable derived from 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（註 4）

5. Cash flow

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

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

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

2. Financial analysis – ROC's Financial Accounting Standards:

Not Applicable

C. Most Recent Year’s Audit Committee’s Report

特昇國際股份有限公司

Techcential International Ltd

AUDIT COMMITTEE’ S REVIEW REPORT

Date: 20 March 2020

To: Shareholder’ s Annual General Meeting for Year 2020, Techcential International Ltd

Board of Directors has prepared the Company’ s 2019 Business Report, Consolidated Financial Statement, and proposal for Earnings Distribution. The CPA firm of KPMG was retained to audit the Company’ s Consolidated Financial Statements. KPMG has completed audit procedures and issued Audit Opinion. Business Report, Financial Statements, and profit allocation proposal have been reviewed and determined to be correct and accurate by Audit Committee members of the Company.

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

The Audit Committee, Chairman:

Mr Oun Lek Wee

D. Most Recent Year’s Consolidated Financial Statements:

Please refer to Exhibits 1.

E. Most Recent Year’s theparent company only financial statements:

Not Applicable.

F. Up to the most recent two-year and the date of publication, if there areany financial difficulties among the Company and its affiliates, impactson the Company'sfinancial conditionsshall be indicated:

None.

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

I. Financial Status

Unit: NTD Thousand; %

Item \ Year	2018	2019	Variance	
	Amount	Amount	Amount	%
Current assets	471,074	552,737	81,663	17.34
Property, Plant and Equipment	121,014	144,649	23,635	19.53
Right of use assets	-	51,693	51,693	100.00
Intangible assets	285	323	38	13.33
Other assets	27,191	77,776	50,585	186.04
Total assets	619,564	827,178	207,614	33.51
Current liabilities	255,305	175,457	(79,848)	(31.28)
Non-current liabilities	39,874	260,159	220,285	552.45
Total liabilities	295,179	435,616	140,437	47.58
Share capital	236,250	236,250	-	-
Capital surplus	23,735	32,615	8,916	37.56
Retained earnings	44,544	94,057	49,513	111.37
Other equity	18,800	14,522	(4,278)	(22.76)
Non-control equity	1,056	14,082	13,026	1233.52
Total equity	324,385	391,562	67,177	20.71

Cause and impact of the significant differences (more than 20% and NT$ 10 million) of assets, liabilities and equities in the last two year:

1. Increase in Right of use assets: In line with the implementation of IFRS16 on 1st January 2019, all rental, leasing and rental payable are to be disclosed under following items in balance sheet.
   - Right of use asset – assets.
   - Right of use asset – accumulated depreciation.
   - Lease liabilities.
   - Current portion of lease liabilities.
2. Increase in Other assets: Mainly due to deposit amounted to USD260,000 paid by TC to secured a term loan from Bank and advance payment for purchase of machinery, deposit on factory rental and electricity for EHL and ESKB.
3. Decrease in Current liabilities：Decrease in Current liabilities：Decreasing of current liabilities mainly due to the repayment most of the of short term borrowing by fund which derived from issuance of 1st convertible bond on 3rd December 2019.
4. Increase in Non-current liabilities： Increasing of non-current liabilities due to the issuance of 2,000 1st convertible bonds with face value of NTD100,000 each on 3rd December 2019 for the period of 3 years.
5. Increase in Retained earnings：Mainly due to the increase in profit after tax.
6. Increase in Non-control equity：Increasing of non-control equity due to holding of 28.41% by ESKB minority stake.

II. Operating Results

1. Operating Results Analysis

Unit: NTD Thousand; %

Item	2018	2019	Difference	
	Amount	Amount	Amount	%
Operating revenues	1,082,868	1,386,627	303,759	28.05
Operating costs	897,420	1,076,063	178,643	19.91
Gross profit	185,448	310,564	125,116	67.47
Operating expenses	132,063	178,748	46,685	35.35
Operating income	53,385	131,816	78,431	146.92
Non-operating income and expenses	(1,044)	(3,608)	(2,564)	245.59
Profit before income tax	52,341	128,208	75,867	144.95
Income tax expense	15,152	36,853	21,701	143.22
Net profit for the year	37,189	91,355	54,166	145.65
Other comprehensive income(loss) for the year, net of income tax	11,213	(4,698)	(15,911)	(141.90)
Total comprehensive income for the year	48,402	86,657	38,255	79.04

Cause and impact of the significant differences (more than 20% and NT$ 10 million) in the last two year:

1. Increase in operating revenue：Due to the contribution from the continuous growing of furniture manufacturing and the new rubberwood processing business.
2. Increase in gross profit： Increasing in gross profit mainly due to the effective cost control, appreciation of USD of about 2.7% against MYR in 2019 and cheaper raw material price.
3. Increase in operating expenses：
   (a) Sales and distribution expenses increased for this period mainly due to more shipment of furniture and new rubberwood business.
   (b) General and administration expenses increased for this period higher payroll and bonuses for furniture division and new rubberwood business.
4. Increase in operating income：Mainly due to the increasing of sales revenue and profit margin.
5. Increase in profit before income tax：Mainly due to the increasing of sales revenue and profit margin.
6. Increase in income tax expense ：Mainly due to the increasing of profit.
7. Increase in net profit for the year ： Mainly due to the increasing of sales revenue and profit margin.
8. Decrease in other comprehensive income(loss) for the year, net of income tax：Mainly due to strengthening of NTD against MYR for the period.
9. Increase in total comprehensive income for the year：Mainly due to the increasing of sales revenue and profit margin.

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.

3. Potential impact on the company's financial and sales performance in the future:

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

III. Cash Flows

1. Analysis of the Change in Cash Flow in 2019:

Unit: NTD Thousand

Item	2018	2019	Difference	
			Amount	
Net Cash generate from Operating Activities	(26,514)	136,499	163,013	614.82
Net cash used in Investing activities	(51,183)	(90,487)	(39,304)	(76.79)
Net cash used in Financing activities	111,109	42,551	(68,558)	(61.70)

Variance analysis:

1. Increase in cash flow from operating activities:
   This is mainly due to increase in profitability and refund from collecting agent, CIT
2. Increase in cash flow from investing activities:
   This is mainly due to purchase of new machineries equipment and deposit for our new business activities, ESKB and EHL and security deposit for term loan facility by TC..
3. Increase in cash flow from financing activities:
   This is mainly due to issuance of 1st convertible bond in amounted to NTD 196,000,000 and term loan amounted NTD 39,000,000. Part of the proceeds were off-set by settlement of short-term borrowings amounted to NTD 130,000,000 and cash dividends of 42,525,000.

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

3. Cash flows analysis for next year:
   Current working capital is adequate. We expect the cash flows position to be stronger and liquid next year.

IV. Material capital expenditures and it impact on finance and business operation in recent year:

The Company has no material capital expenditures in recent year.

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

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", etc. to govern our investment.

2. Major reasons for profit/losses resulting and plans for improvement:

Unit: NTD Thousand

Investee Enterprises	Direct (Indirect) shareholding ratio	Approved investment gains and losses in the most recent year	Reason for profit or loss	Improvement plan
TC	100.00%	102,972	Good operating condition	NA
TCH	100.00%	(1,310)	Due to changes in business model. Scale down operation. Hence, revenue insufficient to cover cost.	Shipped by business partner
EHL	100.00%	1,509	Good operating condition	NA
TCH(US)	100.00%	678	Good operating condition	NA
ESK B	71.59%	(1,723)	Newly set-up, no revenue	Production started in 2020
ESK WP	100.00%	2,393	Good operating condition	NA

3. Investment plans for the coming year:

   The company's increased capital of subsidiary EHL in order to develop kitchen cabinet business. As of the date of publication of the annual book, the company has invested NT$45 million (about MYR6 million). If the future investment plan changes, related information will be disclosed in accordance with the regulations.

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

(a) Risk Management

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

a. Interest rate changes

Unit: NTD Thousand

	Year 2018		Year 2019	
	Amount	Net sales share (%)	Amount	Net sales share (%)
Interest income	538	0.05	754	0.05
Interest expense	5,658	0.52	8,874	0.64

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

The company's capital planning is based on the principle of conservative and stable. The allocation of working capital is based on safety first. The idle funds are mainly fixed deposits and demand deposits. The proportion of interest income is not high. The company maintains good relations with financial institutions and establishing standby banking facility. The financial unit of the company pays close attention to the economic development situation on regular basis and will take corresponding measures when necessary.

(2) Exchange rate changes

Unit: NTD Thousand

Item \ Year	2018	2019
Gains (losses) on foreign currency exchange	2,426	(3,486)
Gains (losses) on financial assets at fair value through profit or loss	(20)	(460)
Total	2,406	(3,946)
Proportion of operating income (%)	0.22	(0.28)

The foreign exchange gain/(loss) for last two years was NTD2, 426,000 and (NTD3,486,000) respectively, which accounted for 0.22% and (0.28%) of revenues.

Our products are mainly exported and our revenues are quoted in USD. Hence, exchange gain and loss in foreign currency depends largely on the fluctuation of USD against MYR. The losses on foreign currency exchange is mainly the unrealized loss due to weakening of USD against MYR toward the end of 2019.

As our proceed are mainly in USD, the volatility of USD would affect our group bottom line and to minimise the impact, the group may adopt hedging strategies as the need arises.

(3) Inflation

With the rapid changes in the global economic environment, the company has not yet had a significant impact on profit and loss due to the inflation crisis. In the future, the Company will continue to maintain close and good relations with suppliers, and pay attention to fluctuations in market prices at any time, adjust procurement strategies and cost structures in a timely manner, and reduce the impact of inflation changes on the Company's profit and loss.

1. Policy on dealing with high-risk and high-leverage investment, loans to another party, corporate guarantee and hedging in derivative, reason for gain or loss and counter measure:

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

2. Future R&D projects and estimated costs:

In order to cope with the growth of the future American wooden furniture market, the Company has taken advantage of the professional manufacturer of wooden bedroom furniture to launch its own brand in the market. In addition to continuously improving the production efficiency, it is necessary to strengthen the company's ability to develop and manufacture products. In order to meet the different needs of customers, in addition to the estimated investment of NTD 10 million in 2019, the company will continue to invest in research and development expenses, which will continue to enhance the competitiveness of the company. The future development direction of the company is as follows:

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

3. Both home and abroad, changes in major political policies and laws with effect on the Company’s business and financials, and response measures:

The company is registered in the British Cayman Islands, the main operating country is Malaysia, the British Cayman Islands is mainly engaged in financial services, and Malaysia is one of the major economic systems in Southeast Asia. The political and economic environment is still stable. The products developed and sold by the Company are essential items for people's livelihood and are not licensed or restricted industries. Therefore, the Company has not caused any significant impact on the financial business due to changes in important policies and laws in the British Cayman Islands or Malaysia. The implementation of the company's various businesses are handled in accordance with important domestic and international policies and laws. In the most recent year, we will pay attention to the important domestic and international policy development trends and legal changes in order to respond to changes in the market environment and take appropriate countermeasures.

4. Technology and industry changes affecting the Company’s business and financials, and response measures:

The Company is constantly paying attention to the relevant technology updates and enhancements in the industry and grasping the latest market information to assess its impact on the company's operations. In the most recent year and the end of the annual report, the technological changes and industrial changes have not been significant influences to the company's financial business.

5. Changes in corporate image with influence to corporate crisis control and response measures:

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

6. Expected benefits from merging and possible risks and response measures:

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

7. Predicted benefits from warehouse expansion and possible risks and response measures:

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

8. Risks from concentrated purchasing and selling of goods, and response measures:

(1) Concentrated purchase of goods:

The company's largest purchase suppliers in 2018 and 2019 accounted for 4.31% and 3.11% of the total purchases, respectively. The suppliers that cooperate with the company are all in a long and good relationship for many years, so the quality and delivery time are relatively stable. In addition, the company's main purchases are supplied by more than two suppliers. If a supplier cannot provide stable supply or the delivery cannot be matched, the company will additionally seek alternative suppliers or other suitable alternative materials. So it can reduce the concentration of incoming goods and the risk of material loss.

(2) Concentrated selling:

The Company's largest sales customers in 2018 and 2019 accounted for 47.46% and 44.22% (AFI & AFT) of the operating revenue respectively, mainly because the company focused on the high-quality production of American-style bedroom furniture, and the manufacturing capacity advantage was recognized by customers, so the business volume of the largest customers increased year by year. However, the Company actively explored the upstream market during the year. The proportion of revenue from rubber wood manufacturing and trading business increased, and the proportion of new customers' revenue increased accordingly. The proportion of largest customers decreased to 44.22%. In the future, the Company will actively expand new customers and new markets in order to reduce the risk of sales concentration.

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

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

10. Controlling rights changes in the Company and its effects, risks, and response measures

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

11. Other significant risks and response measures:
    Please refer to TIL Chinese Annual Book, page 72-74 for details.

(b) Litigation and non-litigation matters

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

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

3. 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.

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

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

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

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

Please refer to TIL Chinese Annual Book, page 75-80 for details.

VII. Other Significant Events:

(a) Security Risk of Information Technology

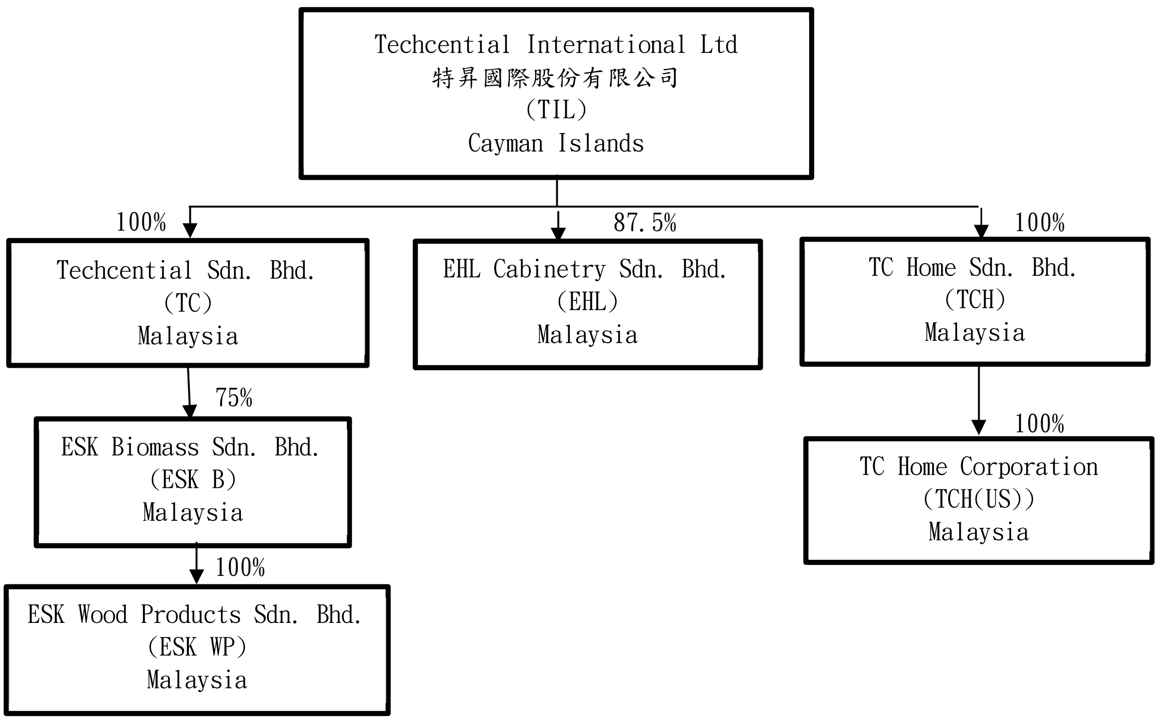
The company's security risk of IT assessment is low. As of the date of publication of the annual report, the company has not found any major cyber attacks or incidents that have or may have a significant adverse impact on the company's business and operations, and have not been involved in any legal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

VIII、Special Disclosures

A、Summary of Affiliated Companies

(i) Organization

1. Affiliated Companies Chart April 30, 2020



(ii) Basic Information of the Company's Affiliated Companies

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	35, lst Floor Jalan Seroja 8, Taman Seroja, Jalan Abd. Jabar, Parit Jawa 84150 Muar, Johor, Malaysia.	MYR 2,000	Trading
TCH(US)	2015.8.20	c/o Isaacson Isaacson Sheriden Fountain & Leftwich, LLP, 804 Green Valley Road, Suite 200, Greensboro, Guilford County, North Carolina 27408.	USD 100 only	Management consultant
EHL	2016.5.20	PTD 4093 Kaw Perindustrian Parit Jamil, Parit Jawa 84150 Muar, Johor, Malaysia.	MYR 3,500	Purchase of raw materials
ESK B	2018.9.01	Lot 1673, Batu 3, Jalan Labis, 83700 Yong Peng, Johor.	MYR 5,040	Manufacturing of Kitchen Cabinet
ESK WP	2018.9.01	Lot 1673, Batu 3, Jalan Labis, 83700 Yong Peng, Johor.	MYR 6,000	Manufacturing & Trading of Rubber Wood

(iii) Presumed to be the same shareholder information for those with control and affiliation:

Not Applicable.

(iv) Overall business operations:

Please refer to TIL Chinese Annual Book, page 82 for details.

(v) Directors, Supervisors and General Manager of Affiliated Companies

Name of Affiliated Companies	Title	Name of Representatvie	Sharehlodings	
			Shares	%
Techcential Sdn. Bhd.	Director	Eng Kai Pin	-	-
	Director	Eng Kai Jie	-	-
	Director	Yee Foo Chong	-	-
	CEO	Eng Kai Jian	-	-
TC Home Sdn. Bhd.	Director	Eng Kai Pin	-	-
	Director	Eng Kai Jie	-	-
	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	-	-
	CEO	Lim Swee Soon	-	-
ESK Biomass Sdn. Bhd.	Director	Eng Kai Jie	-	-
	Director	Tey Pek Kiang	-	-
ESK Wood Products Sdn. Bhd.	Director	Eng Kai Jie	-	-
	Director	Tey Pek Kiang	-	-

(vi) Affiliated Companies Operating Status

December 31, 2019; 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	736,267	287,481	448,786	1,155,287	139,194	102,038	NA
TC Home Sdn. Bhd.	MYR 2,000	11,386	12,636	(1,250)	44,059	(3,797)	(1,310)	NA
TC Home Corporation	USD 100 元	1,137	354	783	11,196	785	678	NA
EHL Cabinetry Sdn. Bhd.	MYR 3,500	66,257	34,577	31,680	86,292	1,782	1,247	NA
ESK Biomass Sdn. Bhd.	MYR 5,040	77,235	27,668	49,567	4,286	(4,778)	(2,406)	NA
ESK Wood Products Sdn. Bhd.	MYR 6,000	123,855	76,817	47,038	220,794	3,690	2,399	NA

B. Most recent fiscal year and up to the date of annual report printed, issuance of private placement of securities:

None.

C. Most recent fiscal year and up to the date of annual report printed, acquisition or disposal of the Company's shares by its affiliates:

None.

D. Other Necessary Supplements：

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

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

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

Please refer to TIL Chinese Annual Book, page 85-89 for details.

F. Up to the most recent fiscalyear and the publication date, occurrence of Securities and Exchange Law, Article 36, paragraph 3, subparagraph 2,that any significant impact on shareholders' equity or securities price matters:

None.

Stock Code:6616

TECHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES

Consolidated Financial Statements

With Independent Auditors' Report
For the Years Ended December 31, 2019 and 2018

Address: **The Grand Pavilion Commercial, Oleander Way, 802 West Bay Road, P.O. Box 32052, Grand Cayman KY1-1208, Cayman Islands.**
Telephone: **(04)2260-5899**

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

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Independent Auditors' Report

To the Board of Directors of Techcential International Limited:

Opinion

We have audited the consolidated financial statements of Techcential International Limited and its subsidiaries ("the Group"), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, the consolidated statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretation Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Based on our judgments, the key audit matters that should be disclosed in this audit report are as follows:

1. Revenue recognition

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

Description of key audit matter:

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

How the matter was addressed in our audit:

Our audit procedures included:

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

2. Subsequent measurement of inventory

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

Description of key audit matter:

The Group's principle activities are the manufacturing and sales of furniture. As of December 31, 2019, the inventory balance of $147,897 thousands consisted 18% of the total consolidated assets. Valuation of inventory relies on past experience and future sales forecast, which involved the subjective judgment from the top management. Therefore, the subsequent measurement of inventories was considered to be one of our key audit matters.

How the matter was addressed in our audit:

Our audit procedures included:

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

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

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, interpretations as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance including the Audit committee, are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Min-Ju Chao and Chun-Hsiu Kuang.

KPMG

Taipei, Taiwan (Republic of China)
March 20, 2020

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, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	Assets	December 31, 2019 Amount	%	December 31, 2018 Amount	%
11xx	**Current assets:**				
1100	Cash and cash equivalents (note 6(a))	$ 188,084	23	103,144	17
1110	Current financial assets at fair value through profit or loss (notes 6(b) and 7)	269	-	589	-
1136	Current financial assets at amortized cost (notes 6(b), (i) and 8)	9,013	1	9,196	1
1170	Accounts receivable, net (notes 6(c) and (r))	170,247	21	164,874	27
1200	Other receivables (note 6(d))	3,078	-	21,459	3
1310	Inventories (note 6(e))	147,897	18	130,405	21
1410	Prepayments	26,731	3	24,671	4
1470	Other current assets	7,418	1	16,736	3
	Total current assets	552,737	67	471,074	76
15xx	**Non-current assets:**				
1536	Non-current financial assets at amortized cost (notes 6(b), (l) and 8)	4,022	1	3,967	1
1600	Property, plant and equipment (notes 3(a), 6(f), (g), (h), (i), (j), (l) and 8)	144,649	17	121,014	19
1755	Right-of-use assets (notes 3(a), 6(f), (g), (j) and 8)	51,693	6	-	-
1780	Intangible assets (notes 6(f) and (h))	323	-	285	-
1840	Deferred tax assets (note 6(o))	5,052	1	1,938	-
1915	Prepayments for equipment (note 6(f))	52,170	6	16,440	3
1920	Refundable deposits (notes 6(l) and 8)	16,532	2	4,846	1
	Total non-current assets	274,441	33	148,490	24
1xxx	**Total assets**	$ 827,178	100	619,564	100

	Liabilities and Equity	December 31, 2019 Amount	%	December 31, 2018 Amount	%
21xx	**Current liabilities:**				
2100	Short-term loans (notes 6(b), (f), (i), 7 and 8)	$ 7,309	1	137,284	22
2170	Accounts payable	65,239	8	60,554	10
2180	Accounts payable to related parties (note 7)	2,073	-	227	-
2200	Other payables (notes 6(s) and 7)	55,762	7	42,994	7
2230	Current tax liabilities	11,624	1	5,682	1
2280	Current lease liabilities (notes 3(a), 6(g), (j), 7 and 8)	13,828	2	2,622	-
2322	Long-term loans, current portion (notes 6(b), (f), (l), 7 and 8)	18,632	2	5,912	1
2399	Other current liabilities	990	-	30	-
	Total current liabilities	175,457	21	255,305	41
25xx	**Non-Current liabilities:**				
2500	Non-current financial liabilities at fair value through profit or loss (notes 6(b), (m) and (p))	640	-	-	-
2531	Convertible bonds payable (notes 6(m) and (p))	187,590	23	-	-
2540	Long-term loans (notes 6(b), (f), (l), 7 and 8)	29,146	3	15,441	3
2570	Deferred tax liabilities (note 6(o))	3,154	-	2,498	-
2580	Non-current lease liabilities (notes 3(a), 6(g), (j), 7 and 8)	34,025	4	3,289	1
2622	Long-term other payable to related parties (note 7)	-	-	13,828	2
2670	Other non-current liabilities	5,604	1	4,818	1
	Total non-current liabilities	260,159	31	39,874	7
2xxx	**Total liabilities**	435,616	52	295,179	48
31xx	**Equity attributable to owners of parent (notes 6 (m) and (p)):**				
3110	Common stock	236,250	29	236,250	38
3200	Capital surplus	32,651	4	23,735	4
3300	Retained earnings:				
3310	Legal reserve	84	-	84	-
3350	Unappropriated retained earnings	93,973	11	44,460	7
	Total retained earnings	94,057	11	44,544	7
3410	Exchange differences on translation of foreign financial statements	14,522	2	18,800	3
	Total equity attributable to owners of parent	377,480	46	323,329	52
36xx	**Non-controlling interests**	14,082	2	1,056	-
3xxx	**Total equity**	391,562	48	324,385	52
2-3xxx	**Total liabilities and equity**	$ 827,178	100	619,564	100

See accompanying notes to consolidated financial statements.

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

TECHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2019 and 2018

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

		2019		2018	
		Amount	%	Amount	%
4000	**Operating revenue (note 6(r))**	$ 1,386,627	100	1,082,868	100
5000	**Operating costs (notes 6(e), (f), (g), (h), (j), (k), (n), 7 and 12)**	1,076,063	78	897,420	83
5900	**Gross profit from operations**	310,564	22	185,448	17
6000	**Operating expenses (notes 6(c), (f), (g), (h), (j), (k), (n), (s), 7 and 12):**				
6100	Selling expenses	90,301	7	69,389	6
6200	Administrative expenses	74,984	5	56,243	5
6300	Research and development expenses	8,371	1	5,655	1
6450	Expected credit loss	5,092	-	776	-
	Total operating expenses	178,748	13	132,063	12
6900	**Operating income**	131,816	9	53,385	5
7000	**Non-operating income and expenses (notes 6(b), (f), (j), (m), (t) and 7):**				
7010	Other income	9,827	1	2,398	-
7020	Other gains and losses	(4,561)	-	2,216	-
7050	Finance costs	(8,874)	(1)	(5,658)	(1)
	Total non-operating income and expenses	(3,608)	-	(1,044)	(1)
7900	**Profit before tax**	128,208	9	52,341	4
7950	**Less: Income tax expenses (note 6(o))**	36,853	3	15,152	1
8200	**Net profit**	91,355	6	37,189	3
8300	**Other comprehensive income:**				
8360	**Item that may be reclassified subsequently to profit or loss**				
8361	Foreign currency translation difference for foreign operations	(4,698)	-	11,213	1
8399	Income tax relating to items that may be reclassified subsequently to profit or loss	-	-	-	-
8300	**Other comprehensive income, net**	(4,698)	-	11,213	1
8500	**Total comprehensive income**	**$ 86,657**	**6**	**48,402**	**4**
	Net profit, attributable to:				
8610	Owners of parent	$ 92,038	6	37,060	3
8620	Non-controlling interests	(683)	-	129	-
		$ 91,355	**6**	**37,189**	**3**
	Total comprehensive income attributable to:				
8710	Owners of parent	$ 87,760	6	48,266	4
8720	Non-controlling interests	(1,103)	-	136	-
		$ 86,657	**6**	**48,402**	**4**
	Basic earnings per share (expressed in New Taiwan dollars) (note 6(q))				
9750	Basic earnings per share		**$ 3.90**		**1.57**
9850	Diluted earnings per share		**$ 3.84**		**1.57**

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, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent										
	Share capital				Retained earnings						
	Common stock	Capital collected in advance	Total	Capital surplus	Legal reserve	Unappropriated retained earnings	Total	Exchange differences on translation of foreign financial statements	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance at January 1, 2018	$ 210,000	2,527	212,527	3,941	84	31,032	31,116	7,594	255,178	-	255,178
Appropriation and distribution of retained earnings:											
Cash dividends on ordinary share	-	-	-	-	-	(23,625)	(23,625)	-	(23,625)	-	(23,625)
Net profit for the year	-	-	-	-	-	37,060	37,060	-	37,060	129	37,189
Other comprehensive income for the year	-	-	-	-	-	-	-	11,206	11,206	7	11,213
Total comprehensive income for the year	-	-	-	-	-	37,060	37,060	11,206	48,266	136	48,402
Capital increased by cash	26,250	(2,527)	23,723	19,794	-	-	-	-	43,517	-	43,517
Changes in ownership interests in subsidiaries	-	-	-	-	-	(7)	(7)	-	(7)	-	(7)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	920	920
Balance at December 31, 2018	236,250	-	236,250	23,735	84	44,460	44,544	18,800	323,329	1,056	324,385
Appropriation and distribution of retained earnings:											
Cash dividends on ordinary share	-	-	-	-	-	(42,525)	(42,525)	-	(42,525)	-	(42,525)
Equity component from convertible bonds issued	-	-	-	8,916	-	-	-	-	8,916	-	8,916
Net profit (loss) for the year	-	-	-	-	-	92,038	92,038	-	92,038	(683)	91,355
Other comprehensive income for the year	-	-	-	-	-	-	-	(4,278)	(4,278)	(420)	(4,698)
Total comprehensive income for the year	-	-	-	-	-	92,038	92,038	(4,278)	87,760	(1,103)	86,657
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	14,129	14,129
Balance at December 31, 2019	**$ 236,250**	**-**	**236,250**	**32,651**	**84**	**93,973**	**94,057**	**14,522**	**377,480**	**14,082**	**391,562**

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TECHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	2019	2018
Cash flows from (used in) operating activities:		
Profit before income tax	$ 128,208	52,341
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	25,009	11,187
Amortization expense	201	128
Expected credit loss	5,092	776
Interest expense	8,874	5,658
Interest income	(754)	(538)
Loss (gain) on disposal of property, plant and equipment	(193)	8
Gain on lease modifications	(12)	-
Total adjustments to reconcile profit	38,217	17,219
Changes in operating assets and liabilities:		
Changes in operating assets:		
Financial assets at fair value through profit or loss	320	1,945
Accounts receivable	(10,465)	(80,486)
Other receivables	18,840	(4,634)
Inventories	(17,492)	(24,061)
Prepayments	(2,060)	(15,933)
Other current assets	9,318	2,522
Total changes in operating assets	(1,539)	(120,647)
Changes in operating liabilities:		
Financial liabilities at fair value through profit or loss	140	-
Accounts payable	4,685	22,509
Accounts payable to related parties	1,846	227
Other payables	7,408	19,934
Other current liabilities	960	(468)
Total changes in operating liabilities	15,039	42,202
Total changes in operating assets and liabilities	13,500	(78,445)
Total adjustments	51,717	(61,226)
Cash inflow (outflow) generated from operations	179,925	(8,885)
Interest received	775	494
Interest paid	(11,123)	(5,520)
Income taxes paid	(33,718)	(12,603)
Net cash flows from (used in) operating activities	135,859	(26,514)
Cash flows from (used in) investing activities:		
Acquisition of financial assets at amortized cost	(55)	-
Acquisition of property, plant and equipment	(27,546)	(23,125)
Proceeds from disposal of property, plant and equipment	4,030	218
Increase in refundable deposits	(11,686)	(107)
Acquisition of right-of-use assets	(2,455)	-
Acquisition of intangible assets	(239)	(159)
Increase in other financial assets	-	(9,447)
Increase in prepayments for equipment	(52,571)	(18,563)
Net cash used in investing activities	(90,522)	(51,183)
Cash flows from (used in) financing activities:		
Increase (decrease) in short-term loans	(129,975)	80,206
Proceeds from issuance of convertible bonds	196,630	-
Proceeds from long-term loans	40,075	-
Repayments of long-term loans	(12,711)	(5,765)
Increase (decrease) in other payables to related parties	(13,828)	13,828
Increase in liabilities under finance lease	-	2,969
Decrease in liabilities under finance lease	(10,030)	(2,604)
Increase in other non-current liabilities	786	1,663
Cash dividends paid	(42,525)	(23,625)
Capital increase by cash	-	43,517
Change in non-controlling interests	14,129	920
Net cash flows from financing activities	42,551	111,109
Effect of exchange rate changes on cash and cash equivalents	(2,948)	8,819
Net increase in cash and cash equivalents	84,940	42,231
Cash and cash equivalents at beginning of period	103,144	60,913
Cash and cash equivalents at end of period	**$ 188,084**	**103,144**

See accompanying notes to consolidated financial statements.

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

TECHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2019 and 2018

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

(1) Company history

Techcential International Limited (the "Company") was established in the Cayman Islands in June 2016. The main purpose of the establishment, which resulted from organizational restructuring, was to apply for trading on the Taipei Exchange (TPEx) in the Republic of China. After the restructuring in October, 2016 and acquiring 100% of TC Home SDN. BHD. (TCH) from Techcential SDN. BHD. (TC) in December of the same year, the Company became the holding company of TC and TCH, and became a listed company on the TPEx in the Republic of China (R.O.C.) on January 10th, 2018. TC and TCH mainly manufacture and sell furniture. Please refer to note 14 for related information on the main business activities of the Group's entities. The Company and its subsidiaries are hereinafter referred to as the Group.

(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 20, 2020.

(3) New standards, amendments and interpretations adopted:

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019.

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 16 “Leases”	January 1, 2019
IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019
Amendments to IFRS 9 “Prepayment features with negative compensation”	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019
Amendments to IAS 28 “Long-term interests in associates and joint ventures”	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

Except for IFRS 16“Leases”, the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of signification changes are as follows:

IFRS 16 replaces the existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

(Continued)

TECHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings on January 1, 2019. The details of the changes in accounting policies are disclosed below.

(i) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Group assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 4 (j)

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

(ii) As a lessee

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognizes right-of-use assets and lease liabilities on balance sheet.

The Group decided to apply recognition exemptions to short-term leases of machinery and leases of buildings and construction.

1) Leases classified as operating leases under IAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at their carrying amount.

In addition, the Group used the following practical expedients when applying IFRS 16 to leases.

a) Applied a single discount rate to a portfolio of leases with similar characteristics.

b) Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.

c) Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.

2) Leases previously classified as finance leases

For leases that were classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability at January 1, 2019 are determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

(Continued)

TECHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Impacts on financial statements

On transition to IFRS 16, the Group recognized additional $31,928 thousands of right-of-use assets and $25,254 thousands of lease liabilities, and decreased $6,674 thousands of property, plant and equipment. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 4.90%.

The explanation of differences between operating lease commitments disclosed at the end of the annual reporting period immediately preceding the date of initial application, and lease liabilities recognized in the statement of financial position at the date of initial application disclosed as follows:

	January 1, 2019
Operating lease commitment at December 31, 2018 as disclosed in the Group's consolidated financial statements	$ 30,096
Recognition exemption for:	
short-term leases	(1,200)
	$ 28,896
Discounted using the incremental borrowing rate at January 1, 2019	$ 25,254
Finance lease liabilities recognized as at December 31, 2018	5,911
Lease liabilities recognized at January 1, 2019	**$ 31,165**

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2020 in accordance with Ruling No. 1080323028 issued by the FSC on July 29, 2019:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 9, IAS39 and IFRS7 "Interest Rate Benchmark Reform"	January 1, 2020
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

The Group assesses that the adoption of the abovementioned standards would not have any material impact on its consolidated financial statements.

TECHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2022

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.

(4) Summary of significant accounting policies:

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

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as "the Regulations") and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C..

(b) Basis of preparation

(i) Basis of measurement

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

(ii) Functional and presentation currency

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

TECHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) Basis of consolidation

(i) Principles of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Intragroup balances and transactions, and any unrealized income and expenses arising from Intragroup transactions are eliminated in preparing the consolidated financial statements. The Group attributes the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

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

(ii) List of subsidiaries in the consolidated financial statements

Name of investor	Name of subsidiary	Principal activity	Shareholding December 31, 2019	Shareholding December 31, 2018	Note
The Company	Techcential Sdn. Bhd. (TC)	Furniture manufacturing and sales	100.00 %	100.00 %	
The Company	TC Home Sdn. Bhd. (TCH)	Furniture sales	100.00 %	100.00 %	
TC	EHL Cabinetry Sdn. Bhd. (EHL)	Kitchenware manufacturing and sales	100.00 %	100.00 %	Note 3
TC	ESK Biomass Sdn. Bhd. (ESKB)	Wood pellet manufacturing and sales	71.59 %	71.59 %	Note 1
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

Note 1: In August 2018, ESKB was established by issuing new stock to TC, with an amount of MYR 63 thousand. In June 2019, ESKB received a cash injection from TC, with an amount of 4,725 thousand. As of December 31, 2019 and 2018, the total investment amounts were 5,040 thousand and 315 thousand, respectively.

Note 2: In August 2018, ESKW was established by issuing new stock to ESKB under TC's reinvestment plan, with an amount of MYR 1 dollar. In June 2019, ESKW received a cash injection from ESKB, with an amount of 5,000 thousand. As of December 31, 2019 and 2018, the total investment amounts were 6,000 thousand and 1,000 thousand, respectively.

Note 3: In October, 2019, EHL was renamed to EHL Cabinetry Sdn. Bhd.(originally as EHL Trading Sdn. Bhd.). Furthermore, on February 13, 2020, the resolution, which granted the Company to obtain 100% of EHL's equity from TC, was passed by the board of directors. This transaction is scheduled to be completed by the second quarter of 2020, with a delivery price of MYR 7,000 thousand.

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

(Continued)

(d) Foreign currencies

(i) Foreign currency transactions

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

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

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

(ii) Foreign operations

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

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

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

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

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

(i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is expected to be realized within twelve months after the reporting period; or

(iv) The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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

An entity shall classify a liability as current when:

(i) It is expected to be settled in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is due to be settled within twelve months after the reporting period; or

(iv) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(f) Cash and cash equivalents

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

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

(g) Financial instruments

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

(i) Financial assets

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

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

(Continued)

TECHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

1) Financial assets measured at amortized cost

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

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

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

2) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

3) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and trade receivables, other receivable and guarantee deposit paid).

Loss allowances for bank balances are measured by 12-month ECL for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

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

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

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

(Continued)

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

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

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

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

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

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

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

4) Derecognition of financial assets

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

(Continued)

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

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instrument

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

3) Compound financial instruments

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

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

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

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

4) Financial liabilities

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

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

(Continued)

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.

(h) Inventories

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

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

(i) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(Continued)

(ii) Subsequent cost

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

(iii) Depreciation

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

Land is not depreciated.

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

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

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

(j) Lease

Applicable from January 1, 2019

(i) Identifying a lease

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

1) The contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and

2) The right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

3) The right to direct the use of the asset throughout the period of use only if either:

- The Group has the right to direct how and for what purpose the asset is used throughout the period of use.

(Continued)

- The relevant decisions about how and for what purpose the asset is used are predetermined and:
  - The Group has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
  - The Group designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

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

(ii) As a lessee

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

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

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

(Continued)

- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- there is a change of its assessment on whether it will exercise a extension or termination option; or
- there are any lease modifications

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

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases of machinery and building that have a lease term of 12 months or less. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

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

Applicable before January 1, 2019

Leases in which the Group assumes substantially all of the risks and rewards of ownership are classified as finance leases. On initial recognition, the lease asset is measured at an amount equal to the lower of its fair value or the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to the asset.

Minimum lease payments made under finance leases are apportioned between the finance cost and the reduction of the outstanding liability. The finance cost is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Other leases are operating leases and are not recognized in the Group's balance sheets.

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Payments made under operating leases (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

(k) Intangible assets

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

(i) Subsequent expenditure

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

(ii) Amortization

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

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

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

(l) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

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

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(m) Recognition of Revenue

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

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

(n) 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.

(o) Share-based payment

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

(p) Income taxes

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

(Continued)

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Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

(i) Temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;

(ii) Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

(iii) Taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reserve, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset if the following criteria are met:

(i) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and

(ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

    1) the same taxable entity; or

    2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

(Continued)

(q) Earnings per share

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

(r) Operating segment

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

The preparation of the consolidated financial statements in conformity with the Regulations and the IFRSs endorsed by the FSC requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

There are no critical judgments in applying accounting policies that have significant effect on the amounts recognized in the consolidated financial statements.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is inventories.

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

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(6) Explanation of significant accounts:

(a) Cash and cash equivalents

		December 31, 2019	December 31, 2018
Cash	$	482	252
Demand and checking deposits		187,602	102,892
Cash and cash equivalents	**$**	**188,084**	**103,144**

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 measured at fair value through profit or loss

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

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

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, 2019 and 2018.

Forward exchange contracts:

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

	December 31, 2018				
	Amount (in thousands)		Currency	Maturity dates	Fair value of assets (liabilities)
Forward exchange sold	USD	3,300	USD to MYR	2019.1.2~2019.4.24	**589**

(ii) Financial assets measured at amortized cost

		December 31, 2019	December 31, 2018
Restricted time deposits	**$**	**13,035**	**13,163**
Current	$	9,013	9,196
Non-current		4,022	3,967
Total	**$**	**13,035**	**13,163**

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

During the years ended December 31, 2019 and 2018, the Group held restricted time deposit, with the weighted average interest rates of 1.83% and 1.80%, which mature on January to November, 2020 and September 2019 to November 2020, respectively.

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

2) As of December 31, 2019 and 2018, the financial assets measured at amortized costs of the Group had been pledged as collateral for its long-term and short-term borrowings. Please refer to note 8.

(iii) Financial liabilities at fair value through profit or loss

		December 31, 2019	December 31, 2018
Financial liabilities at fair value through profit or loss:			
Derivative financial liabilities			
Call and put option of corporate bonds payable	$	640	-

(c) Accounts receivable

		December 31, 2019	December 31, 2018
Accounts receivable	$	175,994	165,640
Less: loss allowance		(5,747)	(766)
	$	170,247	164,874

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, 2019 and 2018. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including macroeconomics and relevant industry information.

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The Group's analyses on the expected credit loss of its accounts receivable from the operating segment of its furniture manufacturing and sales, as of December 31, 2019 and 2018 were as follows:

	December 31, 2019		
	Gross carrying amount	Weighted average loss rate (%)	Loss allowance provision
Not yet due	$ 104,318	0.11	110
Past due 1~30 days	18,918	0.46	88
Past due 31~60 days	1,837	4.51	83
Past due 61~90 days	13	34.65	5
Over 91 days	2	100.00	2
	$ 125,088		**288**

	December 31, 2018		
	Gross carrying amount	Weighted average loss rate (%)	Loss allowance provision
Not yet due	$ 122,010	-	-
Past due 1~30 days	22,045	-	-
Past due 31~60 days	3,380	3.98	135
Past due 61~90 days	4,093	33.06	1,353
Over 91 days	14	100.00	14
	$ 151,542		**1,502**

As of December 31, 2018, the accounts receivable with 91 days past due do not include the amount of $3,370 thousands from a certain customer. Since the account receivable for this customer was collected in full in February 2019, the amount was not included in the calculation of loss allowance provision.

The Group's analyses on the expected credit loss of its accounts receivable from the operating segment of its furniture manufacturing and sales as of December 31, 2019 and 2018 were as follows:

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

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	December 31, 2018			
		Gross carrying amount	Weighted average loss rate (%)	Loss allowance provision
Not yet due	$	5,575	-	-
Past due 1~30 days		1,636	-	-
Past due 31~60 days		1,785	-	-
Past due 61~365 days		1,732	10.00	173
	$	**10,728**		**173**

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

	December 31, 2019			
		Gross carrying amount	Weighted average loss rate (%)	Loss allowance provision
Not yet due	$	30,330	1.34	406
Past due 1~30 days		9,510	4.97	472
Past due 31~60 days		3,620	13.08	474
Past due 61~90 days		2,387	27.18	649
Past due 91~120 days		140	19.94	28
Past due 121~150 days		872	29.37	256
Past due 151~180 days		567	29.29	166
Past due 181~210 days		773	38.99	301
Over 210 days		481	100.00	481
	$	**48,680**		**3,233**

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

		2019	2018
Balance at the beginning	$	766	-
Impairment losses recognized		5,092	776
Foreign exchange loss		(111)	(10)
Balance at the ending	**$**	**5,747**	**766**

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

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The Group sold its accounts receivable, without recourse, to a financial institution. According to the transferring terms, the seller does not need to bare the risk of any unrecoverable accounts receivable; it is only responsible for the losses incurred from debt disputes. Therefore, the financial instrument has met the requirement of derecognition. As of December 31, 2018, the information for the current accounts receivable, without recourse, is as follows:

	December 31, 2018				
Purchaser	**Assignment Facility**	**Factoring Line**	**Advanced Amount**	**Range of Interest Rate**	**Collateral**
Commercial Services, Inc	$ 20,065	112,039	-	-	-

The agreement of accounts receivable factoring with Commercial Services, Inc was expired in August, 2019.

As of December 31, 2019, there is no outstanding accounts receivable factoring line.

(d) Other receivables

	December 31, 2019	December 31, 2018
Other receivables	$ 3,078	21,459
Less: Loss allowance	-	-
	$ 3,078	21,459

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

(e) Inventories

	December 31, 2019		
	Cost	**Allowance for loss**	**Net receivables value**
Raw materials	$ 42,487	2,406	40,081
Work in process	36,764	379	36,385
Semi-finished goods	33,073	3,457	29,616
Finished goods	45,904	4,089	41,815
	$ 158,228	10,331	147,897

	December 31, 2018		
	Cost	**Allowance for loss**	**Net receivables value**
Raw materials	$ 35,715	1,129	34,586
Work in process	31,140	410	30,730
Semi-finished goods	25,835	2,740	23,095
Finished goods	45,024	3,030	41,994
	$ 137,714	7,309	130,405

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

	2019	2018
Balance as of January 1	$ 7,309	7,986
Losses recognized (reversed)	3,151	(1,033)
Foreign currency translation effect	(129)	356
Balance as of December 31	**$ 10,331**	**7,309**

For the years ended December 31, 2019 and 2018, in addition to the normal cost of goods sold, the following loss and revenue were included in the Group's operating costs:

	2019	2018
Recognition (reversal) of declaration and obsolescence of inventory	3,151	(1,033)
Loss on inventory obsolescence	5,356	293
Physical count variance	3,253	1,228
	$ 11,760	**488**

As of December 31, 2019 and 2018, 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, 2019 and 2018, were as follows:

	Land	Buildings and construction	Machinery and equipment	Transportation Equipment	Office Equipment	Leasehold improvement	Other facilities	Construction in progress and testing equip	Total
Cost or deemed cost:									
Balance on January 1, 2019	$ 18,396	95,221	49,999	33,906	8,602	126	9,773	-	216,023
Additions	-	2,421	10,049	8,178	683	-	1,714	12,486	35,531
Disposal	-	-	(3,975)	(1,210)	(409)	(128)	-	-	(5,722)
Reclassification (note)	-	-	11,740	(6,788)	(6)	-	(1,035)	-	3,911
Foreign currency translation effect	(165)	(902)	(855)	(386)	(83)	2	(114)	(253)	(2,756)
Balance at December 31, 2019	**$ 18,231**	**96,740**	**66,958**	**33,700**	**8,787**	**-**	**10,338**	**12,233**	**246,987**
Balance at January 1, 2018	$ 17,640	90,314	33,255	24,129	7,640	121	8,248	-	181,347
Additions	-	910	12,962	8,735	746	-	1,187	-	24,540
Disposal	-	-	(248)	(288)	(135)	-	-	-	(671)
Reclassification (note)	-	141	2,806	411	31	-	-	-	3,389
Foreign currency translation effect	756	3,856	1,224	919	320	5	338	-	7,418
Balance at December 31, 2018	**$ 18,396**	**95,221**	**49,999**	**33,906**	**8,602**	**126**	**9,773**	**-**	**216,023**
Depreciation and impairments loss:									
Balance at January 1, 2019	$ -	38,640	19,993	20,907	7,219	126	8,124	-	95,009
Depreciation	-	1,888	7,596	4,502	886	-	787	-	15,659
Disposal	-	-	(186)	(1,178)	(393)	(128)	-	-	(1,885)
Reclassification (note)	-	-	(400)	(4,135)	(3)	-	(824)	-	(5,362)
Foreign currency translation effect	-	(384)	(326)	(219)	(74)	2	(82)	-	(1,083)
Balance at 2019	**$ -**	**40,144**	**26,677**	**19,877**	**7,635**	**-**	**8,005**	**-**	**102,338**

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	Land	Buildings and construction	Machinery and equipment	Transportation Equipment	Office Equipment	Leasehold improvement	Other facilities	Construction in progress and testing equip	Total
Balance at January 1, 2018	$ -	35,534	15,158	17,211	5,984	91	6,960	-	80,938
Depreciation	-	1,604	4,290	3,284	1,099	32	878	-	11,187
Disposal	-	-	(50)	(288)	(107)	-	-	-	(445)
Foreign currency translation effect	-	1,502	595	700	243	3	286	-	3,329
Balance at December 31, 2018	**$ -**	**38,640**	**19,993**	**20,907**	**7,219**	**126**	**8,124**	**-**	**95,009**
Carrying amounts:									
Balance at December 31, 2019	**$ 18,231**	**56,596**	**40,281**	**13,823**	**1,152**	**-**	**2,333**	**12,233**	**144,649**
Balance at December 31, 2018	**$ 18,396**	**56,581**	**30,006**	**12,999**	**1,383**	**-**	**1,649**	**-**	**121,014**
Balance at January 1, 2018	**$ 17,640**	**54,780**	**18,097**	**6,918**	**1,656**	**30**	**1,288**	**-**	**100,409**

Note: 1. The cost of $15,950 thousand was transferred from prepayments for equipment.

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

3. The cost and accumulated depreciation of $6 thousand and $3 thousand, respectively, were transferred to intangible assets.

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

(g) Right-of-use assets

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

	Land	Buildings	Machinery and equipment	Transportation Equipment	Other equipment	Total
Cost:						
Balance at January 1, 2019	$ -	-	-	-	-	-
Effects of retrospective application	-	25,254	3,997	6,937	1,099	37,287
Balance at January 1, 2019 after restatement	-	25,254	3,997	6,937	1,099	37,287
Additions	150	16,753	8,923	5,949	-	31,775
Disposals (early termination)	-	(2,308)	-	-	-	(2,308)
Foreign currency translation effect	(3)	(519)	(217)	(183)	(10)	(932)
Balance at December 31, 2019	**$ 147**	**39,180**	**12,703**	**12,703**	**1,089**	**65,822**
Accumulated depreciation and impairment losses:						
Balance at January 1, 2019	$ -	-	-	-	-	-
Effects of retrospective application	-	-	400	4,135	824	5,359
Balance at January 1, 2019	-	-	400	4,135	824	5,359
Depreciation	17	6,494	917	1,644	278	9,350
Disposals (early termination)	-	(350)	-	-	-	(350)
Foreign currency translation effect	(1)	(124)	(23)	(69)	(13)	(230)
Balance at December 31, 2019	**$ 16**	**6,020**	**1,294**	**5,710**	**1,089**	**14,129**
Carrying amount:						
Balance at December 31, 2019	**$ 131**	**33,160**	**11,409**	**6,993**	**-**	**51,693**

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The Group leases machinery and transportation equipment classified as property, plant and equipment under the finance lease for the year ended December 31, 2018, please refer to note 6(f). The Group leases exhibition rooms, factory facilities and offices under an operating lease, please refer to note 6(k).

(h) Intangible assets

The cost, amortization and impairment of the intangible assets of the Group for the years ended December 31, 2019 and 2018, were as follows:

		Computers and Software
Cost:		
Balance at January 1, 2019	$	496
Additions		239
Reclassification		6
Foreign currency translation effect		(9)
Balance at December 31, 2019	**$**	**732**
Balance at January 1, 2018	**$**	**325**
Additions		159
Foreign currency translation effect		12
Balance at December 31, 2018	**$**	**496**
Amortization:		
Balance at January 1, 2019	$	211
Amortization		201
Reclassification		3
Foreign currency translation effect		(6)
Balance at December 31, 2019	**$**	**409**
Balance at January 1, 2018	$	81
Amortization		128
Foreign currency translation effect		2
Balance at December 31, 2018	**$**	**211**
Carrying amount:		
Balance at December 31, 2019	**$**	**323**
Balance at December 31, 2018	**$**	**285**
Balance at January 1, 2018	**$**	**244**

(i) Short-term loans

	December 31, 2019	December 31, 2018
Secured bank loans	$ 7,309	137,284
Unused credit line	$ 209,795	83,898
Interest rate (%)	4.12	3.88~4.48

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

(j) Lease liabilities

(i) The carrying value of the lease liabilities of the Group for the years ended December 31, 2018, were as follows:

	December 31, 2018		
	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	$ 2,925	303	2,622
Between one and five years	3,586	297	3,289
	$ 6,511	600	5,911
Current	$ 2,925	303	2,622
Non-current	$ 3,586	297	3,289

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

	December 31, 2019
Current	$ 13,828
Non-current	$ 34,025

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

The amounts recognized in profit or loss were as follows:

	2019
Interest on lease liabilities	$ 2,111
Expenses relating to short-term leases	$ 2,993

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

		2019
Total cash flows from operating activities	$	(5,104)
Total cash flows from investing activities		(10,030)
Total cash outflow for leases	**$**	**(15,134)**

1) Real estate leases

As of December 31, 2019, the Group leases buildings for its office space and warehouse. The leases of office for 2 to 6 years, and of warehouse typically run for a period of 1 to 7 years.

2) Other leases

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

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

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

(k) Operating lease- Leases as lessee

Non-cancellable operating lease rentals payable were as follows:

		December 31, 2018
Less than one year	$	6,687
Between one and five years		19,957
Over five years		3,452
	$	**30,096**

The Group leases a number of exhibition rooms, factory facilities, and offices under operating leases. The leases typically run for a period of 2~6 years.

Operating leases recognized as profit and loss were as follows:

		2018
Operating cost	$	2,420
Operating Expense		4,596
	$	**7,016**

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(l) Long-term loans

The details were as follows:

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

	December 31, 2018			
	Currency	**Interest rate (%)**	**Maturity date**	**Amount**
Secured loans	USD	4.15	2020.11.30	$ 7,541
Secured loans	MYR	5.04~6.54	2024.3.1~2029.4.1	13,812
Subtotal				21,353
Less: current portion				5,912
Total				**$ 15,441**
Unused credit line				**$ -**

(i) Loan Contracts

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

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

a) Debt Service Cover Ratio (DSCR) shall not be less than 1.3 times. DSCR is defined as operating income + depreciation and amortization + interest expenses, divided by long term debts－current portion + interest expenses.

b) Leverage ratio shall not exceed 4.0 times, and is defined as total liabilities divided by tangible assets.

2) TC entered into an agreement with Hong Leong Bank (HLB) in February 2, 2016, with the total credit line of MYR 3,358,000, which was changed to MYR 2,700,126 on October 9, 2017:

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

   a) The Borrower is to maintain the gearing ratio of not more than 1.5 times at all times.

   b) The Borrower is to continue to maintain the business' main operating account with the Bank throughout the term of the loan.

As of December 31, 2019 and 2018, the Group has met the above financial ratios commitment clauses.

(ii) Collateral for loans

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

(m) Corporate bonds payable

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

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

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

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

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

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

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

The unsecured convertible bonds

1) Coupon rate: 0%

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

3) Repayment term:

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

4) Conversion period:

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

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

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

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.

(Continued)

7) Conversion price and adjustment:

The conversion price at the issue date is $40.8 (dollars) per share. If there is any increase in the Company's common stock (including but not limited to cash injection by public offering or private offering, capital increase from retained earnings or capital surplus, issuance of new shares for consolidation purposes or as the consideration payable by the Company for its acquisition of another company's shares, stock split, or cash injection by participating in the issuance of overseas depository receipts) except for increases in shares from conversion of securities in which a stock conversion right or stock warrant was embedded or from issuance of new shares as employees' bonus, the Company shall calculate and adjust the conversion price based on the formula stated in the conversion arrangement before publishing an announcement through the TPEx. The adjustment shall be made at the ex-rights date when issuing new shares. However, the adjustment will be made at the date when the new share subscriptions are fully collected if the issuance of new shares involves share subscription collection. If the issue price of new shares changes after the ex-rights date for issuing new shares, the conversion price should be adjusted based on the revised issue price by using the formula stated in the conversion arrangement. If such recalculated conversion price is lower than that announced to the public through the TPEx before the ex-rights date for issuing new shares, the Company should re announce the adjustment of the conversion price through the TPEx. The conversion price as of December 31, 2019 is NT$40.8 per share.

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

	December 31, 2019
Issuance	$ 500
Valuation loss	140
Balance at the ending	**$ 640**

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

	2019
Balance at the beginning	$ -
Addition in this period	9,160
Less: underwriting expenses	(244)
Balance at the ending	**$ 8,916**

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(n) Employee benefits

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

The pension expenses from defined contribution plans of 2019 and 2018, were paid to the subsidiaries' local government organizations, the details are as follows:

		2019	2018
Operating costs	$	1,901	1,256
Operating expenses		5,973	3,221
	$	**7,874**	**4,477**

(o) Income taxes

(i) The components of income tax in the years 2019 and 2018 were as follows:

		2019	2018
Current tax expense (benefit)			
Current period	$	37,572	14,457
Adjustment for prior periods		1,785	(299)
		39,357	14,158
Deferred tax expense (benefit)			
Origination and reversal of temporary differences		(2,504)	994
Income tax expense	**$**	**36,853**	**15,152**

Reconciliation of income tax and profit before tax for 2019 and 2018 is as follows:

		2019	2018
Profit before income tax	**$**	**128,208**	**52,341**
Income tax using the Company's domestic tax rate	$	33,471	16,501
Adjustment according to tax act		1,490	(1,071)
Tax incentives		-	(541)
Change in provision in prior period		1,785	(299)
Current-year losses for which no deferred tax asset was recognized		107	562
Total	**$**	**36,853**	**15,152**

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(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

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

	December 31, 2019	December 31, 2018
Tax losses	$ 6,568	6,134

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

The Group's estimated unused loss carry-forwards up to December 31, 2019, were as follows:

Year of loss	Unused amount	Year of expiry
2015	$ 3,115	2025
2016	672	2025
2018	2,336	2025
2019	445	2026
	$ 6,568	

2) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2019 and 2018 were as follows:

Deferred tax assets:

	Provision of doubtful debts	Provision of inventory Obsolescence	Tax loss carryforward	Other	Total
Balance at January 1, 2019	$ 184	1,754	-	-	1,938
Recognized in profit or loss	1,222	756	767	452	3,197
Foreign currency translation effect	(27)	(30)	(15)	(11)	(83)
Balance at December 31, 2019	**$ 1,379**	**2,480**	**752**	**441**	**5,052**
Balance at January 1, 2018	$ -	1,916	-	751	2,667
Recognized in profit or loss	186	(248)	-	(793)	(855)
Foreign currency translation effect	(2)	86	-	42	126
Balance at December 31, 2018	**$ 184**	**1,754**	**-**	**-**	**1,938**

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Deferred tax liabilities:

		Property Plant and Equipment useful life	Unrealized exchange gains (losses)	Total
Balance at January 1, 2019	$	(2,498)	-	(2,498)
Recognized in profit or loss		(693)	-	(693)
Foreign currency translation effect		37	-	37
Balance at December 31, 2019	**$**	**(3,154)**	**-**	**(3,154)**
Balance at January 1, 2018	$	(1,617)	(646)	(2,263)
Recognized in profit or loss		(822)	683	(139)
Foreign currency translation effect		(59)	(37)	(96)
Balance at December 31, 2018	**$**	**(2,498)**	**-**	**(2,498)**

(iii) Examination and approval

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

1) Malaysia:

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

b) The tax rate for both 2019 and 2018 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 2019 and 2018 was 21%. The tax rate of North Carolina State were 2.5% and 3%, respectively.

The Group's subsidiaries, ESKB and ESKW, which were set up in 2018, have not yet applied for the declarations of their income taxes at their local tax agencies. Other subsidiaries have declared their income tax through the year of 2018 at their local tax agencies.

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(p) Share capital and other equity

(i) Issuance of common stock

Reconciliation of shares outstanding was as follows:

Unit: per share

	2019	2018
Balance at January 1	23,625,000	21,000,000
Issued for cash	-	2,625,000
Balance at December 31	**23,625,000**	**23,625,000**

(ii) Capital surplus

The balance of capital surplus was as follows:

	December 31, 2019	December 31, 2018
Additional paid-in capital stock	$ 23,630	23,630
Share-Based Payment	105	105
Issuance of convertible bonds-stock warrant	8,916	-
	$ 32,651	**23,735**

(iii) Retained earnings

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

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

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1) Special reserve

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

2) Earnings distribution

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

Earnings distributions for first half of 2019 was decided in resolution made by the board of directors on August 9, 2019.

Earnings distributions for 2018 and 2017 were decided in resolution made by the shareholders on June 27, 2019, and June 29, 2018, respectively. The dividends distributed to shareholders were as follows:

	First half of 2019	2018	2017
Cash dividends distributed to ordinary shareholders	$ 18,900	23,625	23,625

Earnings distributions for 2019 was proposed in resolution made by the board of directors on March 20, 2020. The dividends distributed to shareholders were as follows: :

	2019	
	Amount per share	Amount
Dividends distributed to ordinary shareholders		
Cash	$ 2.20	51,975

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

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(q) Earnings per share

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

	2019	2018
Basic earnings per share:		
Profit of the Company for the year	$ 92,038	37,060
Weighted average number of common shares	23,625	23,575
Basic EPS (New Taiwan dollars)	$ 3.90	1.57
Diluted earnings per share:		
Profit of the Company for the year	$ 92,038	37,060
Influence of dilutive expense	516	-
Profit of the Company for the year for calculating diluted EPS	$ 92,554	37,060
Weighted average number of ordinary shares	23,625	23,575
Potential dilutive effect on common stock		
Influence of employee stock remuneration	90	89
Conversion of bonds	393	-
Weighted-average number of common shares outstanding －diluted	24,108	23,664
Diluted EPS (New Taiwan dollars)	$ 3.84	1.57

(r) Revenue from contracts with customers

(i) Disaggregation of revenue

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

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	2018			
	Department A	Department B	Department B	Total
Primary geographical markets				
United States	$ 751,843	160,256	-	912,099
Malaysia	37,885	226	62,080	100,191
Canada	1,479	21,357	-	22,836
Other	39,628	8,114	-	47,742
	$ **830,835**	**189,953**	**62,080**	**1,082,868**
Major products/services lines				
Furniture manufacturing and sales	$ 834,758	194,499	-	1,029,257
Rubber wood machining and sales	-	-	63,022	63,022
Less: Sales returns and discount	3,923	4,546	942	9,411
Net sales	$ **830,835**	**189,953**	**62,080**	**1,082,868**

(ii) Remaining balances of contract

	December 31, 2019	December 31, 2018	January 1, 2018
Accounts receivables	$ 175,994	165,640	85,164
Less: Loss allowance	5,747	766	-
Total	$ **170,247**	**164,874**	**85,164**

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

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

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

For the years ended December 31, 2019 and 2018, the Company estimated its employee's compensation to be $2,852 thousand and $1,150 thousand, respectively, and the remuneration of directors and supervisors to be $180 thousand and $125 thousand, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's Articles. These remunerations were expensed under operating costs or operating expenses during 2019 and 2018. 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. Related information would be available at the Market Observation Post System. The amounts, as stated in the consolidated financial statements, are identical to those of the actual distributions for 2019 and 2018.

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(t) Non-operating income and expenses

(i) Other income

The details of other income were as follows:

		2019	2018
Interest income	$	754	538
Settlement of insurance claim income		4,715	35
Others		4,358	1,825
Total	$	**9,827**	**2,398**

(ii) Other gains and losses

The details of other gains and losses were as follows:

		2019	2018
Gains (losses) on disposals of property, plant and equipment	$	193	(8)
Gain of lease modification		12	-
Foreign exchange gain (loss)		(3,486)	2,426
Loss of financial assets (liabilities) at fair value through profit or loss		(460)	(20)
Other		(820)	(182)
Total	$	**(4,561)**	**2,216**

(iii) Finance costs

The details of finance costs were as follows:

		2019	2018
Interest expense:			
Bank loans	$	(6,054)	(5,243)
Lease liabilities		(2,111)	(344)
Convertible bonds		(376)	-
Related-party loans		(333)	(71)
Total	$	**(8,874)**	**(5,658)**

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(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 54% and 67% of the total amount of accounts receivable as of December 31, 2019 and 2018. As of December 31, 2019 and 2018, the Group's accounts receivable concentrated on three main customers were $91,885 thousand and $110,301 thousand, respectively.

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, long-term loans and liabilities under finance lease, including estimated interest:

	Amount	Contractual cash flows	Less than 1 year	2~5 years	Over 5 years
December 31, 2019					
Non derivative financial liabilities					
Short-term loan	$ 7,309	7,309	7,309	-	-
Accounts payable (include related party)	67,312	67,312	67,312	-	-
Other payable (include related party)	28,481	28,481	28,481	-	-
Long-term loan	47,778	50,777	19,753	26,870	4,154
Lease liabilities	47,853	52,698	15,945	36,359	394
Convertible bonds payable (include derivative financial liabilities)	188,230	188,230	-	188,230	-
	$ 386,963	**394,807**	**138,800**	**251,459**	**4,548**

(Continued)

TECHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES
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	Amount	Contractual cash flows	Less than 1 year	2~5 years	Over 5 years
December 31, 2018					
Non derivative financial liabilities					
Short-term loan	$ 137,284	137,284	137,284	-	-
Accounts payable (include related party)	60,781	60,781	60,781	-	-
Other payable	16,469	16,469	16,469	-	-
Long-term loan	21,353	24,538	6,860	12,289	5,389
Lease liabilities	5,911	6,511	2,925	3,586	-
Long-term other payable to related parties	13,828	13,828	13,828	-	-
	$ 255,626	259,411	238,147	15,875	5,389

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

(iii) Currency risk

1) Currency risk exposure

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

	December 31, 2019			December 31, 2018		
	Foreign currency (in thousands)	Exchange rate	Amount	Foreign currency (in thousands)	Exchange rate	Amount
Financial assets						
Monetary items						
USD	$ 7,700	29.92	230,346	6,886	30.50	210,050
Financial liabilities						
Monetary items						
USD	2,260	29.92	67,595	521	30.50	15,897

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, 2019 and 2018, would have decreased (increased) the net profit before tax for the years ended December 31, 2019 and 2018 by $407 thousand and $485 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 (loss), including realized and unrealized, were $(4,838) thousand and $2,426 thousand for the years ended December 31, 2019 and 2018, respectively.

(iv) Interest rate analysis

The Group's financial liabilities 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 $516 thousand and $1,511 thousand for the years ended December 31, 2019 and 2018.

(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, 2019				
		Fair value			
	Amount	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured of fair value through profit or loss					
Derivative financial assets	$ 269	-	269	-	269
Financial assets measured at amortized cost					
Cash and cash equivalents	188,084	-	-	-	-
Financial assets measured at amortized cost	13,035	-	-	-	-
Accounts receivables	170,247	-	-	-	-
Other receivables	3,078	-	-	-	-
Refundable deposits	16,532	-	-	-	-
Subtotal	390,976	-	-	-	-
Total	**$ 391,245**	**-**	**269**	**-**	**269**

TECHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES
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	December 31, 2019				
		Fair value			
	Amount	Level 1	Level 2	Level 3	Total
Financial liabilities measured of fair value through profit or loss					
Derivative financial liabilities	$ 640	-	640	-	640
Financial liabilities measured at amortized cost					
Short-term loans	7,309	-	-	-	-
Accounts payable (include related parties)	67,312	-	-	-	-
Other payables	28,481	-	-	-	-
Long-term loan	47,778	-	-	-	-
Lease liabilities	47,853	-	-	-	-
Convertible bonds payable	187,590	-	-	-	-
Subtotal	386,323	-	-	-	-
Total	$ **386,963**	**-**	**640**	**-**	**640**

	December 31, 2018				
		Fair value			
	Amount	Level 1	Level 2	Level 3	Total
Financial assets measured of fair value through profit or loss					
Derivative financial assets	$ 589	-	589	-	589
Financial assets measured at amortized cost					
Cash and cash equivalents	103,144	-	-	-	-
Financial assets measured at amortized cost	13,163	-	-	-	-
Accounts receivables	164,874	-	-	-	-
Other receivables	21,459	-	-	-	-
Refundable deposits	4,846	-	-	-	-
Subtotal	307,486	-	-	-	-
Total	$ **308,075**	**-**	**589**	**-**	**589**
Financial liabilities measured at amortized cost					
Short-term loans	$ 137,284	-	-	-	-
Accounts payable (include related parties)	60,781	-	-	-	-
Other payables	16,469	-	-	-	-
Long-term loan	21,353	-	-	-	-
Lease liabilities	5,911	-	-	-	-
Total	$ **241,798**	**-**	**-**	**-**	**-**

(Continued)

2) Valuation techniques and assumptions used in fair value determination

a) Non derivative financial instruments

i) The carrying amounts of the following short-term financial instruments approximate their fair values because of their short maturities: cash and cash in bank, accounts receivable and payable (including related parties), other receivables and payables (including related parties), refundable deposits, and short-term loans.

ii) The fair value of convertible bonds is estimated using a valuation model, but the fair value of convertible bonds is not necessarily equal to future cash outflow.

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

b) Derivative financial instruments

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

(v) Financial risk management

(i) Overview

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

1) Credit risk

2) Liquidity risk

3) Market risk

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

(ii) Risk management framework

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

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

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

(iii) Credit risk

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

1) Receivables and other receivables

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

2) Investments

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

3) Guarantees

The Group's policy is to provide financial guarantees only to subsidiaries. For information on guarantees as of December 31, 2019 and 2018, 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.

(Continued)

Loans and borrowings from the bank form an important source of liquidity for the Group. As of December 31, 2019 and 2018, the Group's unused credit line amounted to $209,795 thousand and $83,898 thousand, respectively.

(v) Market risk

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

The Group buys and sells derivatives, and also incurs financial assets and financial liabilities, 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 May 2016, at any point of time, if any foreign exchange transactions occur, 75% of the foreign currency must be exchange to MYR. The regulation does not have significant impact on the Group.

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

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

2) Interest rate risk

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

(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.

(Continued)

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In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to the shareholders, reduce the capital for redistribution to shareholders, issue new shares, or sell assets to settle any liabilities.

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

The Group's collective quantitative data is as follows:

	December 31, 2019	December 31, 2018
Total liabilities	$ 435,616	295,179
Total equity	$ 391,562	324,385
Debt-to-equity ratio	111.25 %	91.00 %

(x) Non-cash financing activities

For the years ended December 31, 2019 and 2018, the Group's non-cash investing and financing activities were derived from the acquisition of machinery and equipment and right-of-use asset through finance leasing. Please refer to notes 6(j) for related information.

Reconciliation of liabilities from financing activities are as follows:

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

	January 1, 2018	Cash flows	Non-cash changes: Acquisition of contracts	Non-cash changes: Translation effect	December 31, 2018
Long-term loans	$ 25,746	(5,765)	-	1,372	21,353
Short-term loans	57,078	80,206	-	-	137,284
Lease liabilities	5,322	365	-	224	5,911
Total liabilities from activities	$ 88,146	74,806	-	1,596	164,548

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(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
Living Nature Sdn Bhd	Other related parties
Zelaxis Sdn Bhd	Other related parties
Idealtage Derelopment Sdn Bhd	Other related parties
Exus Biomass Sdn Bhd	Other related parties
Suasa Kreatrf (M) Sdn Bhd	Other related parties

(b) Significant transactions with related parties

(i) Purchase and Operating Cost

Purchase and commission related parties for processing

	2019	2018
Other related parties	$ 31,043	230

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

(ii) Loans from Related Parties

The loans from related parties were as follows:

	December 31, 2019	December 31, 2018
Other related parties	$ -	13,828

The interest charged to the Group is calculated based on the interest rate imposed on related parties' borrowings by external financial institutions. The interest-bearing borrowings provided by related parties were unsecured. As of December 31, 2019 and 2018, the interest expense from related party loans was $333 thousand and $71 thousand, respectively.

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(iii) Payables

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

Account	Relationship		December 31, 2019	December 31, 2018
Account payables	Other related parties	$	2,073	227
Other payables	Other related parties		89	71
Total		**$**	**2,162**	**298**

(iv) Other revenue

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

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

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

There was no sale of scrap to related parties during 2018.

(v) Guarantee

For the years ended December 31, 2019 and 2018, Eng Kai Pin, Eng Kai Jie, Yee Foo Chong, and Zelaxis Sdn Bhd have become the joint guarantors by forward contracts and providing credit guarantees to the Group and the leasing company.

Eng Say Kaw has also become a joint guarantor by providing credit guarantees for the Group since October 2018.

Tey Pek Kiang has also become a joint guarantor by providing credit guarantees for the leasing company since February 2019. Eng Say Kaw and Eng Kai Pin have also become a joint guarantor by providing credit guarantees for the leasing company since June 2019.

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(c) Management personnel compensation

Key management personnel compensation comprised:

	2019	2018
Short-term employee benefits	$ 18,364	16,830
Post-employment benefits	1,543	1,990
	$ **19,907**	**18,820**

(8) Pledged assets:

Pledged assets	Object	December 31, 2019	December 31, 2018
Financial assets measured at amortized cost			
Restricted time deposit (under other current assets)	Short-term loans	$ 9,013	9,196
Restricted time deposit (under other non-current financial assets)	Long-term loans	4,022	3,967
Refundable deposits	Long-term loans	8,006	-
Property, plant and equipment:			
Land	Long-term and short-term loans	18,231	18,396
Building and constructions	Long-term and short-term loans	53,943	55,932
Machinery and equipment	Leases liabilities	-	7,042
Right of use assets	Leases liabilities	11,789	-
Total		$ **105,004**	**94,533**

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(9) Significant commitments and contingencies: None.

(10) Losses due to major disasters: None.

(11) Subsequent events:

In cooperation with the regulation announced by the Government of Malaysia and with the employees' health protection procedures, the Company has temporarily suspended the subsidiaries' operating activities since March 18, 2020. The modifications of this matter will be made depending on the development of COVID-19.

(12) Other:

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

Function	2019			2018		
Account	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Personnel costs						
Salaries	111,756	61,584	173,340	105,861	39,064	144,925
Health insurance	716	501	1,217	215	379	594
Pension	1,901	5,973	7,874	1,256	3,221	4,477
Other personnel expense	1,512	626	2,138	1,848	427	2,275
Depreciation	19,068	5,941	25,009	8,331	2,856	11,187
Amortization	4	197	201	7	121	128

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(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, 2019:

(i) Loans to other parties:

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period (note 3)	Range of interest rates during the period	Purposes of fund financing for the borrower (note 1)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
0	The Company	TC	Other receivables	Yes	109,635 (MYR15,000)	109,635 (MYR15,000)	103,223 (MYR14,123)	3.00	2	-	Operating capital	-		-	37,748 (Note 2)	113,244 (Note 2)
1	TC	TCH	Other receivables	Yes	21,927 (MYR3,000)	-	-	3.00	2	-	Operating capital	-		-	1,341,057 (Note 3)	1,341,057 (Note 3)
1	TC	EHL	Other receivables	Yes	21,927 (MYR3,000)	-	-	3.00~4.50	2	-	Operating capital	-		-	1,341,057 (Note 3)	1,341,057 (Note 3)
1	TC	ESKB	Other receivables	Yes	36,545 (MYR5,000)	10,964 (MYR1,500)	10,964 (MYR1,500)	4.50	2	-	Operating capital	-		-	111,755 (Note 4)	178,808 (Note 4)
1	TC	ESKW	Other receivables	Yes	51,163 (MYR7,000)	36,545 (MYR5,000)	36,545 (MYR5,000)	4.50	2	-	Operating capital	-		-	111,755 (Note 4)	178,808 (Note 4)

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

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

Note 2: The maximum aggregate amount of loans granted and individual loan granted by the Company shall not exceed 10% and 30%, respectively.

Note 3: For entities in which the Company, directly or indirectly, owned more than 100% of their shares, the amount available for financing shall not exceed 300% of net worth of the Company.

Note 4: The maximum aggregate amount of loans granted and individual loan granted by the lending company shall not exceed 40% and 25% of the net worth of lending company, respectively.

Note 5: The mentioned transactions between the Group's subsidiaries have been eliminated in the financial statements.

Note 6: The exchange rate was (MYR:NTD＝1:7.3090)

Note 7: The Company loaned TC MYR $15,000, which exceeded the maximum aggregated amount of loans granted for single entity. The Company submitted the improvement plan to the audit committee in February 2020, and will fulfill the promises accordingly.

(ii) Guarantees and endorsements for other parties:

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise (note 2)	Highest balance for guarantees and endorsements during the period (notes 3 and 4)	Balance of guarantees and endorsements as of reporting date (notes 3 and 4)	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements (note 2)	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company (note 1)										
0	The Company	TC	1	150,992	44,874 (USD1,500)	44,874 (USD1,500)	-	-	11.89 %	188,740	Y	N	N
1	TC	ESKB	1	178,808	6,357 (MYR870)	6,357 (MYR870)	6,357 (MYR870)	-	1.42 %	223,510	Y	N	N
1	TC	ESKW	1	178,808	14,958 (USD500)	14,958 (USD500)	7,309 (USD244)	-	3.35 %	223,510	Y	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 the Company directly and indirectly held more than 50% of voting shares.

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

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

Note 3: The exchange rate was (USD:NTD＝1:29.9157; MYR:NTD＝1:7.3090).

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(iii) Securities held as of December 31, 2019 (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:

			Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		
Company name	Counterparty	Nature of relationship (note 2)	Purchase /Sale	Amount	Percentage of total purchases (sales) (%)	Credit terms (days)	Unit price	Payment terms	Ending balance of notes and accounts receivable (payable)	Percentage of total notes and accounts receivable (payable) (%)	Remarks
EHL	TC	Parent company	Sales	(84,713)	98.17 %	No significant difference than other customers	Note 1	-	-	- %	Note 2

Note 1: The price was calculated by the mutual negotiable prices.

Note 2: The mentioned transactions between the Group's subsidiaries have been eliminated in the consolidated financial statements.

(viii) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock:

Name of company	Counter-party	Nature of relationship	Ending balance (note 1)	Turnover rate(%)	Overdue		Amounts received in subsequent period (note 2)	Allowance for bad debts
					Amount	Action taken		
The Company	TC	Parent and subsidiary company	Other receivables 102,839	-	-	No overdue amount	50,605	-

Note 1: The mentioned transactions between the Group's subsidiaries have been eliminated in the consolidated financial statements.

Note 2: As of March 20, 2019.

(ix) Information regarding trading in derivative financial instruments: Please refer to note 6(b).

(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
0	The Company	TC	1	Other receivables	102,839	Loans, no available comparisons. The mutual negotiable terms and conditions.	12.43%
1	TC	TCH	2	Revenue	30,020	The price was calculated by the mutual negotiable prices.	2.16%
1	TC	TCH	2	Accounts receivable	11,901	The mutual negotiable prices.	1.44%
1	TC	ESKB	2	Other receivables	16,401	Loans, no available comparisons. The mutual negotiable terms and conditions.	1.98%
1	TC	ESKW	2	Other receivables	36,650	Loans, no available comparisons. The mutual negotiable terms and conditions.	4.43%
1	TC	EHL	2	Prepayment for capital	24,643	The mutual negotiable prices.	2.98%
2	EHL	TC	2	Revenue	84,713	The price was calculated by the mutual negotiable prices.	6.11%

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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, 2019:

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2019			Net income (losses) of investee (Note 1)	Share of profits/losses of investee (Notes 1 and 2)	Note
				December 31, 2019	December 31, 2018	Shares (thousands)	Percentage of ownership	Carrying value (Notes 1 and 2)			
The Company	TC	Malaysia	Furniture manufacturing and sales	77,137	26,164	10,000,000	100.00 %	446,599	102,038	102,972	Subsidiary
The Company	TCH	Malaysia	Furniture sales	13,842	13,842	2,000,000	100.00 %	(1,251)	(1,310)	(1,310)	Subsidiary
TC	EHL	Malaysia	Material purchasing	25,013	6,790	3,500,000	100.00 %	31,681	1,247	1,509	Sub-subsidiary
TC	ESKB	Malaysia	Wood pellet manufacturing and sales	37,924	2,320	5,040,000	71.59 %	35,485	(2,406)	(1,723)	Sub-subsidiary
TCH	TCH(US)	United States	Management Consultant	3	3	100	100.00 %	783	678	678	Sub-subsidiary
ESKB	ESKW	Malaysia	Rubber wood processing and sales	45,118	7,441	6,000,000	100.00 %	47,038	2,399	2,393	Sub-subsidiary

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

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

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

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(14) Segment information:

(a) General information

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

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

(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:

	2019				
	Segment A	**Segment B**	**Segment C**	**Adjustments and eliminations**	**Total**
Revenue					
Revenue from external customers	$ 1,117,310	55,252	214,065	-	1,386,627
Intersegment revenues	124,268	3	11,015	(135,286)	-
Interest revenue	2,992	7	-	(2,245)	754
Total revenue	**$ 1,244,570**	**55,262**	**225,080**	**(137,531)**	**1,387,381**
Interest Expense	**$ 7,367**	**191**	**3,561**	**(2,245)**	**8,874**
Depreciation and Amortization	**$ 12,658**	**13**	**12,539**	**-**	**25,210**
Reportable segment profit or loss	**$ 130,979**	**(1,153)**	**(1,618)**	**-**	**128,208**

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	2018				
	Segment A	**Segment B**	**Segment C**	**Adjustments and eliminations**	**Total**
Revenue					
Revenue from external customers	$ 830,835	189,953	62,080	-	1,082,868
Intersegment revenues	235,252	11	3,710	(238,973)	-
Interest revenue	1,996	-	-	(1,458)	538
Total revenue	**$ 1,068,083**	**189,964**	**65,790**	**(240,431)**	**1,083,406**
Interest Expense	**$ 5,976**	**561**	**579**	**(1,458)**	**5,658**
Depreciation and Amortization	**$ 9,762**	**1,453**	**100**	**-**	**11,315**
Reportable segment profit or loss	**$ 54,408**	**(2,876)**	**809**	**-**	**52,341**

(c) Product and service information

Revenue from external customers of the Group was as follows:

Products and Services	2019	2018
Furniture manufacturing and sales	$ 1,172,562	1,020,788
Rubber wood processing and sales	210,044	62,080
Wood pellet manufacturing and sales	4,021	-
Total	**$ 1,386,627**	**1,082,868**

(d) Geographic information

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

Export sales

Region	**2019**	**2018**
United States	$ 1,142,532	912,099
Malaysia	220,745	100,191
Canada	10,189	22,836
Other	13,161	47,742
Total	**$ 1,386,627**	**1,082,868**

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Non-current Assets

Region	December 31, 2019	December 31, 2018
Malaysia	$ 248,835	137,739

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

	2019	2018
Customer A	$ 613,231	513,902

Techcential International Ltd

特昇國際股份有限公司

Person-In-Charge: Eng Say Kaw