

**Stock Code: 6616**



**TECHCENTIAL**

INTERNATIONAL LTD

特昇國際

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

**2023 Annual Report**

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

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

Printed on 30 April 2024

**Notice to Readers**

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

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

VII. Directors:

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

VIII. Corporate website :

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

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

## Table of Content

|  |           |
|--|-----------|
| <b>1.0 Letters to Shareholders</b> .....   | <b>1</b>  |
| <b>2.0 Company Profile</b> .....   | <b>6</b>  |
| <b>3.0 Corporate Governance Report</b> .....   | <b>9</b>  |
| 3.1 Company Organization .....   | 9         |
| 3.2 Director, supervisor, general manager, deputy general manager, associate, department and<br>branch supervisor .....  | 11        |
| 3.3 Remuneration of Directors (including the Independent Directors), supervisors, presidents,<br>vice presidents and affiliates.....   | 21        |
| 3.4 The state of operations of the Board of Directors, the Audit Committee and the<br>Compensation Committee.....  | 27        |
| 3.5 Information Regarding Independent Auditors .....   | 60        |
| 3.6 Information on replacement of certified public accountant .....  | 61        |
| 3.7 The Company’s Chairman, CEO or any managerial officer in charge of finance or<br>accounting matters has in the most recent year held a position at the accounting firm as<br>certified public accountant or an affiliated companies of such accounting firm, the name and<br>position of the person, and the period during which the position was held ..... | 62        |
| 3.8 Changes in shareholding of directors, supervisors, officers and major shareholders<br>holding more than 10% shares for the most recent year to the date of the annual report<br>printed. ....  | 62        |
| 3.9 Information on the relationship between the Company’s top 10 shareholders and<br>their spouse or relatives within two degrees of consanguinity .....   | 63        |
| 3.10 Total shareholding of long-term investments held by the Company and directors,<br>supervisors, officers and affiliates .....  | 64        |
| <b>4.0 Capital Overview</b> .....  | <b>65</b> |
| 4.1 Capital and Shares .....   | 65        |
| 4.2 Status of issue and private placement of “Corporate Bonds” (including overseas<br>corporate bonds) .....   | 71        |
| 4.3 Status of issue and private placement of “Preferred Shares” .....  | 74        |
| 4.4 Status of participation in the issue and private placement of "overseas depository<br>receipts".....   | 74        |
| 4.5 Status of issue and private placement of employee stock warrants .....   | 74        |
| 4.6 Status of issue and private placement of employee restricted stock awards .....  | 74        |
| 4.7 Status of mergers and acquisitions.....  | 74        |
| 4.8 Status of implementation of fund utilization plan .....  | 75        |
| <b>5.0 Operational Overview</b> .....  | <b>87</b> |

|  |            |
|--|------------|
| 5.1 Business Activities.....   | 87         |
| 5.2 Overview of Market, Production and Sales .....   | 99         |
| 5.3 Employees .....  | 106        |
| 5.4 Information on Environmental Protection Expenditures .....   | 107        |
| 5.5 Labor-management relations .....   | 108        |
| 5.6 Security Risk of Information Technology Management.....  | 109        |
| 5.7 Important Contracts .....  | 113        |
| <b>6.0 Financial Overview .....</b>  | <b>115</b> |
| 6.1 Five-Year Financial Summary .....  | 115        |
| 6.2 Five-Year Financial Analysis .....   | 118        |
| 6.3 Most Recent Year’s Audit Committee’s Report .....  | 122        |
| 6.4 Most Recent Year’s Consolidated Financial Statements .....   | 122        |
| 6.5 Most Recent Year’s the parent company only financial statements .....  | 122        |
| 6.6 Up to the most recent two-year and the date of publication, if there are any financial<br>difficulties among the Company and its affiliates, impacts on the Company’s<br>financial conditions shall be indicated ..... | 122        |
| <b>7.0 Review of Financial Status, Operating Results and Risk Management .....</b>   | <b>123</b> |
| 7.1 Financial Status .....   | 123        |
| 7.2 Operating Results .....  | 124        |
| 7.3 Cash Flows .....   | 125        |
| 7.4 Material capital expenditures and it impact on finance and business operation in recent<br>year .....  | 126        |
| 7.5 Investment policy, main reason for profit or loss, improvement plan and new<br>investment in coming year .....   | 126        |
| 7.6 Risk analysis and evaluation from the most recent year till the printing date of<br>annual report .....  | 127        |
| 7.7 Other Significant Matters .....  | 145        |
| <b>8.0 Special Disclosures .....</b>   | <b>146</b> |
| 8.1 Summary of Affiliated Companies.....   | 146        |
| 8.2 Most recent fiscal year and up to the date of annual report printed, issuance of<br>private placement of securities .....  | 149        |
| 8.3 Most recent fiscal year and up to the date of annual report printed, acquisition or<br>disposal of the Company’s shares by its affiliates .....  | 149        |
| 8.4 Other Necessary Supplements .....  | 149        |
| 8.5 Explanation for material difference from the provisions for the protection of shareholders’<br>rights.....   | 150        |

|   |     |
|---|-----|
| 8.6 Up to the most recent fiscal year and the publication date, occurrence of Securities and Exchange Law, Article 36, paragraph 3, subparagraph 2, that any significant impact on shareholders' equity or securities price matters ..... | 155 |
|---|-----|

**Exhibits 1: Consolidated Financial Statements 2023**

## 1.0 Letters to Shareholders

### Dear Shareholders

Thank you very much for your continuous support and care. Here is a summary of the Group's business performance at the end of 2023 and the operational outlook for 2024:

### 1.1 2023 business report

During the period from 2018 to 2023, rapid changes in the global economy have had significant implications for the US furniture industry:

- **Exchange Rate Volatility:** Fluctuations in exchange rates may affect the costs of imported furniture and related raw materials. Significant fluctuations in the US dollar exchange rate could impact the profitability and prices of the furniture industry.
- **Trade Wars:** Global trade tensions and geopolitical uncertainties may lead to increased tariffs and import restrictions, affecting the supply and costs of imported furniture and raw materials for the US furniture industry.
- **Shipping Challenges:** During the COVID-19 pandemic, disruptions to global transportation and logistics, including increased shipping costs and shortages of shipping containers, as well as unstable shipping schedules, have resulted in delivery delays.
- **Increased Costs and Supply Chain Disruptions:** Increased costs and disruptions in the supply chain have affected the import and export of the furniture industry.
- **Impact of the Pandemic on Consumer Behavior:** The COVID-19 pandemic has had a significant impact on the global economy, reducing economic stability and consumer confidence, potentially decreasing demand for high-value goods such as furniture.
- **Supply Chain Tightness:** Global supply chain constraints may affect furniture production and delivery. Shortages of raw materials or production difficulties have presented challenges for many companies in the industry.

These factors have had a certain degree of impact on the US furniture industry, especially in terms of supply chain, costs, prices, and market demand. During the post-pandemic period, particularly between 2022 and 2023, the world faced even more unknown challenges, such as the Russia-Ukraine conflict, Israel-Palestine tensions, global inflation and food crises, as well as the Federal Reserve's interest rate hikes, the whip effect in the US consumer market, changes in customer procurement strategies, and shifts in industry supply and demand dynamics. All of these factors necessitate that everyone managing a company must address various challenges and adapt to changes to find solutions.

During this period, the subsidiary TC's production capacity and raw material supply remain stable, but there is a noticeable upward trend in raw material prices. TC participated in the March Kuala

Lumpur MIFF International Furniture Exhibition and the September Shanghai International Furniture Exhibition, successfully securing orders from several new market customers. Colleagues from the marketing department who just returned from the High Point Market in the United States in October also shared that the inventory of US customers has been nearly depleted, indicating a recovery in demand for orders in 2024. However, their procurement strategy will be more cautious compared to the pandemic period, favoring new product designs with added value. Customers highly appreciate the new product series developed by our R&D team, which not only accommodates changes in regulations but also aligns with market consumption trends, generating considerable interest at the October High Point Furniture Market. As orders gradually pick up, the Group will strive to maximize the utilization of production capacity across all production lines. TC's Plant 2 will be reopened and put into production in 2024 after staffing and equipment deployment are completed, enabling the Group to fulfill its mission of "on-time delivery."

Currently, amidst the relatively unstable global economic situation and various unforeseen circumstances, both in our core business and investment sectors, we, like many other companies, are facing significant challenges that require patience to overcome. All colleagues within the company are working hard to find opportunities amid crises and hope to overcome the difficulties we face after the pandemic. The company has made numerous adjustments and transformations in market layout and management in response to market changes, but the related benefits may take some time to materialize.

Therefore, considering the future development plans and the utilization of funds, Special Rise International proposes not to distribute profits for the fiscal year 2022 in order to retain sufficient funds.

The company's overall operations in 2023 are as follows:

#### 1.1.1 Operating income

In 2023, the Group's net operating revenue was NT\$1.01 billion, representing a 13% decrease compared to the NT\$1.154 billion revenue in 2022. The main reason for this decline is that customers placed significant orders in the 2022H1 after the pandemic recovery. However, the subsequent slowdown in home sales due to the Federal Reserve's hawkish interest rate policy to curb inflation led to a whip effect, resulting in excessive market inventory and decreased demand. As a result, customers slowed down their order pace from the 2022H2 to the 2023H1, leading to an overall decrease in revenue in 2023 compared to 2022. Currently, TC's order volume is beginning to recover, but the performance of orders in 2023 still lags behind the overall order performance in 2022. Additionally, shipments for cabinets have significantly slowed down due to the slow recovery of market demand from customers.

#### 1.1.2 Net profit after tax



In 2023, the Group's attributable net loss to the owners of the parent company after tax was NT\$23.774 billion. This was primarily due to the economic situation not stabilizing after the interest rate hike in the United States. To increase order volume, the company reduced product prices to capture market share. Additionally, in order to achieve a competitive advantage, TC adjusted its strategy, resulting in lower profits for some of the products currently being developed. Furthermore, starting from May 2022, the Malaysian government increased the minimum wage to RM 1,500 (formerly RM 1200), and raw material prices have risen compared to pre-pandemic levels. As a result, the overall cost increased throughout 2023, affecting the gross profit margin performance for the year. Overall, the operating gross profit for this period decreased compared to the same period last year, resulting in the generation of a net loss after tax for the period.

### 1.1.3 Budget implementation

The financial forecast did not announce in 2023.

### 1.1.4 Overview of research and development

The company's main research and development status in 2023 are:

- Research on improved production process technology, development of alternative raw materials and introduction of automated machinery.
- Increase the material development and style design of PU Paper products, more popular with younger consumers.
- Actively adapt to market demand research and develop new bedroom furniture series designs (i.e. disassembled furniture), focusing on enhancing the added value of products.
- The Department of Research and Development is expected to start researching and using the "Product 3D Modeling System" to accelerate the development of new products.

### 1.1.5 Cash dividend distribution

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

| Year | EPS    | Cash dividend distributed   | Surplus allotment | Total                       |
|------|--------|-----------------------------|-------------------|-----------------------------|
| 2018 | 1.57   | 1.00                        | -                 | 1.00                        |
| 2019 | 3.90   | 3.00                        | -                 | 3.00                        |
| 2020 | 2.60   | 2.00                        | -                 | 2.00                        |
| 2021 | (0.18) | No distribution<br>(Note 1) | -                 | No distribution<br>(Note 1) |
| 2022 | 1.09   | 0.10                        | 0.50              | 0.60                        |
| 2023 | (0.78) | No distribution<br>(Note 2) | -                 | No distribution<br>(Note 2) |

Note 1: In 2021H1, the coronavirus continued to heat, with subsidiary TC suspended for a full month in January due to employee infection, and Malaysia launched a three-month phase of full operational control in June. Due to the company's inability to produce and ship during the shutdown, stock dumping and stagnant losses, as well as the loss of spare capacity, increased significantly compared to last year. In addition, the fires at the TC 2 plant in November 2021 resulted in more disaster losses. Overall, EPS lost about NTD 4.26. Due to losses

in the current period, the Board of Directors decided not to allocate surpluses for 2021.

Note 2: The Malaysian government has raised the minimum wage to RM1,500, increasing labor costs. Because the decline in operating gross in 2023 has resulted in the current period's net post-tax losses, the Board of Directors has decided not to allocate surpluses for 2023.

## **1.2 Summary of the 2024 business plan**

Overall, Special Rise International will adopt a more conservative approach to its operations in 2024 and focus on prudent management. The company will closely monitor changes in the US and global consumer markets and be prepared to adjust its business strategies accordingly, considering both current market demand and long-term perspectives. Of course, there are many potential changes in international situations (such as the Red Sea crisis, US-China anti-dumping investigations, US inflation and election results, raw material supply, and foreign exchange fluctuations) that could affect the world economy. The company expects the management teams and employees of each subsidiary to work together to address potential challenges, actively develop new markets, new customers, new models, and new products, and faithfully execute the operational plans to bring greater investment returns to Special Rise International shareholders. In 2024, the Group will continue to actively develop new markets and new customers worldwide, increase the company's visibility, and provide opportunities for customers from various countries to learn about our newly developed products.

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

- (1) Future development strategy: The trade war between China and the US continues to escalate, and the United States housing market remains hot. The Group expects the US furniture and home market to grow steadily, and the wood furniture consumer market still has great potential. The Group will strengthen the quality and production management of wooden bedroom furniture as well as kitchen cabinets and will actively adapt to the needs of customers to develop dismantled product models to adapt to shipping trends. It will also actively promote the raw material trade business in Malaysia in response to the global trend of raw material prices.
- (2) Regulatory environment and overall operating environment: The Group follows national policies and regulations and keeps a close eye on changes in important policies or laws in order to ensure that the subsidiary operates smoothly in accordance with the regulations. In addition, based on the increasing complexity of the global overall operational environment, management will review the industry, monitor the development of the overall economy, and integrate internal technologies and resources to better manage the company.
- (3) External competitive environment: The furniture industry, as an important component of the world economy, develops rapidly. The Asia-Pacific region is a global furniture manufacturing

hub, with about two-thirds of the furniture in the United States being imported from Asian countries (China, Vietnam, and Malaysia). Due to tensions in trade relations between the US and China, US furniture import orders have shifted to Southeast Asia, especially in Vietnam, Thailand, and Malaysia.

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

Chairman : Eng Kai Pin



CEO : Eng Kai Jie



CFO : Tan Kok Bee



## 2.0 Company Profile

### 2.1 Introduction

Techcential International Ltd. (“TIL” or “the Company”) is an investment holding company in the Cayman Islands, established on June 14, 2016, and officially listed on the Taiwan Stock Exchange on January 10, 2018. The company is one of the major manufacturers of wooden bedroom furniture in Malaysia. Its subsidiaries are Techcential Sdn. Bhd. (“TC”), EHL Cabinetry Sdn. Bhd. (“EHL”), TC Home Sdn. Bhd. (“TCH”), TC Home Corporation (“TCC”), ESK Biomass Sdn. Bhd. (“ESKB”), and ESK Wood Products Sdn. Bhd. (“ESKW”). TC was established in 2001 and primarily engages in the design, production, and sales of American-style wooden bedroom furniture, serving as one of the main operating entities of the company. EHL, established in 2016, was originally a wholly-owned subsidiary of TC, responsible for the procurement of materials such as plywood and rubber wood within the Group. However, seizing the opportunity presented by the imposition of anti-dumping duties on Chinese cabinets by the United States, EHL adjusted its operational plan in 2019 and restructured part of the Group internally. It transformed into a production base for American-style kitchen cabinets and officially commenced production and delivery by the end of 2021. TCH was founded in 2013 and initially engaged in the sales of its own branded furniture to retailers in the United States. After evaluating the performance of its own brand, the company is currently in the process of re-planning its operational strategy. TCH(US) is a wholly-owned subsidiary of TCH, primarily providing consulting and management services in the United States. It is planned to develop into a company responsible for sales and after-sales service in the North American region within the Group. However, due to ongoing business restructuring within the Group, it is currently not operational. ESKB, added as a new investment company (100% ownership) by the company in September 2018, was originally primarily involved in the production of green fuel - wood pellet. Currently, it is adjusting its operations to lease out its machinery and equipment as part of the Group's business restructuring. ESKW was established in 2018 as a subsidiary of ESKB, primarily engaged in the processing, manufacturing, and trading of raw materials - rubber wood.

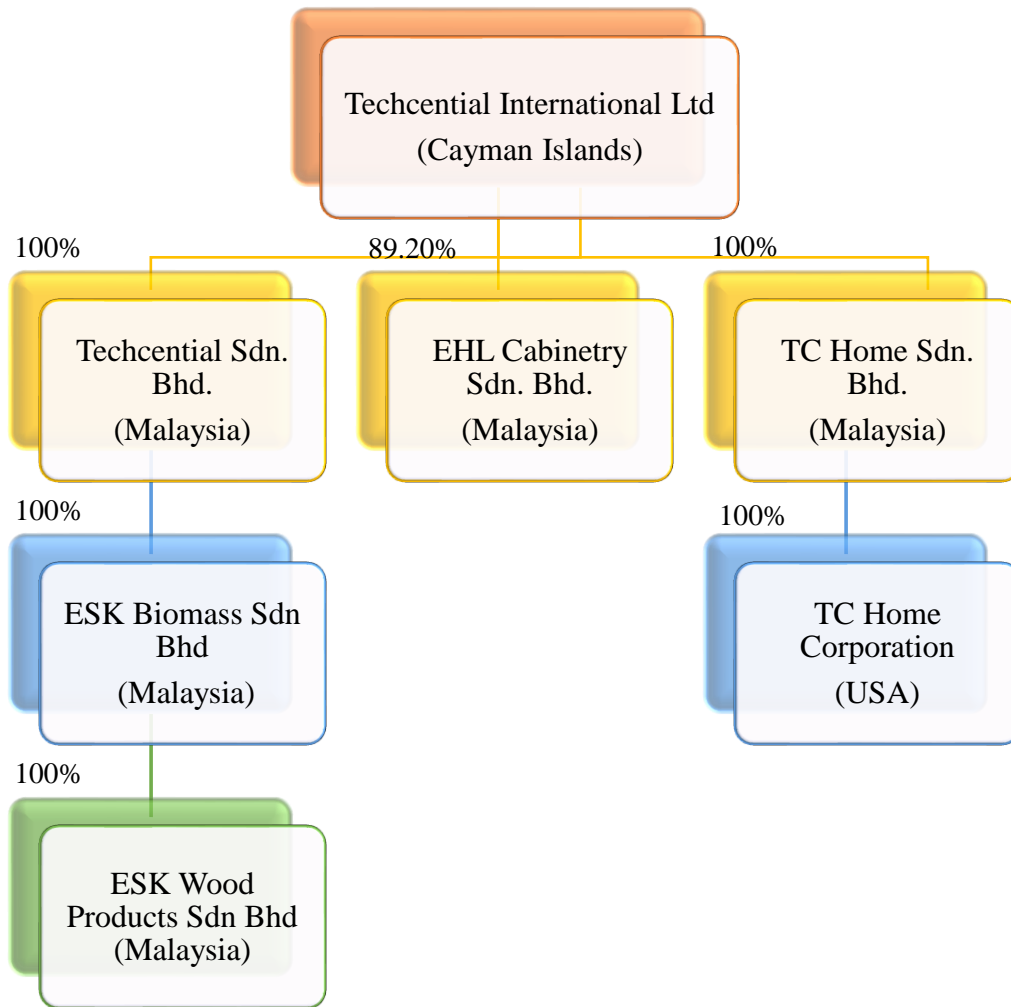
### 2.2 Company History

| Year | Accomplishment  |
|------|---|
| 2012 | TC revenue over RM60 million.   |
| 2013 | 1. Establishment of TC Home Sdn. Bhd., mainly for the development of the market for furniture other than bedroom furniture through trade.<br>2. Group staff increased to 400.<br>3. TC introduced the WorkFlow ERP GP system. |
| 2014 | 1. The group's revenue exceeded MYR 80 million, with an annual growth rate of approximately 30%.  |

| Year | Accomplishment   |
|------|--|
|      | 2. TC built a second plant to expand production capacity.  |
| 2015 | <ol style="list-style-type: none"> <li>1. The group's revenue is approximately MYR100 million, with an annual growth rate of approximately 20%.</li> <li>2. TCH launched its own brand, TC Home in High Point, North Carolina, USA, and has since operated its own brand of furniture business.</li> <li>3. TCH became one of the world's largest furniture exhibition "High Point Furniture Market" exhibitors.</li> </ol>  |
| 2016 | <ol style="list-style-type: none"> <li>1. TCH actively explored the US West market and joined the Las Vegas Furniture Market.</li> <li>2. TCH set up a warehouse in Malaysia to fully promote the "Mixed Container Program," which provides more flexibilities and choices for small and medium-sized retailers in the United States.</li> </ol>   |
| 2017 | Techential won the "International Golden Eagle Award," hosted by Malaysian Nanyang Siang Pau, and in the same year, it was approved for listing by TPEX.   |
| 2018 | On January 10th, TIL became one of the listed companies in Taiwan, and TIL actively invested in the procurement and manufacturing of rubber wood.  |
| 2019 | <ol style="list-style-type: none"> <li>1. Techential Sdn Bhd participated in the MIFF International Furniture Fair in Kuala Lumpur, Malaysia.</li> <li>2. The company adjusted its business and invested in the manufacture of kitchen cabinets.</li> <li>3. TIL Issuance of the first unsecured conversion of corporate bonds in the Taiwan R.O.C.</li> </ol>   |
| 2020 | <ol style="list-style-type: none"> <li>1. The demand for wooden furniture continues to grow, and TC's revenue grows by 6% under the COVID-19 pandemic.</li> <li>2. EHL has actively set up factories and can start production after the COVID-19 pandemic has eased.</li> </ol>  |
| 2021 | <ol style="list-style-type: none"> <li>1. The 2<sup>nd</sup> Non-Guaranteed Convertible Corporate Bond in Taiwan R.O.C. was listed on the OTC on November 11, 2021.</li> <li>2. The increased share capital was listed on the OTC on December 8, 2021.</li> </ol>  |
| 2022 | <ol style="list-style-type: none"> <li>1. Techential Sdn Bhd participated in the MIFF International Furniture Fair in Kuala Lumpur, Malaysia.</li> <li>2. The 1st Non-Guaranteed Convertible Corporate Bond in Taiwan R.O.C. was released on December 5, 2022.</li> </ol>  |
| 2023 | <ol style="list-style-type: none"> <li>1. Techential Sdn Bhd participated in the MIFF International Furniture Fair in Kuala Lumpur, Malaysia, in March.</li> <li>2. Techential Sdn Bhd participated in the 28th China International Furniture Exhibition in September.</li> <li>3. Increase share capital by issuing ordinary shares and the 3rd Non-Guaranteed Convertible Corporate Bond in Taiwan R.O.C. <ul style="list-style-type: none"> <li>- The 3rd Non-Guaranteed Convertible Corporate Bond in Taiwan R.O.C. was listed on the OTC on September 20, 2023.</li> <li>- The increased share capital was listed on the OTC on November 13, 2023.</li> </ul> </li> </ol> |
| 2024 | <ol style="list-style-type: none"> <li>1. Techential Sdn Bhd participated in the MIFF International Furniture Fair in Kuala Lumpur, Malaysia.</li> <li>2. The 2nd Non-Guaranteed Convertible Corporate Bond in Taiwan R.O.C. was released on January 8, 2024.</li> </ol>   |

## 2.3 Group Structure

30 April 2024



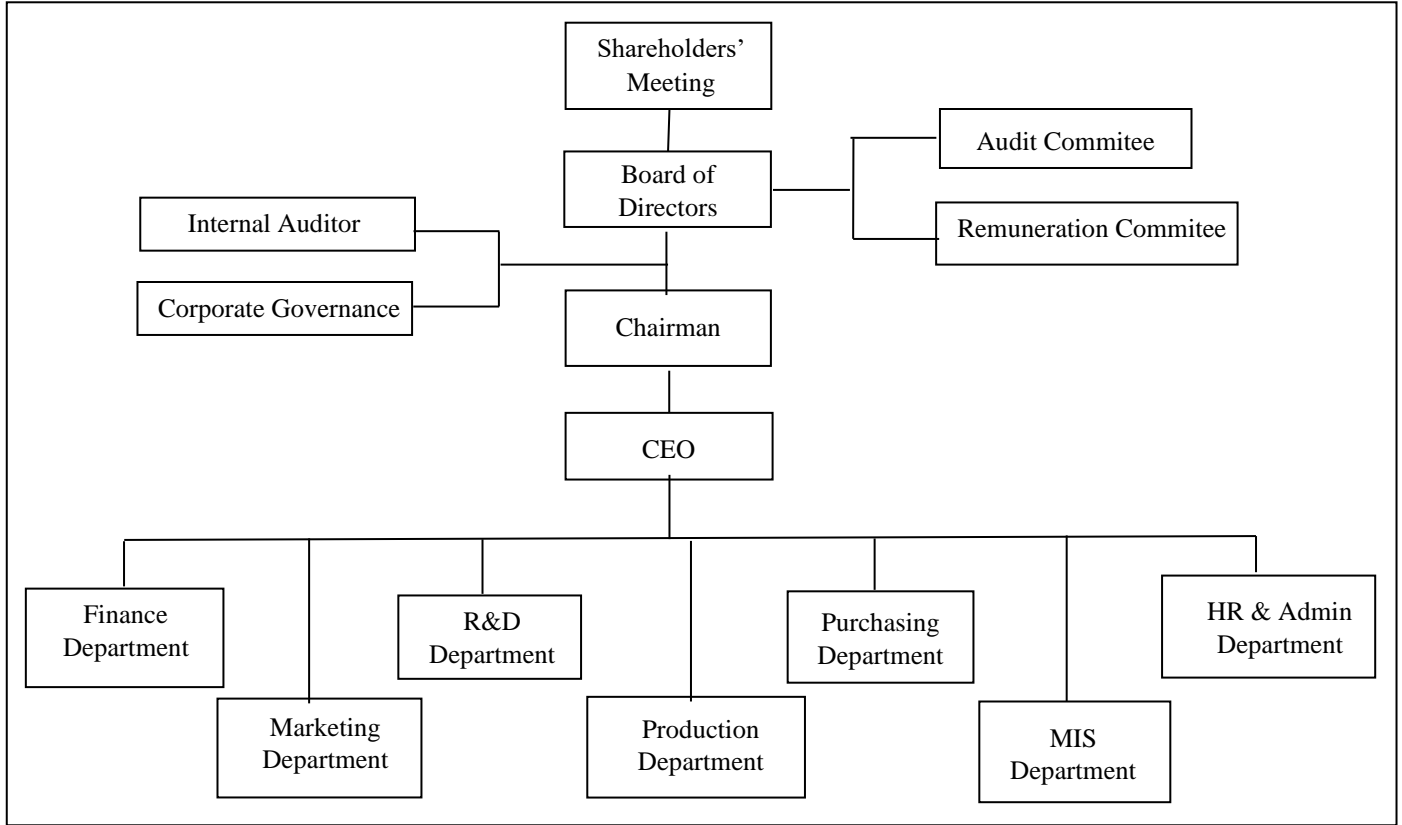
## 2.4 Risk Factors:

Please refer to page 127 for Analysis and assessment of risk matters.

## 3.0 Corporate Governance Report

### 3.1 Company Organization

#### 3.1.1 Organizational Structure



#### 3.1.2 Main Corporate Functions

| Name of Department       | Functions   |
|--------------------------|---|
| Board of Directors (BOD) | Formulate policy guidelines and targets for the management of the group's business and appoint the manager to promote the execution of the business, as well as other matters authorized by the chairman to be approved by the approval of the authorization form.  |
| Audit Committee          | Supervision of the group's operations and financial statements, and the effective implementation of internal control.   |
| Remuneration Committee   | <ol style="list-style-type: none"> <li>1. Establish and periodically review policies, systems, standards, and structures for assessing the performance and remuneration of directors and managers.</li> <li>2. Periodically evaluate and determine the compensation of the director and manager.</li> </ol>                     |
| CEO                      | Strategic planning, policy formulation, and comprehension of the company's operations to ensure that the company operates well and provides good-quality products and services.   |
| Internal Audit           | <ol style="list-style-type: none"> <li>1. Develop rules for the management of auditing organizations and the implementation of internal audits.</li> <li>2. Develop an annual audit plan and implement it for the preparation of audit reports.</li> <li>3. Regularly monitor the improvement of audit shortcomings.</li> </ol> |

| Name of Department   | Functions   |
|----------------------|---|
|                      | <ol style="list-style-type: none"> <li>4. Verify and evaluate the soundness, rationality, and effectiveness of the internal control system of the company and the management systems for management-level evaluation.</li> <li>5. Verify the efficiency of the programs or policies implemented by departments and their designated functions.</li> </ol>   |
| Corporate Governance | <ol style="list-style-type: none"> <li>1. To arrange meetings of the Board of Directors and shareholders' meetings in accordance with the law.</li> <li>2. To prepare the minutes of the meetings of the board of directors and the shareholders' meetings.</li> <li>3. To provide the relevant regulations for the governance of the company by the members of the boards and to update them at any time by law.</li> <li>4. To provide information necessary for the execution of the business of the directors, as well as to help them comply with the regulations.</li> <li>5. To assist independent directors or general directors in arranging courses according to the company's industry characteristics and management background.</li> </ol> |
| Finance              | Responsible for all related financial and accounting tasks to ensure the financial stability of the company and to improve the quality of decision-making with accurate and objective financial data and management information, and to strictly control the data to ensure that the budget objectives are achieved.  |
| Marketing            | Responsible for the sales of American-style wooden bedroom furniture, KD, rubber wood, and kitchen cabinets.  |
| R&D                  | Responsible for American wooden furniture design, improvement, sampling, assembly testing, production process, and product quality improvement.   |
| Production           | Responsible for the production of American-style wooden bedroom furniture (five-piece set) and wooden kitchen cabinets (five-piece set).  |
| Purchasing           | Responsible for the development, maintenance, and management of suppliers; according to the company's production plan and operational requirements, responsible for the price ratio and procurement of raw materials, equipment, etc.   |
| MIS                  | Responsible for managing the permissions of the company's network, servers, and system software, as well as maintaining information security. This includes regular maintenance of employee computers, arranging virus scans, and strengthening various simulation tests and emergency response drills in the server room to ensure the normal operation, legal use, and data security of the information system.   |
| HR & Admin           | <ol style="list-style-type: none"> <li>1. Responsible for the planning, formulation, inspection and revision of personnel and administrative rules and regulations, liaising with local governments, and paying attention to updates to legal provisions.</li> <li>2. Responsible for the recruitment, admission, entry into service, trial period examination follow-up, revision, and departure procedures.</li> <li>3. Responsive for the management and maintenance of the company's personnel system, staff data statistics, and maintenance management.</li> </ol>  |



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

#### 3.2.1 Directors and Supervisors

##### (A) Board of Directors

30 April 2024; Unit: Thousand Shares ; %

| Title    | Name                             | Gender /Age         | Nationality or location Registered | Date First Elected | Date Elected | Term    | Shareholding When Elected |       | Current Shareholding |       | Current Shareholding of Spouse and Minor |   | Shareholding by Nominee Arrangement |   | Qualification   | Current Positions at Parade and positions at Other Companies  | Executives, Directors or Supervisors who are spouses or within two degree of kinship |                             |                    |
|----------|----------------------------------|---------------------|------------------------------------|--------------------|--------------|---------|---------------------------|-------|----------------------|-------|--|---|-------------------------------------|---|---|---|--|-----------------------------|--------------------|
|          |                                  |                     |                                    |                    |              |         | Shares                    | %     | Shares               | %     | Shares                                   | % | Shares                              | % |   |   | Title  | Name                        | Relation           |
| Director | Eng Synergy Management Sdn. Bhd. | -                   | Malaysia                           | 2016.12.05         | 2022.06.29   | 3 years | 11,760                    | 56.00 | 11,700               | 33.41 | -  | - | -                                   | - | -   | -   | -  | -                           | -                  |
|          | Representative: Eng Kai Pin      | Male 31~40 Year old | Malaysia                           | -                  | -            | -       | -                         | -     | 81.9                 | 0.23  | -  | - | -                                   | - | Malaysia Muar Chung Hwa High School; Techcential Sdn. Bhd., Marketing Manager; Techcential International Ltd, CEO   | Techcential Sdn. Bhd., Director<br>Woodgress Sdn. Bhd., Director<br>Idealtage Development Sdn. Bhd., Director<br>EHL Cabinetry Sdn. Bhd., Director<br>TC Home Sdn. Bhd., Director & CEO<br>TC Home Corporation, Director & CEO                | CEO<br>CEO of TC   | Eng Kai Jie<br>Eng Kai Jian | Brother<br>Brother |
| Director | Surging Success Sdn. Bhd.        | -                   | Malaysia                           | 2016.12.05         | 2022.06.29   | 3 years | 1,890                     | 9.00  | 2,285                | 6.53  | -  | - | -                                   | - | -   | -   | -  | -                           | -                  |
|          | Representative: Eng Kai Jie      | Male 31~40 Year old | Malaysia                           | -                  | -            | -       | -                         | -     | 73.5                 | 0.21  | -  | - | -                                   | - | Inti UniversityMalaysia, Business Management Course Refresher; Techcential Sdn. Bhd. Quality Control and Production Specialist; Techcential Sdn. Bhd, Deputy Human Resources and Administration; Techcential Sdn. Bhd, Purchasing and warehouse management manager; Techcential Sdn. Bhd, CEO | Techcential Sdn. Bhd, Director<br>Idealtage Development Sdn. Bhd, Director<br>TC Home Sdn. Bhd., Director<br>TC Home Corporation, Director<br>ESK Wood Products Sdn. Bhd, Director<br>EHL Cabinetry Sdn. Bhd., Director<br>CEO of the company | Chairman<br>CEO of TC  | Eng Kai Pin<br>Eng Kai Jian | Brother<br>Brother |
| Director | Liao Wei Chuan                   | Male 51~60 Year Old | Taiwan                             | 2016.12.05         | 2022.06.29   | 3 years | -                         | -     | -                    | -     | -  | - | -                                   | - | Chung Yuan Christian University, Bachelor of Accounting; Masterlink Securities  | Fidelity Investments, General Manager.<br>JOBEN BIO-MEDICAL CO., LTD., Financial Advisor and Chief Representative of Asia Pacific   | -  | -                           | -                  |

| Title               | Name             | Gender /Age                  | Nationality or location Registered | Date First Elected | Date Elected | Term       | Shareholding When Elected |   | Current Shareholding |   | Current Shareholding of Spouse and Minor |   | Shareholding by Nominee Arrangement |   | Qualification   | Current Positions at Parade and positions at Other Companies   | Executives, Directors or Supervisors who are spouses or within two degree of kinship |      |          |
|---------------------|------------------|------------------------------|------------------------------------|--------------------|--------------|------------|---------------------------|---|----------------------|---|--|---|-------------------------------------|---|---|--|--|------|----------|
|                     |                  |                              |                                    |                    |              |            | Shares                    | % | Shares               | % | Shares                                   | % | Shares                              | % |   |  | Title  | Name | Relation |
|                     |                  |                              |                                    |                    |              |            |                           |   |                      |   |  |   |                                     |   | Group, Underwriting Dev, VP;<br>KGI Securities, Investment Banking Dev, Senior VP;<br>ICBC Securities Underwriting Dev, Senior Executive VP;<br>Taiwan Securities Association, member;<br>Genomics BioSci & Tech. Co.Ltd., Chief Strategy Officer and General Consultant;<br>PHARMIGENE, INC, General Consultant. | Region<br>JAPAN MEDICAL CO., LTD.,<br>Financial Advisor<br>Pharma Essentia Corp., Financial Advisor.<br>I. H ART COMPANY LIMITED,<br>Financial Advisor<br>Cedarwood Villa, General Consultant.<br>China Youth Corps, Steering Committee.<br>Hotel Everrich (Thailand), General Consultant.<br>尊揚生技股份有限公司總顧問<br>Minghao Dental Hospital (in preparation), General Consultant. |  |      |          |
| Director            | Chang Ming-Huang | Male<br>41~50<br>Year<br>Old | Taiwan                             | 2018.06.29         | 2022.06.29   | 3<br>years | -                         | - | -                    | - | -  | - | -                                   | - | National Taichung University of Science and Technology., Bachelor of Accounting;<br>National Chung-Cheng University, Master of Law;<br>Lecturer of the Zhongshan School of Medicine, Sun Yat-sen University.  | Founder of Rich CPA Firm<br>Feature Integration Technology Inc.,<br>Independent director<br>Deputy Spokesperson of the company   | -  | -    | -        |
| Independent Directo | Chou Chih Yuan   | Male<br>41~50<br>Year<br>old | Taiwan                             | 2022.06.29         | 2022.06.29   | 3<br>years | -                         | - | -                    | - | -  | - | -                                   | - | Chang Jung Christian University, Bachelor of Accounting;<br>Nexia Trans - Asia Associates, Manager<br>Crowe Global, Section in Charge;<br>Deloitte & Touche, Deputy Manager   | Founder of J & C Certified Public Accountant.  | -  | -    | -        |
| Independent Directo | Huang Chi Jui    | Male<br>31~40<br>Year<br>Old | Taiwan                             | 2022.06.29         | 2022.06.29   | 3<br>years | -                         | - | -                    | - | -  | - | -                                   | - | Tamkang University, Bachelor of Accounting;<br>KPMG, Deputy Manager;<br>Lite-On Technology Corporation;<br>R & K Consultants Limited, Department Chief  | Favorable Business Partner CPAs  | -  | -    | -        |

| Title                | Name           | Gender /Age               | Nationality or location Registered | Date First Elected | Date Elected | Term    | Shareholding When Elected |   | Current Shareholding |   | Current Shareholding of Spouse and Minor |   | Shareholding by Nominee Arrangement |   | Qualification   | Current Positions at Parade and positions at Other Companies | Executives, Directors or Supervisors who are spouses or within two degree of kinship |      |          |
|----------------------|----------------|---------------------------|------------------------------------|--------------------|--------------|---------|---------------------------|---|----------------------|---|--|---|-------------------------------------|---|---|--|--|------|----------|
|                      |                |                           |                                    |                    |              |         | Shares                    | % | Shares               | % | Shares                                   | % | Shares                              | % |   |  | Title  | Name | Relation |
| Independent Director | Tay Puay Chuan | Male<br>51~60<br>Year old | Malaysia                           | 2016.12.05         | 2022.06.29   | 3 years | -                         | - | -                    | - | -  | - | -                                   | - | Bachelor of Laws, University of London, UK;<br>Bukit Oman Royal Police Inspector;<br>Fajar Sawmill Sdn. Bhd., Factory Manager;<br>Syarikat Teong Sheng Sdn. Bhd., Factory Manager;<br>Fadzilah Ong Chee Seong & Associates Lawyer;<br>Member of Parliament of Malaysia.<br>Guan Chong Berhad Sdn. Bhd., Independent Director;<br>Star Foundation, Director.<br>Sern Kou Resources Sdn. Bhd., Independent Director<br>Homeritz Corporation Sdn. Bhd., Independent Director | Founder of Tay Puay Chuan & Co.                              | -  | -    | -        |

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

(C) Major shareholders of the institutional shareholders:

30 April 2024

| Institutional shareholders       | Major shareholders                        |
|----------------------------------|---|
| Eng Synergy Management Sdn. Bhd. | Tay Su Siang 70.65%, Eng Chong Len 29.35% |
| Surging Success Sdn. Bhd.        | Yee Jun Xing 100%                         |

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

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

30 April 2024

| Name<br>Criteria   | Professional Qualification Requirements and Work Experience   | Independent Criteria  | Concurrently Serving as an Independent Director at Other Public Companies |
|--|---|---|---|
| Eng Synergy Management Sdn. Bhd.<br>Representative:<br>Eng Kai Pin | Mr. Eng Kai Pin, the representative of Eng Synergy Management Sdn. Bhd. He is a Malaysian and has the work experience required for the company's business. He served as marketing manager at Techcential Sdn. Bhd. and CEO of Techcential International Ltd.  | As of April 30, 2024, the number and proportion of the company's shares held by myself, spouse, relatives within the second degree (or in the name of others): 11,700,000 shares and 33.41%<br>Other qualifying conditions for independence are as follows:<br>(3) \ (4) \ (5) \ (6) \ (7) \ (8) \ (9) \ (11) \ (12)          | 0   |
| Surging Success Sdn. Bhd.<br>Representative:<br>Eng Kai Jie        | Surging Success Sdn. Bhd. representative, Mr. Eng Kai Jie. He is a Malaysian and has the work experience required for the company's business. He is an Inti University Malaysia Business Management Course Refresher. He worked as Techcential Sdn. Bhd.'s Quality Control and Production Specialist; Techcential Sdn. Bhd.'s Deputy Human Resources and Administration; Techcential Sdn. Bhd.'s Purchasing and Warehouse Management Manager; and Techcential Sdn. Bhd.'s CEO. He currently serves as the CEO of EHL Cabinetry Sdn. Bhd. and the CEO of Techcential International Ltd.                                      | As of April 30, 2024, the number and proportion of the company's shares held by myself, spouse, relatives within the second degree (or in the name of others): 2,285,000 shares and 6.53%<br>Other qualifying conditions for independence are as follows:<br>(2) \ (3) \ (4) \ (5) \ (6) \ (7) \ (8) \ (9) \ (11) \ (12)      | 0   |
| Liao Wei Chuan   | Director Mr. Liao Wei Chuan is Taiwanese and graduated from Chung Yuan Christian University with a bachelor's degree in accounting. He has over 10 years of work experience in the financial industry. After inspection, the content of the work experience is consistent. He used to be the Masterlink Securities Group, Underwriting Dev, VP; KGI Securities, Investment Banking Dev, Senior VP; ICBC Securities Underwriting Dev, Senior Executive VP; Taiwan Securities Association, member; Genomics BioSci & Tech. Co., Ltd., Chief Strategy Officer and General Consultant; and PHARMIGENE, INC, General Consultant. | As of April 30, 2024, the number and proportion of the company's shares held by myself, spouse, relatives within the second degree (or in the name of others): 0 shares and 0.00%<br>Other qualifying conditions for independence are as follows:<br>(1) \ (2) \ (3) \ (4) \ (5) \ (6) \ (7) \ (8) \ (9) \ (10) \ (11) \ (12) | 0   |

|                  |  |   |   |
|------------------|--|---|---|
| Chang Ming Huang | Mr. Chang Ming Huang is a Taiwanese. He graduated from the National Taichung University of Science and Technology with a bachelor's degree in accounting and from the National Chung-Cheng University with a master's degree in law. He worked as a lecturer at the Zhongshan School of Medicine at Sun Yat-sen University. He is also an instructor or holds a higher position in the Department of Commerce and Law. He is currently an accountant at the Rich CPA Firm.   | As of April 30, 2024, the number and proportion of the company's shares held by myself, spouse, relatives within the second degree (or in the name of others): 0 shares and 0.00%<br>Other qualifying conditions for independence are as follows:<br>(1) 、 (2) 、 (3) 、 (4) 、 (5) 、 (6) 、 (7) 、 (8) 、 (9) 、 (10) 、 (11) 、 (12) | 1 |
| Chou Chih Yuan   | Mr. Chou Chih Yuan is a Taiwanese. He earned a bachelor's degree in accounting from Chang Jung Christian University. He held positions as a manager at Nexia Trans-Asia Associates, section head at Crowe Global, and deputy manager at Deloitte & Touche. He is currently the founder of J & C Certified Public Accountants.  | As of April 30, 2024, the number and proportion of the company's shares held by myself, spouse, relatives within the second degree (or in the name of others): 0 shares and 0.00%<br>Other qualifying conditions for independence are as follows:<br>(1) 、 (2) 、 (3) 、 (4) 、 (5) 、 (6) 、 (7) 、 (8) 、 (9) 、 (10) 、 (11) 、 (12) | 0 |
| Huang Chi Jui    | Mr. Huang Chi Jui is a Taiwanese. He earned a bachelor's degree in accounting from Tamkang University. He previously held positions as a deputy manager at KPMG, Lite-On Technology Corporation, and R & K Consultants Limited. He is a Favorable Business Partner CPAs currently.   | As of April 30, 2024, the number and proportion of the company's shares held by myself, spouse, relatives within the second degree (or in the name of others): 0 shares and 0.00%<br>Other qualifying conditions for independence are as follows:<br>(1) 、 (2) 、 (3) 、 (4) 、 (5) 、 (6) 、 (7) 、 (8) 、 (9) 、 (10) 、 (11) 、 (12) | 0 |
| Tay Puay Chuan   | Independent Director Mr. Tay Puay Chuan is a Malaysian and graduated from the University of London with a Bachelor of Laws (Honours) degree. He has served as Inspector of Bukit Oman Royal, Factory Manager of Fajar Sawmill Sdn. Bhd., Factory Manager of Syarikat Teong Sheng Sdn. Bhd., Fadzilah Ong Chee Seong & Associates Lawyer, Member of Parliament of Malaysia, Independent Director of Guan Chong Berhad Sdn. Bhd., Director of Star Foundation , Independent Director of Sern Kou Resources Sdn. Bhd. and Independent Director of Homeritz Corporation Sdn. Bhd. He is an in-service lawyer and the founder of Tay Puay Chuan & Co. Law Firm, which he founded in May 2013. | As of April 30, 2024, the number and proportion of the company's shares held by myself, spouse, relatives within the second degree (or in the name of others): 0 shares and 0.00%<br>Other qualifying conditions for independence are as follows:<br>(1) 、 (2) 、 (3) 、 (4) 、 (5) 、 (6) 、 (7) 、 (8) 、 (9) 、 (10) 、 (11) 、 (12) | 2 |

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

Note 2: Please tick the appropriate corresponding boxes if directors and supervisors have met any of the following: criteria during the two-year 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 or institutional shareholder that directly holds 5% or more of the total number of outstanding shares of the company or that holds shares ranking in the top five in holdings;
- (6) Not a director, supervisor, officer, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the company;
- (7) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the company or to any affiliate of the company, or a spouse thereof;
- (8) Not having a marital relationship or a relative within the second degree of kinship to any other director of the company;
- (9) Not been a person of any conditions defined in Article 30 of the Company Law; and
- (10) Not a governmental, juridical person, or its representative as defined in Article 27 of the Company Law.

(E) Board members implement diversity

(1) Board Diversity Policy

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

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

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

1. The ability to make judgments about operations.
2. Accounting and financial analysis ability.
3. Business management ability.
4. Crisis management ability.
5. Knowledge of the industry.

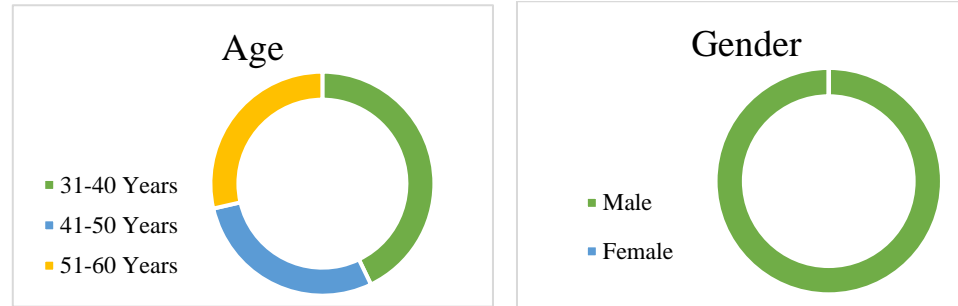
6. An international market perspective.
7. Leadership ability.
8. Decision-making ability.

(2) Implementation of Board Diversity Policy

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

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

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



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

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

(F) Independence of the Board of Directors:

The company has appointed three independent directors, accounting for 43% of all directors. The company has gotten the declaration that it complies with the eligibility requirements stipulated in the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" from all independent directors and meets the independence requirements. The independent directors of the company and their spouses, minor children, and nominees under a nominee arrangement do not hold shares of the company. The two directors of the company, Eng Kai Pin and Eng Kai Jie, have a second-degree kinship relationship. There are no cases of marital or within-second-degree kinship relationships among the other directors, supervisors, or between directors and supervisors.

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



3.2.2 President, Vice President of the Company and its affiliates

30 April 2024; Unit: Thousand Shares ; %

| Title                                | Name          | Gender | Nationality | Date Elected   | Shareholding |      | Spouse and Minor Shareholdings |   | Shareholding by Nominee Arrangement |   | Education and Experience   | Current Positions at Other Companies  | Spouse or Relative Within Two Degrees of Consanguinity Serving as a Manager or Director |              |              | Status of Manager obtains employee stock options |
|--------------------------------------|---------------|--------|-------------|--|--------------|------|--------------------------------|---|-------------------------------------|---|--|---|---|--------------|--------------|--|
|                                      |               |        |             |  | Shares       | %    | Shares                         | % | Shares                              | % |  |   | Title   | Name         | Relationship |  |
| CEO                                  | Eng Kai Jie   | Male   | Malaysia    | 2022.7.8   | 73.5         | 0.21 | -                              | - | -                                   | - | Inti University Malaysia, Business Management Course Refresher; Techcential Sdn. Bhd. Quality Control and Production Specialist; Techcential Sdn. Bhd, Deputy Human Resources and Administration; Techcential Sdn. Bhd, Purchasing and warehouse management manager; Techcential Sdn. Bhd, CEO | Techcential Sdn. Bhd, Director<br>Idealtage Development Sdn. Bhd, Director<br>TC Home Sdn. Bhd., Director<br>TC Home Corporation, Director<br>ESK Wood Products Sdn. Bhd, Director<br>EHL Cabinetry Sdn Bhd, Director | Chairman  | Eng Kai Pin  | Brother      | -  |
| CFO and corporate governance manager | Tan Kok Bee   | Male   | Malaysia    | 2016.12.5 (CFO)<br>2023.05.11 (corporate governance manager) | 10           | 0.03 | -                              | - | -                                   | - | UK LCCI Accounting Advanced Diploma<br>Malaysia MIA registered accountant<br>Leong Hup Holdings Bhd., Account Manager<br>UDS Capital Bhd., Account Manager<br>Mamee Double-decker (Malaysia) Bhd., Account Manager<br>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<br>LH Kiln Dry & Moulding Sdn.Bhd., Account Executive<br>Techcential Sdn.Bhd., Account Executive;<br>HR & Admin Executive   | -   | -   | -            | -            | -  |
| R&D Chief                            | Koh Chin Joo  | Male   | Malaysia    | 2003.10.13   | -            | -    | -                              | - | -                                   | - | SPM, Malaysia<br>Four Stars Enterprise - Interior Desinger Workshop Founder<br>Yeu Hong Furniture Industries Sdn. Bhd., Leader of Production<br>Techcential Sdn. Bhd., R&D Executive   | -   | -   | -            | -            | -  |
| IA Manager                           | Yee Lee Ching | Female | Malaysia    | 2018.05.15   | -            | -    | -                              | - | -                                   | - | Kaohsiung Medical University, Degree of Psychology<br>Techcential International Ltd IA Manager   | -   | -   | -            | -            | -  |
| CEO of EHL                           | Eng Kai Jie   | Male   | Malaysia    | 2022.5.12  | 73.5         | 0.21 | -                              | - | -                                   | - | Inti University Malaysia, Business Management Course Refresher; Techcential Sdn. Bhd. Quality Control and Production Specialist; Techcential Sdn. Bhd, Deputy Human Resources and Administration;  | Techcential Sdn. Bhd, Director<br>Idealtage Development Sdn. Bhd, Director<br>TC Home Sdn. Bhd., Director<br>TC Home Corporation, Director<br>ESK Wood Products Sdn. Bhd,   | Chairman  | Eng Kai Pin  | Brother      | -  |
|                                      |               |        |             |  |              |      |                                |   |                                     |   |  |   | CEO of TC   | Eng Kai Jian | Brother      |  |

| Title                      | Name          | Gender | Nationality | Date Elected | Shareholding |      | Spouse and Minor Shareholdings |   | Shareholding by Nominee Arrangement |   | Education and Experience   | Current Positions at Other Companies        | Spouse or Relative Within Two Degrees of Consanguinity Serving as a Manager or Director |                            |                    | Status of Manager obtains employee stock options |
|----------------------------|---------------|--------|-------------|--------------|--------------|------|--------------------------------|---|-------------------------------------|---|--|---|---|----------------------------|--------------------|--|
|                            |               |        |             |              | Shares       | %    | Shares                         | % | Shares                              | % |  |   | Title   | Name                       | Relationship       |  |
|                            |               |        |             |              |              |      |                                |   |                                     |   | Techcential Sdn. Bhd, Purchasing and warehouse management manager;<br>Techcential Sdn. Bhd, CEO  | Director<br>EHL Cabinetry Sdn Bhd, Director |   |                            |                    |  |
| Costing & Purchasing Chief | Poa Keng Ling | Female | Malaysia    | 2001.6.11    | 28           | 0.08 | -                              | - | -                                   | - | Universiti Utara Malaysia, Bachelor of Economic<br>LH Kiln Dry & Moulding Sdn.Bhd., PA of CEO<br>Techcential Sdn.Bhd., Executive of Costing & Purchasing<br>Techcential Sdn. Bhd., Manager of Costing & Purchasing | -   | -   | -                          | -                  | -  |
| CEO of TC                  | Eng Kai Jian  | Male   | Malaysia    | 2019.05.10   | -            | -    | -                              | - | -                                   | - | University of Nebraska – Lincoln, Degree in Marketing<br>Techcential Sdn Bhd Marketing Manager   | -   | Chairman<br>CEO   | Eng Kai Pin<br>Eng Kai Jie | Brother<br>Brother |  |

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

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

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

31 December 2023 Unit: NTD Thousand

| Title           | Name   | Remuneration          |   |                                  |   |  |   |                    |   | Total Remuneration<br>(A+B+C+D) as a % of Net<br>Income |   | Relevant remuneration received by Directors who are also employees |   |                                  |   |                        |   |  |   | Total Compensation<br>(A+B+C+D+E+F+G) as A %<br>of Net Income |   | Compensation<br>Paid to<br>Directors<br>from<br>Noncons<br>olidated<br>Affiliates |
|-----------------|--|-----------------------|---|----------------------------------|---|--|---|--------------------|---|---|---|--|---|----------------------------------|---|------------------------|---|--|---|---|---|---|
|                 |  | Base Compensation (A) |   | Severance Pay and<br>Pension (B) |   | Directors'<br>Remuneration (C)<br>(Note 1) |   | Allowances (D)     |   |   |   | Compensation,<br>Bonuses, and<br>Allowances (E)                    |   | Severance Pay<br>and Pension (F) |   | Employees' Bonuses (G) |   |  |   |   |   |   |
|                 |  | The<br>Company        | Compani<br>es in the<br>Consolida<br>ted<br>Financial<br>Report | The<br>Co<br>mpa<br>ny           | Com<br>pani<br>es in the<br>Consol<br>idated<br>Financ<br>ial<br>Report | The<br>Compa<br>ny                         | Compani<br>es in the<br>Consol<br>idated<br>Financ<br>ial<br>Report | The<br>Comp<br>any | Compani<br>es in the<br>Consol<br>idated<br>Financ<br>ial<br>Report | The<br>Company  | Compani<br>es in the<br>Consolida<br>ted<br>Financial<br>Report | The<br>Co<br>mp<br>any   | Compani<br>es in the<br>Consolida<br>ted<br>Financial<br>Report | The<br>Co<br>mpa<br>ny           | Compani<br>es in the<br>Consolida<br>ted<br>Financ<br>ial<br>Report | The Company            |   | Companies in the<br>Consolidated<br>Financial Report |   | The<br>Company  | Compani<br>es in the<br>Consolida<br>ted<br>Financial<br>Report |   |
| Direct<br>or    | Eng Synergy Management Sdn.<br>Bhd.<br>Representative: Eng Kai Pin | -                     | -   | -                                | -   | -  | -   | -                  | -   | -   | -   | 2,366  | -   | -                                | -   | -                      | - | -  | - | -   | 2,366<br>(-9.95%)   | -   |
| Direct<br>or    | Surging Success Sdn. Bhd.<br>Representative: Eng Kai Jie           | -                     | -   | -                                | -   | -  | -   | -                  | -   | -   | -   | 2,318  | -   | -                                | -   | -                      | - | -  | - | -   | 2,318<br>(-9.75%)   | -   |
| Direct<br>or    | Liao Wei Chuan   | 360                   | 360   | -                                | -   | 30   | 30  | -                  | -   | 390<br>(-1.64%)   | 390<br>(-1.64%)   | -  | -   | -                                | -   | -                      | - | -  | - | 390<br>(-1.64%)   | 390<br>(-1.64%)   | -   |
| Direct<br>or    | Chang Ming-Huang   | 240                   | 240   | -                                | -   | 20   | 20  | 3                  | 3   | 263<br>(-1.11%)   | 263<br>(-1.11%)   | -  | -   | -                                | -   | -                      | - | -  | - | 263<br>(-1.11%)   | 263<br>(-1.11%)   | -   |
| Indep<br>endent | Chou Chih Yuan   | 360                   | 360   | -                                | -   | 30   | 30  | 3                  | 3   | 393<br>(-1.65%)   | 393<br>(-1.65%)   | -  | -   | -                                | -   | -                      | - | -  | - | 393<br>(-1.65%)   | 393<br>(-1.65%)   | -   |
| Indep<br>endent | Huang Chi Jui  | 360                   | 360   | -                                | -   | 30   | 30  | 3                  | 3   | 393<br>(-1.65%)   | 393<br>(-1.65%)   | -  | -   | -                                | -   | -                      | - | -  | - | 393<br>(-1.65%)   | 393<br>(-1.65%)   | -   |
| Indep<br>endent | Tay Puay Chuan   | 241                   | 241   | -                                | -   | 27   | 27  | 10                 | 10  | 278<br>(-1.17%)   | 278<br>(-1.17%)   | -  | -   | -                                | -   | -                      | - | -  | - | 278<br>(-1.17%)   | 278<br>(-1.17%)   | -   |

### Remuneration Table

| Remuneration Paid to Directors                                | Name of Directors   |  |   |  |
|---|---|--|---|--|
|   | Total Compensation (A+B+C+D)  |  | Total Compensation (A+B+C+D+E+F+G)  |  |
|   | The Company   | Companies in the consolidated financial report | The Company   | Companies in the consolidated financial report |
| Under NT\$ 1,000,000  | Tay Puay Chuan, Chou Chih Yuan, Huang Chi Jui, Liao Wei Chuan, Chang Ming Huang | -  | Tay Puay Chuan, Chou Chih Yuan, Huang Chi Jui, Liao Wei Chuan, Chang Ming Huang | -  |
| NT\$1,000,000 ( includes ) ~NT\$2,000,000 ( not included )    | -   | -  | -   | -  |
| NT\$2,000,000 ( includes ) ~NT\$3,500,000 ( not included )    | -   | Eng Kai Pin, Eng Kai Jie                       | -   | Eng Kai Pin, Eng Kai Jie                       |
| NT\$3,500,000 ( includes ) ~NT\$5,000,000 ( not included )    | -   | -  | -   | -  |
| NT\$5,000,000 ( includes ) ~NT\$10,000,000 ( not included )   | -   | -  | -   | -  |
| NT\$10,000,000 ( includes ) ~NT\$15,000,000 ( not included )  | -   | -  | -   | -  |
| NT\$15,000,000 ( includes ) ~NT\$30,000,000 ( not included )  | -   | -  | -   | -  |
| NT\$30,000,000 ( includes ) ~NT\$50,000,000 ( not included )  | -   | -  | -   | -  |
| NT\$50,000,000 ( includes ) ~NT\$100,000,000 ( not included ) | -   | -  | -   | -  |
| Over NT\$ 100,000,000   | -   | -  | -   | -  |
| Total   | 5   | 2  | 5   | 2  |

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

## (C) Remuneration of President and Vice Presidents

31 December 2023, Unit: NTD Thousand

| Title            | Name          | Salary (A)  |  | Severance Pay and Pension (B) |  | Bonus and Allowances (C) |  | Employees' Bonus (D) |                           |  |                           | Total Compensation (A+B+C+D) as a % of Net |  | Compensation Paid to President and Vice Presidents From Non-consolidated Affiliates |
|------------------|---------------|-------------|--|-------------------------------|--|--------------------------|--|----------------------|---------------------------|--|---------------------------|--|--|---|
|                  |               | The Company | Companies in the Consolidated financial report | The Company                   | Companies in the Consolidated financial report | The Company              | Companies in the Consolidated financial report | The Company          |                           | Companies in the Consolidated financial report |                           | The Company                                | Companies in the Consolidated financial report |   |
|                  |               |             |  |                               |  |                          |  | Cash                 | Stock (Fair Market Value) | Cash   | Stock (Fair Market Value) |  |  |   |
| CEO              | Eng Kai Jie   | -           | 2,213  | -                             | -  | -                        | 105  | -                    | -                         | -  | -                         | -  | 2,318 (-9.75%)                                 | -   |
| CEO of TC        | Eng Kai Jian  | -           | 2,168  | -                             | -  | -                        | 90   | -                    | -                         | -  | -                         | -  | 2,258 (-9.50%)                                 | -   |
| Purchasing Chief | Poa Keng Ling | -           | 1,448  | -                             | -  | -                        | 93   | -                    | -                         | -  | -                         | -  | 1,541 (-6.48%)                                 | -   |
| CFO              | Tan Kok Bee   | -           | 1,253  | -                             | -  | -                        | 74   | -                    | -                         | -  | -                         | -  | 1,327 (-5.58%)                                 | -   |
| R&D Chief        | Koh Chin Joo  | -           | 1,121  | -                             | -  | -                        | 99   | -                    | -                         | -  | -                         | -  | 1,220 (-5.13%)                                 | -   |

## Remuneration Table

| Remuneration Paid to the President and Vice President     | Name of President and Vice President |  |
|---|--------------------------------------|--|
|   | The Company                          | Companies in the consolidated financial report |
| Under NT\$ 1,000,000                                      | -                                    | -  |
| NT\$1,000,000 (includes) ~NT\$2,000,000 (not included)    | -                                    | Poa Keng Ling, Tan Kok Bee, Koh Chin Joo       |
| NT\$2,000,000 (includes) ~NT\$3,500,000 (not included)    | -                                    | Eng Kai Jie, Eng Kai Jian                      |
| NT\$3,500,000 (includes) ~NT\$5,000,000 (not included)    | -                                    | -  |
| NT\$5,000,000 (includes) ~NT\$10,000,000 (not included)   | -                                    | -  |
| NT\$10,000,000 (includes) ~NT\$15,000,000 (not included)  | -                                    | -  |
| NT\$15,000,000 (includes) ~NT\$30,000,000 (not included)  | -                                    | -  |
| NT\$30,000,000 (includes) ~NT\$50,000,000 (not included)  | -                                    | -  |
| NT\$50,000,000 (includes) ~NT\$100,000,000 (not included) | -                                    | -  |
| Over NT\$ 100,000,000                                     | -                                    | -  |
| Total   | -                                    | 5  |

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

31 December 2023, Unit: NTD Thousand

| Title            | Name          | Salary (A)  |  | Severance Pay and Pension (B) |  | Bonus and Allowances (C) |  | Employees' Bonus (D) |                           |  |                           | Total Compensation (A+B+C+D) as a % of Net |  | Compensation Paid to President and Vice Presidents From Non-consolidated Affiliates |
|------------------|---------------|-------------|--|-------------------------------|--|--------------------------|--|----------------------|---------------------------|--|---------------------------|--|--|---|
|                  |               | The Company | Companies in the Consolidated financial report | The Company                   | Companies in the Consolidated financial report | The Company              | Companies in the Consolidated financial report | The Company          |                           | Companies in the Consolidated financial report |                           | The Company                                | Companies in the Consolidated financial report |   |
|                  |               |             |  |                               |  |                          |  | Cash                 | Stock (Fair Market Value) | Cash   | Stock (Fair Market Value) |  |  |   |
| CEO              | Eng Kai Jie   | -           | 2,213  | -                             | -  | -                        | 105  | -                    | -                         | -  | -                         | -  | 2,318 (-9.75%)                                 | -   |
| CEO of TC        | Eng Kai Jian  | -           | 2,168  | -                             | -  | -                        | 90   | -                    | -                         | -  | -                         | -  | 2,258 (-9.50%)                                 | -   |
| Purchasing Chief | Poa Keng Ling | -           | 1,448  | -                             | -  | -                        | 93   | -                    | -                         | -  | -                         | -  | 1,541 (-6.48%)                                 | -   |
| CFO              | Tan Kok Bee   | -           | 1,253  | -                             | -  | -                        | 74   | -                    | -                         | -  | -                         | -  | 1,327 (-5.58%)                                 | -   |
| R&D Chief        | Koh Chin Joo  | -           | 1,121  | -                             | -  | -                        | 99   | -                    | -                         | -  | -                         | -  | 1,220 (-5.13%)                                 | -   |

Names of executives distributing employees' bonuses:

Unit: NTD Thousand ; %

|         | Title            | Name          | In Stock (Fair Market Value) | In Cash | Total | % of net income after tax |
|---------|------------------|---------------|------------------------------|---------|-------|---------------------------|
| Manager | CEO              | Eng Kai Jie   | -                            | -       | -     | -                         |
|         | CEO of TC        | Eng Kai Jian  |                              |         |       |                           |
|         | Purchasing Chief | Poa Keng Ling |                              |         |       |                           |
|         | CFO              | Tan Kok Bee   |                              |         |       |                           |
|         | R&D Chief        | Koh Chin Joo  |                              |         |       |                           |

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

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

Unit: NTD Thousand

|  | Year 2022 |       | Year 2023 |        |
|--|-----------|-------|-----------|--------|
|  | Amount    | %     | Amount    | %      |
| Remuneration of Directors, President and Vice Presidents | 6,540     | 20.94 | 6,401     | -26.92 |
| The Company's Consolidated Net Income                    | 9,164     | 29.34 | 8,664     | -36.44 |

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

| Item  | Directors  | CEO |
|---|--|-----|
| Policy, standards and combination for payment of remuneration | Article 14.4 of the company's statute stipulates that if there are profits in the company's year, the profits shall not be less than three percent (3%) of the employee's salary, and not more than five percent (5%) of the earnings shall be paid to the directors' salary. However, if the company still has accumulated losses, the amount of compensation will be reserved in advance. The employees' salaries referred to in this article 14.4 shall be in stock or cash, including dependent employees who meet certain conditions. The Board of Directors of the company shall decide whose eligibility. |     |
| Establishment of procedure of remuneration                    | In accordance with Article 7 of the organizational regulations of the salary remuneration committee, the company's directors, supervisors, and managers regularly evaluate the achievement of the performance objectives and, based on the results of the evaluation obtained by the performance assessment standards, determine the contents and amounts of their individual salary compensation, while assessing and referring to the level of payment of peers to determine the salaries of directors and directors.  |     |

|   |  |   |
|---|--|---|
| <p>Correlation between the business performance and future risk</p> | <p>The board of directors will evaluate the effectiveness of the board and its members according to the "Board of Directors Performance Evaluation Form" and "Board of Directors Member Evaluation Form" after the year. If the average total score is over 80 points, the directors' remuneration will be distributed proportionally according to the regulations of the company's articles of association. The "Board Member Performance Evaluation Form" is a reference for the Compensation Committee to evaluate individual remuneration.</p> | <p>Based on the "Manager Performance Evaluation Form," the general manager will distribute the results based on the KPI indicators of various departments and then distribute the dividends according to the employee bonus amount planned by the manager's compensation plan. Adjust according to the ratio.</p> |
|---|--|---|



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

#### 3.4.1 The state of operations of the Board of Directors:

The Board of Directors held a total of 7 meetings from the fiscal year 2023 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 Synergy Management Sdn. Bhd.<br>Representative: Eng Kai Pin | 7                           | 0                             | 100%                          | 2016.11.20 Elected<br>2019.06.27 Re-elected<br>2022.06.29 Re-elected  |
| Director             | Surging Success Sdn. Bhd.<br>Representative : Eng Kai Jie       | 7                           | 0                             | 100%                          | 2022.06.29 New  |
| Director             | Liao Wei Chuan  | 6                           | 0                             | 85.71%                        | 2016.12.05 Elected as Independent Director<br>2019.06.27 Re-elected as Independent Director<br>2022.06.29 Elected as Director |
| Director             | Chang Ming Huang  | 7                           | 0                             | 100%                          | 2018.06.29 Elected<br>2019.06.27 Re-elected<br>2022.06.29 Re-elected  |
| Independent Director | Chou Chih Yuan  | 6                           | 1                             | 100%                          | 2022.06.29 New  |
| Independent Director | Huang Chi Jui   | 7                           | 0                             | 100%                          | 2022.06.29 New  |
| Independent Director | Tay Puay Chuan  | 7                           | 0                             | 100%                          | 2016.12.05 Elected<br>2019.06.27 Re-elected<br>2022.06.29 Re-elected  |

#### 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 of such opinions shall be noted in the minutes of the Board of Directors meeting:

- (i) The matters listed in Article 14-3 of the Securities and Exchange Act have occurred: Please refer to the Annual Report (Chinese Version), Pg. 18, for further details.
- (ii) In addition to the pre-opening matters, other board matters that have been objected to or retained by independent directors and have a record or written statement: Not Applicable.

| The Date of Board of Director's meeting | The Important Resolutions<br>(Securities and Exchange Act- Article 14, paragraph 3) |   | The opinions of independent directors |
|---|---|---|---------------------------------------|
| 2023/03/21                              | 1   | The Distribution of 2022 Employee and Director remuneration.  | No opinion                            |
|   | 2   | 2022 Consolidated Financial Statements and Annual Report.   | No opinion                            |
|   | 3   | Annual Earnings Distributions for the year 2022.  | No opinion                            |
|   | 4   | Issue new shares through capitalization of earnings.  | No opinion                            |
|   | 5   | The 2022 Statements of Internal Control System.   | No opinion                            |
|   | 6   | The change of CPA.  | No opinion                            |
|   | 7   | The assessment of the Independence and the 2023 annual remuneration of Certified Public Accountant. | No opinion                            |
|   | 8   | The "General Principles of Pre-approval of Non-Confidential Service                                 | No opinion                            |

|  |  |  |            |
|--|--|--|------------|
|  |  | Policy"  |            |
|  | 9  | The schedule plan through greenhouse gas inventory and verification of the consolidated subsidiary.                                      | No opinion |
|  | 10   | The amendment "Code of Corporate Governance Practices", "Corporate Practice on Sustainable Development".                                 | No opinion |
|  | 11   | Issuance of Restricted Stock Awards.   | No opinion |
|  | 12   | 2023 Annual Shareholders' meeting.   | No opinion |
|  | The company's handling of independent directors' opinions : Not applicable.                      |  |            |
|  | Resolution result: All the present directors and independent directors passed without objection. |  |            |
| 2023/05/11   | 1  | 2023 Q1 Consolidated Financial Statements.   | No opinion |
|  | 2  | Appoint Corporate Governance Officer.  | No opinion |
|  | 3  | Amendment of the "Rules and Procedures of Board Meetings".   | No opinion |
|  | 4  | Provisions "Rules Governing Financial and Business Matters Between this Company and its Affiliated Enterprises".                         | No opinion |
|  | 5  | Change the seal of the Bank SinoPac Savings account and related transaction matters.   | No opinion |
|  | 6  | The proposal of "Performance assessments and salary adjustment of Directors and managerial officers" for the year 2023.                  | No opinion |
|  | The company's handling of independent directors' opinions : Not applicable.                      |  |            |
| Resolution result: All the present directors and independent directors passed without objection. |  |  |            |
| 2023/06/21   | 1  | To determine the cash dividends, stock dividend and Ex-rights and dividend Date.   | No opinion |
|  | The company's handling of independent directors' opinions : Not applicable.                      |  |            |
|  | Resolution result: All the present directors and independent directors passed without objection. |  |            |
| 2023/07/21   | 1  | The proposal of increase share capital by issuing ordinary shares and the 3rd Non-Guaranteed Convertible Corporate Bond in Taiwan R.O.C. | No opinion |
|  | The company's handling of independent directors' opinions : Not applicable.                      |  |            |
|  | Resolution result: All the present directors and independent directors passed without objection. |  |            |
| 2023/08/24   | 1  | 2023 First-Half Consolidated Financial Statements.   | No opinion |
|  | 2  | The company will not distribute 2023 First-Half Annual Earnings.   | No opinion |
|  | 3  | The "Measures for Employee Stock Subscription".  | No opinion |
|  | 4  | The proposal of the manager and employees' subscription of new shares.   | No opinion |
|  | The company's handling of independent directors' opinions : Not applicable.                      |  |            |
|  | Resolution result: All the present directors and independent directors passed without objection. |  |            |
| 2023/11/09   | 1  | 2023 Q3 Consolidated Financial Statements.   | No opinion |
|  | 2  | Company Business Plan and Budget for 2024.   | No opinion |
|  | 3  | Audit Plan for 2024.   | No opinion |
|  | 4  | A securities underwriter to assist in compliance with the relevant laws and regulations of the Republic of China Securities.             | No opinion |
|  | 5  | Appoint Information Security Manager.  | No opinion |
|  | The company's handling of independent directors' opinions : Not applicable.                      |  |            |
|  | Resolution result: All the present directors and independent directors passed without objection. |  |            |
| 2024/03/15   | 1  | Distribution of 2023 Employee and Director remuneration.   | No opinion |
|  | 2  | 2023 Consolidated Financial Statements and Annual Report.  | No opinion |

|  |  |   |            |
|--|--|---|------------|
|  | 3  | The appropriation of profit or loss for the year 2023.  | No opinion |
|  | 4  | The 2023 Statements of Internal Control System.   | No opinion |
|  | 5  | Adopt the assessment of the Independence and the 2024 annual remuneration of Certified Public Accountant. | No opinion |
|  | 6  | Amend the Company M&A.  | No opinion |
|  | 7  | Amend "Procedures for Election of Director".  | No opinion |
|  | 8  | Adopt 2024 Annual Shareholders' meeting.  | No opinion |
|  | The company's handling of independent directors' opinions : Not applicable.                      |   |            |
|  | Resolution result: All the present directors and independent directors passed without objection. |   |            |

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

| Date       | Name of Director  | Content  | Reason                   | Results   |
|------------|---|--|--------------------------|---|
| 2023/03/21 | Liao Wei Chuan<br>Chang Ming Huang<br>Chou Chih Yuan<br>Huang Chi Jui<br>Tay Puay Chuan | The Distribution of 2022 Employee and Director remuneration.   | Due to personal interest | Except for the aforesaid directors, the chairman consulted the remaining attending directors and passed the case without objection. |
| 2023/05/11 | Eng Kai Pin<br>Eng Kai Jie  | Performance assessments and salary adjustment of Directors and managerial officers" for the year 2023. | Due to personal interest | Except for the aforesaid directors, the chairman consulted the remaining attending directors and passed the case without objection. |
| 2024/03/15 | Liao Wei Chuan<br>Chang Ming Huang<br>Chou Chih Yuan<br>Huang Chi Jui<br>Tay Puay Chuan | The Distribution of 2023 Employee and Director remuneration.   | Due to personal interest | Except for the aforesaid directors, the chairman consulted the remaining attending directors and passed the case without objection. |

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

(i) In order to assist the board of directors in understanding its operational effectiveness and functioning, strengthening directors' remuneration and performance, and coordinating with the requirements of the competent authority, the company expects to conduct board evaluations starting in 2020. The board evaluation for 2023 is as below:

| Evaluation cycle (Note 1) | Evaluation period (Note 2)    | Evaluation scope (Note 3)                                    | Evaluation method (Note 4)  | Evaluation content (Note 5)   |
|---------------------------|-------------------------------|--|---|---|
| Once a year               | 01/01/2023<br>~<br>31/12/2023 | Board of Directors<br>Board Members<br>Functional Committee. | Internal self-evaluation by the board<br>The self-evaluation by directors | Board of Directors & Functional Committee<br>Performance Evaluation |

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

(2) To fill in the period covered by the board of directors' appraisal. The evaluation for the board of directors' performance from January 1 to December 31, 2023.

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

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

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

| Evaluation Item | Evaluation scope                     |  |                                    |                                      |
|-----------------|--------------------------------------|--|------------------------------------|--------------------------------------|
|                 | Board of Directors                   | Member of the board of directors               | Self-evaluation by directors       | Functional Committee                 |
| A               | Participation in company operations. | Compliance with relevant laws and regulations. | Mastery of company goals and tasks | Participation in company operations. |

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

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

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

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

The Audit Committee has held 6 meetings from this fiscal year 2023 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 | Chou Chih Yuan | 5                           | 1                             | 100%                          | 2022.06.29 New         |
| Independent Director | Huang Chi Jui  | 6                           | 0                             | 100%                          | 2022.06.29 New         |
| Independent Director | Tay Puay Chuan | 6                           | 0                             | 100%                          | 2022.06.29 Re- elected |

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

| Name           | Professional Qualification Requirements and Work Experience   |
|----------------|---|
| Chou Chih Yuan | Mr. Chou Chih Yuan is a Taiwanese. He earned a bachelor's degree in accounting from Chang Jung Christian University. He held positions as a manager at Nexia Trans-Asia Associates, section head at Crowe Global, and deputy manager at Deloitte & Touche. He is currently the founder of J & C Certified Public Accountants.   |
| Huang Chi Jui  | Mr. Huang Chi Jui is a Taiwanese. He earned a bachelor's degree in accounting from Tamkang University. He previously held positions as a deputy manager at KPMG, Lite-On Technology Corporation, and R & K Consultants Limited. He is a favorite business partner CPA currently.  |
| Tay Puay Chuan | Independent Director Mr. Tay Puay Chuan is a Malaysian and graduated from the University of London with a Bachelor of Laws (Honours) degree. He has served as Inspector of Bukit Oman Royal, Factory Manager of Fajar Sawmill Sdn. Bhd., Factory Manager of Syarikat Teong Sheng Sdn. Bhd., Fadzilah Ong Chee Seong & Associates Lawyer, Member of Parliament of Malaysia, Independent Director of Guan Chong Berhad Sdn. Bhd., and Director of Star Foundation. He is an in-service lawyer and the founder of Tay Puay Chuan & Co. Law Firm, which he founded in May 2013. |

Other matters that require reporting:

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

| The Date of Audit Committee meeting | The Important Resolutions<br>(Securities and Exchange Act- Article 14 , paragraph 5) |  | The opinions of independent directors |
|-------------------------------------|--|--|---------------------------------------|
| 2023/03/21                          | 1  | 2022 Consolidated Financial Statements and Annual Report.              | No Opinion                            |
|                                     | 2  | Annual Earnings Distributions for the year 2022.                       | No Opinion                            |
|                                     | 3  | Issue new shares through capitalization of earnings.                   | No Opinion                            |
|                                     | 4  | The 2022 Statements of Internal Control System.                        | No Opinion                            |
|                                     | 5  | The change of CPA.   | No Opinion                            |
|                                     | 6  | The assessment of the Independence and the 2023 annual remuneration of | No Opinion                            |

|            |  |   |            |
|------------|--|---|------------|
|            |  | Certified Public Accountant.  |            |
|            | 7  | The amendment of the "General Principles of Pre-approval of Non-Confidential Service Policy"  | No Opinion |
|            | 8  | The amendment of "Code of Corporate Governance Practices", "Corporate Practice on Sustainable Development".                                       | No Opinion |
|            | 9  | Issuance of Restricted Stock Awards.  | No Opinion |
|            | The company's handling of independent directors' opinions: Not applicable.                       |   |            |
|            | Resolution result: All the present directors and independent directors passed without objection. |   |            |
| 2023/05/11 | 1  | 2023 Q1 Consolidated Financial Statements.  | No Opinion |
|            | 2  | Appoint Corporate Governance Officer.   | No Opinion |
|            | 3  | Amendment of the "Rules and Procedures of Board Meetings".  | No Opinion |
|            | The company's handling of independent directors' opinions: Not applicable.                       |   |            |
|            | Resolution result: All the present directors and independent directors passed without objection. |   |            |
| 2023/07/21 | 1  | To adopt the proposal of increase share capital by issuing ordinary shares and the 3rd Non-Guaranteed Convertible Corporate Bond in Taiwan R.O.C. | No Opinion |
|            | The company's handling of independent directors' opinions: Not applicable.                       |   |            |
|            | Resolution result: All the present directors and independent directors passed without objection. |   |            |
| 2023/08/24 | 1  | 2023 First-Half Consolidated Financial Statements.  | No Opinion |
|            | The company's handling of independent directors' opinions: Not applicable.                       |   |            |
|            | Resolution result: All the present directors and independent directors passed without objection. |   |            |
| 2023/11/09 | 1  | 2023 Q3 Consolidated Financial Statements.  | No Opinion |
|            | 2  | Company Business Plan and Budget for 2024.  | No Opinion |
|            | 3  | Audit Plan for 2024.  | No Opinion |
|            | 4  | Appoint Information Security Manager.   | No Opinion |
|            | The company's handling of independent directors' opinions: Not applicable.                       |   |            |
|            | Resolution result: All the present directors and independent directors passed without objection. |   |            |
| 2024/03/15 | 1  | 2023 Consolidated Financial Statements and Annual Report.   | No Opinion |
|            | 2  | The appropriation of profit or loss for the year 2023.  | No Opinion |
|            | 3  | The 2023 Statements of Internal Control System.   | No Opinion |
|            | 4  | The assessment of the Independence and the 2024 annual remuneration of Certified Public Accountant.   | No Opinion |
|            | 5  | Amend the Company M&A.  |            |
|            | 6  | Amend "Procedures for Election of Director".  |            |
|            | The company's handling of independent directors' opinions: Not applicable.                       |   |            |
|            | Resolution result: All the present directors and independent directors passed without objection. |   |            |

2. The Company shall state the implementation of Audit Committees recusing themselves from motions in their personal interests, including the name of directors, motion content, recusing reason and voting participation: -
3. Communication between the Audit Committee, internal audit director, and CPA:
  - The internal auditor reports the results of auditing and the implementation of the follow-up report periodically via email and informs the Audit Committee immediately in case of a special situation.
  - The company's audit committee will convey a pre-briefing with the CFO and internal auditor to

understand the company's operating status and determine whether it is necessary to invite the CPA to attend the meeting and have them report their audit results.

- The Manager of Internal Audit regularly reports to the Audit Committee:
  1. Annual internal audit plan;
  2. Annual professional training plan for auditors;
  3. Regularly report the implementation of internal audit business to the Audit Committee.
- Accountants participate in the audit committee at least every year and report on the results of the annual audit.
- The communication between independent directors with the internal audit director in 2023:

| Date       | Communication Method ( Audit Committee Meeting ) | Important communication matters  | Communication situation and results                            |
|------------|--|--|--|
| 21/03/2023 | The 4th Meeting of the 3rd Term Audit Committee. | 1. The 2022 IA Report.<br>2. The 2022 Statements of Internal Control System. | All members of the Audit Committee attended the communication. |
| 11/05/2023 | The 5th Meeting of the 3rd Term Audit Committee. | 1. The 2023 Jan-April IA Report.   | All members of the Audit Committee attended the communication. |
| 24/08/2023 | The 7nd Meeting of the 3rd Term Audit Committee. | 1. The 2023 Jan-July IA Report.  | All members of the Audit Committee attended the communication. |
| 09/11/2023 | The 8nd Meeting of the 3rd Term Audit Committee. | 1. The 2023 Jan-Oct IA Report.<br>2. The Audit Plan for 2024.                | All members of the Audit Committee attended the communication. |

- The communication between independent directors with the certified public accountant in 2023:

| Date       | Communication Method ( Audit Committee Meeting )                       | Important communication matters  | Communication situation and results                            |
|------------|--|--|--|
| 21/03/2023 | Communication between Accountants and Corporate Governance department. | 1.Update of Important accounting standards or interpretation letters, securities laws and tax laws.<br>2. Corporate Governance 3.0 Audit Quality Indicators (AQI) Revealed   | -  |
|            | The 4th Meeting of the 3rd Term Audit Committee.                       | 1.2022 Consolidated Financial Statements and Annual Report.<br>2.Annual Earnings Distributions for the year 2022.<br>3.The assessment of the Independence and the 2023 annual remuneration of Certified Public Accountant. | All members of the Audit Committee attended the communication. |
| 11/05/2023 | Communication between Accountants and Corporate Governance department. | Updates of Important Regulatory.   | -  |
|            | The 5th Meeting of the 3rd Term Audit Committee.                       | 1.2023 Q1 Consolidated Financial Statements  | All members of the Audit Committee attended the communication. |
| 24/08/2023 | Communication between Accountants and Corporate Governance department. | 1. Update of Important accounting standards or interpretation letters, securities laws and tax laws.   | -  |
|            | The 7th Meeting of the 3rd Term Audit Committee.                       | 1.2023 Q2 Consolidated Financial Statements  | All members of the Audit Committee attended the communication. |

|            |  |   |  |
|------------|--|---|--|
| 09/11/2023 | Communication between Accountants and Corporate Governance department. | 1. Annual audit plan.<br>2. Draft notice.   | -  |
|            | The 8th Meeting of the 3rd Term Audit Committee.                       | 1.2023 Q3 Consolidated Financial Statements | All members of the Audit Committee attended the communication. |

4. Audit Committee annual major matters:

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



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

| Items   | Implementation Status |    |  | Deviations from “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and reasons |
|---|-----------------------|----|--|--|
|   | Yes                   | No | Description  |  |
| 1. Does the Company established and disclosed its corporate governance principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”?                      | V                     |    | The Company has formulated the "Code of Practice for Corporate Governance" in accordance with the TWSE Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies, adhering to the important principles of corporate governance such as safeguarding the rights of shareholders, strengthening the functions of the board of directors, exerting the functions of independent directors, respecting the rights of stakeholders, and enhancing information transparency Relevant management measures and rules such as "Rules of the Shareholders' Meeting", the "Director's Election Rules", the “Remuneration Committee Charter”, the “Management Operation Procedures to Prevent Insider Trading”, the "Internal Control System", the "Integrity Operation Procedures and Conduct Guidelines" and " Ethical Code of Conduct, etc have been formulated to strengthen information transparency and strengthen the functions of the board of directors. In addition, company’s material information will be issued in accordance with relevant regulations, financial and non-financial information will be disclosed regularly, and the board of directors will also guide the company's operations and effectively supervise the management functions of the management layer in accordance with the responsibilities assigned by the shareholders. | No significant difference  |
| 2. Ownership structure and the rights and interests of shareholders   |                       |    |  |  |
| i. Does the Company have Internal Operation procedures for handling shareholders’ suggestions, concerns, disputes, and litigation matter? If so, these procedures been implemented accordingly? | V                     |    | (i) The company has appointed a dedicated shareholders service agency to handle the shareholding matters in Taiwan and a spokesperson and an acting spokesperson by the Code of Practice for Corporate Governance on the Listed List, which handles shareholder suggestions, doubts, disputes, and litigation matters. Website: <a href="https://www.techcential-international.com/shareholder-info_eng/#1551855889201-bd766bb9-b27b">https://www.techcential-international.com/shareholder-info_eng/#1551855889201-bd766bb9-b27b</a> .  | No significant difference  |
| ii. Does the Company possess a list major shareholders and beneficial owners of these major shareholders?   | V                     |    | (ii)The stock agency regularly manages and updates a list of the ultimate controllers of the major shareholders. According to Article 25 of the Securities and Exchange Law, the company regularly announces and declares changes in the equity of insiders on the public information observatory every month, so as to truly grasp the main shareholders.   | No significant difference  |

| Items   | Implementation Status |    |  | Deviations from "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and reasons |
|---|-----------------------|----|--|--|
|   | Yes                   | No | Description  |  |
| iii. Has the Company built and implemented a risk control system and firewall between the Company and its affiliates?   | V                     |    | (iii)The company has planned the "Operation Procedure for Group, Associate and Related Party Transactions" and "Operating Procedures for Subsidiary Supervision" and implemented them accordingly. To clearly regulate the management of personnel and assets with related companies. Through the implementation of internal control and an internal audit system, effective risk control is achieved.   | No significant difference  |
| iv. Has the Company established internal rules prohibiting insider trading on undisclosed information?  | V                     |    | (iv) The company has established "Management Operation Procedures to Prevent Insider Trading" and "Procedures for Handling Material Inside Information" which are publicly disclosed on the company's official website. The operating procedures have regulated the company's directors, managers, employees, and other persons stipulated in Article 157 of the Securities and Exchange Law. When they learn of the company's news that has a significant impact on the stock price, they must wait 18 hours after the news has been made public. No purchase or sale of stocks listed on the company's stock market or traded at securities firms' business premises or other securities with an equity nature. In addition, the corporate governance secretary will also send out publicity emails every quarter to remind directors and company insiders to pay attention to the relevant time limit regulations to avoid insider trading. | No significant difference  |
| 3. Composition and Responsibilities of the Board of Directors   |                       |    |  |  |
| i. Has the Board of Directors established a diversity policy for the composition of its members and has it been implemented accordingly?  | V                     |    | (i) Regarding the diversified composition of the board of directors, it presented the new candidates nominated by the existing board of directors during the shareholders' meeting for election. Diversity is one of the critical aspects of nomination consideration. Current board members all have professional expertise either in the relevant industries or in business operations and finance. (Please refer to Pg 16 for board members to implement diversity).  | No significant difference  |
| ii. Other than Remuneration Committee and Audit Committee which are required by law, has the Company voluntarily established other functional committees?   |                       | V  | (ii) The company has set up a Remuneration Committee and an Audit Committee at present.  | Same as description  |
| iii. Has the Company established a method of evaluation the performance of its Board of Directors and has the performance evaluation been implemented annually and submitted to its Board of Directors as a reference for individual director's | V                     |    | (iii) The company planned the "Management of Performance Appraisal of Directors and Managers" on December 5, 2016 (the latest revision date of the Board of Directors was August 12, 2020), which will be evaluated regularly every year. To assist the board of directors in understanding its operational effectiveness and functioning, strengthening directors'  | No significant difference  |

| Items  | Implementation Status   |                   |  | Deviations from “Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and reasons |                  |                   |                               |   |  |    |    |   |   |    |    |   |   |    |    |   |  |    |    |   |  |    |    |   |  |    |    |   |   |    |    |   |   |    |    |                           |
|--|---|-------------------|--|--|------------------|-------------------|-------------------------------|---|--|----|----|---|---|----|----|---|---|----|----|---|--|----|----|---|--|----|----|---|--|----|----|---|---|----|----|---|---|----|----|---------------------------|
|  | Yes   | No                | Description  |  |                  |                   |                               |   |  |    |    |   |   |    |    |   |   |    |    |   |  |    |    |   |  |    |    |   |  |    |    |   |   |    |    |   |   |    |    |                           |
| remuneration and renewal nomination?<br><br>iv. Does the Company regularly evaluated the independence of the CPAs? | V   |                   | <p>remuneration and performance, and coordinating with the competent authority, the company expects to conduct board evaluations starting in 2020. The performance evaluation results from the board of directors and individual members show that the board is operating well in 2023, and we submitted them to the board on March 15, 2024.</p> <p>(iv) The company evaluates the independence of KPMG accountants every year. The company refers to Article 47 of the Accountants Act and the Republic of China Accountant Professional Ethics Code Bulletin No. 10 ("Integrity, Fairness, Objectivity, and Independence") to determine the independence and suitability of the evaluation form and its contents, and gets the "Independence Statement" issued by the accountants. The audit committee discusses and approves another proposal, and the board of directors approves the appointment of accountants. The Audit Committee approved the most recent evaluation of the independence and suitability of the CPA (Accountant Phyllis Chang and accountant Aaron Chiang) and Board of Directors on March 15, 2024.</p> <p>Criteria for assessing the independence of accountants:</p> <table border="1"> <thead> <tr> <th></th> <th>Evaluation Items</th> <th>Evaluation Result</th> <th>Whether it meets independence</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>The CPAs have no financial interest in the company, either directly or indirectly.</td> <td>Ya</td> <td>Ya</td> </tr> <tr> <td>2</td> <td>There is no significant business relationship between the CPAs and the company.</td> <td>Ya</td> <td>Ya</td> </tr> <tr> <td>3</td> <td>At the time of the audit, CPAs had no potential employment relationship with the Company. .</td> <td>Ya</td> <td>Ya</td> </tr> <tr> <td>4</td> <td>The CPAs have no loans with the company.</td> <td>Ya</td> <td>Ya</td> </tr> <tr> <td>5</td> <td>The CPAs have not accepted gifts or gifts of great value (the value of which exceeds the general social etiquette standards) from the company and the company's directors, supervisors, and managers</td> <td>Ya</td> <td>Ya</td> </tr> <tr> <td>6</td> <td>CPAs have not provided audit services for the company for seven consecutive years.</td> <td>Ya</td> <td>Ya</td> </tr> <tr> <td>7</td> <td>CPAs do not hold shares in the company.</td> <td>Ya</td> <td>Ya</td> </tr> <tr> <td>8</td> <td>The CPAs, their spouses or dependent relatives, and their audit team have not served as directors, supervisors, managers, or other positions that have a significant impact on audit cases during the audit</td> <td>Ya</td> <td>Ya</td> </tr> </tbody> </table> |  | Evaluation Items | Evaluation Result | Whether it meets independence | 1 | The CPAs have no financial interest in the company, either directly or indirectly. | Ya | Ya | 2 | There is no significant business relationship between the CPAs and the company. | Ya | Ya | 3 | At the time of the audit, CPAs had no potential employment relationship with the Company. . | Ya | Ya | 4 | The CPAs have no loans with the company. | Ya | Ya | 5 | The CPAs have not accepted gifts or gifts of great value (the value of which exceeds the general social etiquette standards) from the company and the company's directors, supervisors, and managers | Ya | Ya | 6 | CPAs have not provided audit services for the company for seven consecutive years. | Ya | Ya | 7 | CPAs do not hold shares in the company. | Ya | Ya | 8 | The CPAs, their spouses or dependent relatives, and their audit team have not served as directors, supervisors, managers, or other positions that have a significant impact on audit cases during the audit | Ya | Ya | No significant difference |
|  | Evaluation Items  | Evaluation Result | Whether it meets independence  |  |                  |                   |                               |   |  |    |    |   |   |    |    |   |   |    |    |   |  |    |    |   |  |    |    |   |  |    |    |   |   |    |    |   |   |    |    |                           |
| 1  | The CPAs have no financial interest in the company, either directly or indirectly.  | Ya                | Ya   |  |                  |                   |                               |   |  |    |    |   |   |    |    |   |   |    |    |   |  |    |    |   |  |    |    |   |  |    |    |   |   |    |    |   |   |    |    |                           |
| 2  | There is no significant business relationship between the CPAs and the company.   | Ya                | Ya   |  |                  |                   |                               |   |  |    |    |   |   |    |    |   |   |    |    |   |  |    |    |   |  |    |    |   |  |    |    |   |   |    |    |   |   |    |    |                           |
| 3  | At the time of the audit, CPAs had no potential employment relationship with the Company. .   | Ya                | Ya   |  |                  |                   |                               |   |  |    |    |   |   |    |    |   |   |    |    |   |  |    |    |   |  |    |    |   |  |    |    |   |   |    |    |   |   |    |    |                           |
| 4  | The CPAs have no loans with the company.  | Ya                | Ya   |  |                  |                   |                               |   |  |    |    |   |   |    |    |   |   |    |    |   |  |    |    |   |  |    |    |   |  |    |    |   |   |    |    |   |   |    |    |                           |
| 5  | The CPAs have not accepted gifts or gifts of great value (the value of which exceeds the general social etiquette standards) from the company and the company's directors, supervisors, and managers        | Ya                | Ya   |  |                  |                   |                               |   |  |    |    |   |   |    |    |   |   |    |    |   |  |    |    |   |  |    |    |   |  |    |    |   |   |    |    |   |   |    |    |                           |
| 6  | CPAs have not provided audit services for the company for seven consecutive years.  | Ya                | Ya   |  |                  |                   |                               |   |  |    |    |   |   |    |    |   |   |    |    |   |  |    |    |   |  |    |    |   |  |    |    |   |   |    |    |   |   |    |    |                           |
| 7  | CPAs do not hold shares in the company.   | Ya                | Ya   |  |                  |                   |                               |   |  |    |    |   |   |    |    |   |   |    |    |   |  |    |    |   |  |    |    |   |  |    |    |   |   |    |    |   |   |    |    |                           |
| 8  | The CPAs, their spouses or dependent relatives, and their audit team have not served as directors, supervisors, managers, or other positions that have a significant impact on audit cases during the audit | Ya                | Ya   |  |                  |                   |                               |   |  |    |    |   |   |    |    |   |   |    |    |   |  |    |    |   |  |    |    |   |  |    |    |   |   |    |    |   |   |    |    |                           |

| Items  | Implementation Status  |    |   |                           | Deviations from “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and reasons   |  |  |   |  |    |    |  |
|--|--|----|---|---------------------------|--|--|--|---|--|----|----|--|
|  | Yes  | No | Description   |                           |  |  |  |   |  |    |    |  |
|  |  |    | <table border="1"> <tr> <td></td> <td>period or in the past two years, and they are also determined not to hold positions in future audit periods.</td> <td></td> <td></td> </tr> <tr> <td>9</td> <td>Whether the CPA has complied with the regulations on independence in No. 10 Bulletin of the Code of Professional Ethics for Accountants and obtained the "Statement of Independence" issued by the certified accountant.</td> <td>Ya</td> <td>Ya</td> </tr> </table>  |                           | period or in the past two years, and they are also determined not to hold positions in future audit periods. |  |  | 9 | Whether the CPA has complied with the regulations on independence in No. 10 Bulletin of the Code of Professional Ethics for Accountants and obtained the "Statement of Independence" issued by the certified accountant. | Ya | Ya |  |
|  | period or in the past two years, and they are also determined not to hold positions in future audit periods.   |    |   |                           |  |  |  |   |  |    |    |  |
| 9  | Whether the CPA has complied with the regulations on independence in No. 10 Bulletin of the Code of Professional Ethics for Accountants and obtained the "Statement of Independence" issued by the certified accountant. | Ya | Ya  |                           |  |  |  |   |  |    |    |  |
| 4. Has the Company assigned competent and appropriate personnel and designated corporate governance officer to be in charge of matters related to corporate governance (including but not limited to providing information required by directors and supervisors related to business operations, handling matters relating to Board of Directors’ meetings and General Shareholders’ Meeting pursuant to the laws, handling corporate registration and amendment registration, and recording minutes of the Board of Directors’ meetings and General Shareholders’ Meeting)? | V  |    | On May 11, 2023, the board of directors approved the appointment of Mr. Tan Kok Bee, the chief financial officer, as the director of corporate governance. The Corporate Governance Officer and Corporate Governance Secretary are currently responsible for corporate governance matters (including providing the Directors (including independent directors) with the necessary documents to perform their duties, handling matters concerning Board and Shareholders' meetings in accordance with the law, and producing minutes of Board and Shareholders' meetings, and assisting directors compliance with laws, etc.).   | No significant difference |  |  |  |   |  |    |    |  |
| 5. Has the Company established a communication with its stakeholders (including but not limited to shareholders, employees, customers and suppliers) or created a stakeholders’ section on the Company’s website? Does the Company respond appropriately to stakeholders’ question on major issues of corporate social responsibility?   | V  |    | Techcential International Ltd. values communication with interested parties (including but not limited to shareholders, employees, customers, suppliers, etc.) and keeps a balance on rights and obligations between each interested party. There is an "Area for Interested Parties" on the corporate website; related parties could contact the company via email at <a href="mailto:investor@techcential.com">investor@techcential.com</a> . The company has a dedicated person to manage the establishment of the company's financial business-related information and corporate governance information for the benefit of shareholders and stakeholders.<br>Company Website Stakeholders Engagement: <a href="https://www.techcential-international.com/stakeholders-engagement_eng/#1570780677466-e2b943b0-dc33">https://www.techcential-international.com/stakeholders-engagement_eng/#1570780677466-e2b943b0-dc33</a> | No significant difference |  |  |  |   |  |    |    |  |
| 6. Has the Company appointed professional registration for its General Shareholders’ Meeting?  | V  |    | The company appoints a professional stock agency ("SinoPac Securities Corporation Stock Agency Service Deal") to handle shareholder affairs.  | No significant difference |  |  |  |   |  |    |    |  |
| 7. Information Transparency<br>i. Has the Company established a corporate website to   | V  |    | (i)The company official website ( <a href="https://www.techcential-">https://www.techcential-</a>   | No significant difference |  |  |  |   |  |    |    |  |

| Items   | Implementation Status |    |  | Deviations from “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and reasons |
|---|-----------------------|----|--|--|
|   | Yes                   | No | Description  |  |
| disclose information regarding its financial, business, and corporate governance status?  |                       |    | <a href="https://www.techcential-international.com/home-page-eng/">international.com/home-page-eng/</a> ) has been set up and contains the information regarding the company’s finance, operations, and corporate governance.  |  |
| ii. Does the Company adopted other methods to disclose channels (e.g., maintaining an English website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investor conference etc.)  | V                     |    | (ii) The company has a dedicated person responsible for the collection and disclosure of company information and implementing the spokesperson system. And set up an English company website ( <a href="https://www.techcential-international.com/home-page-eng/">https://www.techcential-international.com/home-page-eng/</a> ) in 2020.  | No significant difference  |
| iii. Does the Company perform public announcement and registration of annual consolidated financial reports within two months after the end of fiscal year and also publicly announces and registers the quarterly financial reports of the Q1, Q2, Q3 and monthly operating status within the prescribed period?   | V                     |    | (iii) The company handles according to the time limit set by the OTC company, announces and declares the annual financial report within three months after the fiscal year, announces and declares the Q1, Q2, and Q3 financial reports, and files information on operating revenue for the preceding month by the 10th day of each month.   | No significant difference  |
| 8. Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices? (including but not limited to employee rights, employee care, investors relations, supplier relations, stakeholder rights, continuing education of directors and supervisors, implementation of risk management policies and criteria for risk evaluation, implementation of customer relation policies, and the purchase of liability insurance for directors and supervisors.) | V                     |    | (i) Status of employee rights and employee wellness: Our company provides employees with reasonable welfare and compensation in accordance with local laws and regulations and sets up employee suggestion boxes and other feedback channels. In addition, the company holds a monthly new employee training seminar. In addition to introducing the existing regulations of the company and the rights and interests that should be enjoyed by the new employees, it also hopes that employees can understand the corporate culture, comply with the regulations of the workplace, and create a safe and happy work environment together. Adhering to the corporate culture of integrity, our company is constantly striving towards sustainable development goals and maintaining market competitiveness. With a perfect education and training program, every colleague can constantly improve their work performance and self-potential in the right environment, achieve the win-win goal of enterprise development and self-growth, and provide various professional in-service education and training according to the development of each function to cultivate rich professional ability.<br>(ii) Employment Care: Besides handling the relevant regulations of the local government, the company sometimes organizes gatherings, recreations, and other activities for staff.<br>(iii) Investor Relations: Our company holds annual shareholder meetings | No significant difference<br>No significant difference<br>No significant difference                        |

| Items                     | Implementation Status |   |   | Deviations from “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and reasons |                    |             |            |            |   |  |
|---------------------------|-----------------------|---|---|--|--------------------|-------------|------------|------------|---|--|
|                           | Yes                   | No  | Description   |  |                    |             |            |            |   |  |
|                           |                       |   | <p>regularly and establishes speakers and proxies as a channel for the company to express its views or respond to investor questions. At the same time, an investor relations section is set up on the official website, and investors can use email and Line to contact the company at any time. In addition, we also regularly issue annual reports, which disclose rules, revenue statistics, financial statements, corporate governance, and other equity-related information. The company attended investor conferences by invitation in 2023 until the date of publication of the annual report:</p> <table border="1"> <thead> <tr> <th>Investor Conferences Date</th> <th>Hold or Be invited</th> <th>Description</th> </tr> </thead> <tbody> <tr> <td>2023/04/25</td> <td>Be Invited</td> <td>TIL was invited by First Securities to participate in the Investor Conference</td> </tr> </tbody> </table> <p>(iv) Supplier relations: We maintain mutual trust and mutual benefit with suppliers, and based on integrity, we conduct audits and management of suppliers to ensure that both parties can grow together under various environmental protection treaties and social responsibilities, creating a win-win situation.</p> <p>(v) Interests of stakeholders: The group has implemented a spokesperson system and established a dedicated person to improve the relationship with stakeholders and give priority to expressing opinions on the company's operational performance. Respect and try to meet the requirements of all stakeholders (shareholders, employees, customers, suppliers).</p> <p>(vi) The continuing education status for directors in 2023: All the company's directors (including 3 independent directors) have attended 6-hour professional training courses. (Please refer to "Other important information that may facilitate a better understanding of the company's corporate governance—Directors' Professional Enhancement Status").</p> <p>(vii) Risk management policies and criteria for risk evaluation: The company has an internal control system and related management measures, which are implemented according to the measures to reduce and prevent any possible risks.</p> <p>(vii) Customer policy: In order to provide comprehensive services and protection for customers and clients, the company communicates with customers in real-time (through email, telephone, or exchanging opinions with the Buyer QC during the factory inspection), understands customer</p> | Investor Conferences Date  | Hold or Be invited | Description | 2023/04/25 | Be Invited | TIL was invited by First Securities to participate in the Investor Conference | <p>No significant difference</p> <p>No significant difference</p> <p>No significant difference</p> <p>No significant difference</p> <p>No significant difference</p> |
| Investor Conferences Date | Hold or Be invited    | Description   |   |  |                    |             |            |            |   |  |
| 2023/04/25                | Be Invited            | TIL was invited by First Securities to participate in the Investor Conference |   |  |                    |             |            |            |   |  |

| Items  | Implementation Status |    |   | Deviations from “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and reasons |
|--|-----------------------|----|---|--|
|  | Yes                   | No | Description   |  |
|  |                       |    | <p>needs, promotes the interactive effect between the company and customers, and regularly responds to customer feedback and reviews at the weekly production and quality control meetings. The company is also actively participating in furniture exhibitions held in Malaysia and the United States.</p> <p>(ix) Company procurement of liability insurance for directors: The insurance company for directors of Techcential International Ltd. is AIG Asia Pacific Insurance Pte. Ltd., Taiwan Branch. The company has got directors’ and officers’ (D&amp;O) liability insurance and will report at the board meeting on January 1, 2023. (Please refer to "Other important information that may facilitate a better understanding of the corporate governance—D&amp;O insurance".)</p> | No significant difference  |
| <p>9. Regarding TWSE corporate governance:</p> <p>According to the results of the company's self-assessment of corporate governance in 2023, there are no major differences. The company updates its own assessment of corporate governance matters at any time according to the actual situation. Except for non-applicable index items, most of them conform to the spirit of corporate governance. The company has not yet commissioned other professional organizations for evaluation. In the future, it will cooperate with the needs of the company and the regulations of the competent authority, and will be reviewed and improved regularly every year.</p> |                       |    |   |  |

### 3.4.4 The state of operations of the Remuneration Committee

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

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

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

| Title                   | Criteria<br>Name     | Professional Qualification<br>Requirements and work<br>experience   | Independent Criteria  | Concurrently Serving as<br>a Member of the<br>compensation<br>committee at Other<br>Public Companies | Note |
|-------------------------|----------------------|---|---|--|------|
| Independent<br>Director | Tay Puay<br>Chuan    | Tay Puay Chuan is a Malaysian citizen. He holds a Bachelor of Laws with Honours from the University of London, UK; is a lawyer in service; and is the founder of Tay Puay Chuan & Co. | As of April 30, 2024, the number and proportion of the company's shares held by myself, spouse, relatives within the second degree (or in the name of others): 0 shares and 0.00%<br>Amount of remuneration for providing business, legal, financial, accounting and other services to the company or its affiliates in the last two years: NTD 0<br>Other qualifying conditions for independence are as follows:<br>(1) 、(2) 、(3) 、(4) 、(5) 、(6) 、(7) 、(8) 、(9) 、(10)            | 2  | -    |
| Independent<br>Director | Chou<br>Chih<br>Yuan | Mr. Chou Chih Yuan is a Taiwanese. He graduated from the Chang Jung Christian University, Bachelor of Accounting. He is a Founder of J & C Certified Public Accountant currently.     | As of April 30, 2024, the number and proportion of the company's shares held by myself, spouse, relatives within the second degree (or in the name of others): 0 shares and 0.00%<br>Amount of remuneration for providing business, legal, financial, accounting and other services to the company or its affiliates in the last two years: NTD 0<br>Other qualifying conditions for independence are as follows:<br>(1) 、(2) 、(3) 、(4) 、(5) 、(6) 、(7) 、(8) 、(9) 、(10)            | 0  | -    |
| Independent<br>Director | Huang<br>Chi Jui     | Mr. Huang Chi Jui is a Taiwanese. He graduated from the Tamkang University, Bachelor of Accounting. He is a Favorable Business Partner CPAs currently.                                | As of April 30, 2024, the number and proportion of the company's shares held by myself, spouse, relatives within the second degree (or in the name of others): 0 shares and 0.00%<br>Amount of remuneration for providing business, legal, financial, accounting and other services to the company or its affiliates in the last two years: NTD 473 thousand<br>Other qualifying conditions for independence are as follows:<br>(1) 、(2) 、(3) 、(4) 、(5) 、(6) 、(7) 、(8) 、(9) 、(10) | 0  | -    |

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

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



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

(B) The state of operations of the Remuneration Committee:

- (1) The Remuneration Committee is comprised of three members.
- (2) The term of the Remuneration Committee commences from June 29, 2022 and ends on June 28, 2025.
- (3) Attendance status: For the current fiscal year (2023) ending April 30, 2024, the Compensation Committee held a total of 4 meetings, with all members in attendance.

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 | 4                           | 0                             | 100%                          | 2022.06.29 Re-elected |
| Independent Director | Chou Chih Yuan | 3                           | 1                             | 100%                          | 2022.06.29 New        |
| Independent Director | Huang Chi Jui  | 4                           | 0                             | 100%                          | 2022.06.29 New        |

Other matters that require reporting:

1. If the Board of Directors does not adopt or amend the recommendations of the remuneration committee, it shall state the date, period, content of the resolution, the resolution of the Board of Directors, and the treatment of the opinion of the company on the remuneration committee (e.g., if the board of directors passes the remuneration benefits higher than the recommendation of the remuneration committee, it should state the differences and reasons): No such situation.
2. If there are records or written statements of members' opposition or reservation in the decisions of the remuneration committee, it shall state the date, period, content of the resolution, opinions of all members, and the treatment of members' opinions: No such situation.
3. Responsibilities of Remuneration Committee:  
The Remuneration Committee, with the attention of a good administrator, faithfully performs the following duties and submits the proposed recommendations to the Board of Directors for discussion.
  - a. Periodically review the Remuneration Committee's organizational procedures and make revision recommendations.
  - b. Establish and periodically review the annual and long-term performance objectives and remuneration policies, systems, standards, and structures of the company's directors and managers.
  - c. Periodically evaluate the achievement of the company's directors' and managers' performance objectives and determine the content and amount of their individual remuneration.
4. The important resolutions of the Remuneration Committee:

| The Date of meeting | The Important Resolutions   | The Date of meeting |
|---------------------|---|---------------------|
| 2023/03/21          | 1   The Distribution of 2022 Employee and Director remuneration.  | No Opinion          |
|                     | The company's handling of independent directors' opinions: Not applicable.  |                     |
|                     | Resolution result: All the present directors and independent directors passed without objection.                            |                     |
| 2023/05/11          | 1   The proposal of "Performance assessments and salary adjustment of Directors and managerial officers" for the year 2023. | No Opinion          |
|                     | The company's handling of independent directors' opinions: Not applicable.  |                     |
|                     | Resolution result: All the present directors and independent directors passed without                                       |                     |

|            |   |  |            |
|------------|---|--|------------|
|            |   | objection.   |            |
| 2023/09/11 | 1 | Performance assessments of Directors and managerial officers for the year 2023 July– December.   | No Opinion |
|            |   | The company's handling of independent directors' opinions: Not applicable.                       |            |
|            |   | Resolution result: All the present directors and independent directors passed without objection. |            |
| 2024/03/15 | 1 | The Distribution of 2023 Employee and Director remuneration.                                     | No Opinion |
|            |   | The company's handling of independent directors' opinions: Not applicable.                       |            |
|            |   | Resolution result: All the present directors and independent directors passed without objection. |            |

(C) Information on members of the Nomination Committee and information on its operation:

The Company does not have a Nomination Committee.

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

| Items   | Implementation Status |    |  | Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies" and reasons |
|---|-----------------------|----|--|---|
|   | Yes                   | No | Description  |   |
| 1. Does the company establish a governance structure to promote sustainable development, and set up a full-time (part-time) unit to promote sustainable development, and the board of directors authorizes the senior management to handle it, and the board of directors supervises the situation? |                       | V  | (i) The company has not established a "sustainable development committee." The company is currently assisted by the Human Resources and Administration Units to comply with laws and regulations related to social responsibility governance and authorizes senior management to handle and report to the Board of Directors. The necessity of setting up a full-time (joint) responsible unit for sustainable development will be assessed according to the needs of the company in the future.<br>(ii) The Board of Directors of the Company shall, in its duty of good management, supervise the implementation of sustainable development and review its implementation effectiveness and continuous improvement from time to time, to ensure the implementation of the sustainable development policy. When the company promotes sustainable development objectives, the Board of Directors shall include the formulation of a sustainable development mission or vision, the formulation of sustainable development policies, systems, or related management policies; integrating sustainable development into the company's operational activities and development direction, and verifying the timeliness and accuracy of sustainable development related information disclosure. | Same as description.  |
| 2. Does the company follow the principle of materiality to conduct risk assessments on environmental, social and corporate governance issues related to the company's operations, and formulate relevant risk management policies or strategies?  | V                     |    | The company has established a "Code of Practice for Corporate Social Responsibility" to serve as a guide for corporate social responsibility. The company promotes corporate social responsibility to employees from time to time in departmental meetings and executive meetings. The administrative department of the company is in charge of promoting and implementing corporate social responsibility policies, and it reports to the board on a regular basis. The company has established a reasonable salary remuneration policy, and will combine the performance appraisal system with the corporate social responsibility policy in a timely manner to fulfil its social responsibilities.  | No significant difference   |
| 3. Sustainable Environmental Development<br>(i) Has the Company set an environmental management system designed to industry characteristics?  |                       | V  | (i) Our company has implemented 5S (Order, Arrangement, Cleaning, Cleaning, Cultivation) management in all factories to ensure that employees always abide by the workplace safety regulations and comply with local environmental protection laws, but have not passed international relevant certification standards. In the future, an  | Same as description.  |

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

| Items   | Implementation Status |    |  | Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies” and reasons |
|---|-----------------------|----|--|---|
|   | Yes                   | No | Description  |   |
| (ii) Does the company formulate and implement reasonable employee benefit measures (including remuneration, vacation and other benefits, etc.), and appropriately reflect business performance or results in employee compensation? | V                     |    | <p>the "No. 183 Covenant" on protecting maternity, which stipulates that female employees shall be granted 14 weeks of maternity leave. Our human resources utilization policy does not discriminate against gender, race, social class, age, marital status, and family status, to implement equality and fairness in employment, employment conditions, remuneration, benefits, training, evaluation, and promotion opportunities. Our company also regularly holds educational and training courses, such as "5S Safety Lecture", to ensure that employees abide by the safety rules at all times; We also hold the theme lecture of "Prevention of Sexual Harassment in the Workplace" under the "Convention on Discrimination (Employment and Occupation) (No. 111 Convention)", focusing on the topics related to sexual harassment in the 1955 Employment Act, and posting the propaganda posters in the company bulletin board and company website (<a href="https://www.techcential-international.com/stakeholders-engagement_eng/#1672110358962-28a113ca-6f0f">https://www.techcential-international.com/stakeholders-engagement_eng/#1672110358962-28a113ca-6f0f</a>) .</p> <p>(ii) In order to comply with Malaysian labor law, our company has established and implemented reasonable employee benefits, and a portion of the profits will be distributed according to the performance evaluation form conducted by the management team to award bonuses to employees every year. In terms of workplace diversity and equality, in order to realize the reward condition of equal pay for equal work and equal promotion opportunities, it promotes sustainable and harmonious economic growth. The average proportion of female staff in 2023 was 10.15%, and the average proportion of female supervisors was 1.9%.<br/>The employee benefits are as follows:</p> <ol style="list-style-type: none"> <li>( 1 ) Annual Bonus: The Company will allocate a portion of the profits according to the performance assessment form conducted by the management and distribute bonuses to employees.</li> <li>( 2 ) Marriage, funeral, and marriage allowances.</li> <li>( 3 ) Medical Allowance - MR250 medical allowance is provided to employees each year to visit the clinic cooperated with the company and 14 days of paid sick leave.</li> <li>( 4 ) Organize staff health activities and sports competitions from time to time to stimulate employee morale.</li> <li>( 5 ) Accident insurance is provided to employees who have served the company for more than 3 years.</li> </ol> | No significant difference   |

| Items   | Implementation Status |    |  | Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies” and reasons |
|---|-----------------------|----|--|---|
|   | Yes                   | No | Description  |   |
| (iii)Has the Company provided safe and healthful work environments for the employees, including safety and health training to the employees on a regular basis? | V                     |    | <p>( 6 ) Long service awards are provided to employees who have served the company for more than 10 years and 20 years.</p> <p>( 7 ) Employees' children who have outstanding exam results can also receive academic excellence scholarships from the company.</p> <p>(iii) Our company pays attention to the safety of employees in the workplace. We have established the "Policy on Safety and Health at the Workplace" and set up a Workplace Safety Management Committee. The personnel in charge of the implementation of the committee are responsible for formulating, implementing, and publicizing employee safety and safety maintenance management programs; strengthening the safety and health of the working environment to improve the safety and health of employees, reducing the hazards of the working environment to employees' safety and health, and setting up annual priority items and action plans for other safety and health promotion items. To ensure that employees are familiar with occupational safety and health regulations and the company's safety maintenance operating mechanisms. Our company will hold seminar and training from time to time, such as the "Workplace Safety 5S Promotion Lecture", "Fire Training Lecture" and Safety Standard Operating Procedure Training, and remind employees to raise their safety awareness through e-mail and posters to ensure that employees abide by the workplace safety rules at all times. (Company website: <a href="https://www.techcential-international.com/stakeholders-engagement_eng/#1672382666734-266eac2a-84ae">https://www.techcential-international.com/stakeholders-engagement_eng/#1672382666734-266eac2a-84ae</a> ) .</p> <p>In 2023, the company did not experience any fire incidents, resulting in zero casualties. To proactively address fire prevention, the company has implemented several measures. These include upgrading fire protection equipment and organizing a variety of safety training courses. To avoid future fire incidents, the company will conduct training programs focused on fire prevention education and related safety awareness. Additionally, the company has invited a fire safety team to provide professional training for employees.The company is also enhancing its fire prevention infrastructure by adding fire extinguishers, fire balls, and installing a comprehensive fire sprinkler system. Furthermore, the factory will be subject to 24-hour security patrols and will obtain certification from the fire department to ensure compliance with all safety standards.</p> | No significant difference   |
| (iv)Has the Company established effective training programs for the employees to foster career skills?  | V                     |    | <p>(iv) Our company provides annual educational and training programs to employees to build effective career development capabilities.</p>   | No significant difference   |

| Items   | Implementation Status |    |   | Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies” and reasons |
|---|-----------------------|----|---|---|
|   | Yes                   | No | Description   |   |
| (v) Regarding customer health and safety, customer privacy, marketing and labelling of products and services, does the company follow relevant regulations and international standards, and formulate relevant consumer and customer protection policies and grievance procedures?  | V                     |    | (v) Our company follows relevant laws and international standards to protect customer health and safety, customer privacy, marketing, and labeling of products and services. The company also has a relevant consumer protection and complaint procedure which is posted on the company's website.  | No significant difference   |
| (ix) Do the contracts entered with any of the major suppliers include terms stipulating mutual compliance with corporate social responsibility policy, and that the contract may be terminated or rescinded any time if the supplier has violated such policy and has caused significant negative impact on the environment and society of the community of the supply source?  | V                     |    | (ix) Although no contract has been signed between our company and the main suppliers, according to the internal control system, we regularly visit the suppliers' locations to inspect whether they follow corporate social responsibility. If it is found that policies are violated or significant impacts on the environment and society of the source community are caused, we will immediately terminate the relationship. | No significant difference   |
| 5. Does the company make reference to internationally-prepared reporting standards or guidelines for preparing sustainable development reports and other reports that disclose non-financial information? Did the pre-report report obtain the confidence or assurance opinion of the third-party verification unit?  |                       | V  | Our company's operations comply with the regulations of Malaysian law. Currently, there is no report disclosing non-financial information such as the sustainability report. The necessity of preparing a sustainability report will be evaluated in the future depending on the company's needs.   | Same as description.  |
| 6. If the Company has established Code of Practice on sustainable development based on “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies”, please describe any discrepancy between the principles and their implementation:<br>The Company has established a "Code of Practice on sustainable development", which is gradually handled in accordance with the " Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies ", |                       |    |   |   |
| 7. Other important information to facilitate better understanding of the Company’s practice on sustainable development:<br>The company regularly contributes to school groups every year, and responds to local group fund-raising in order to promote the principles of "Chinese culture preservation" and "support Chinese education". Encourages employees to make good use of resources, promote energy conservation and recycling any materials when possible.               |                       |    |   |   |

Climate-related Information of the Company

(1) Implementation Status of Climate-related Information

| Item  | Implementation Status           |
|---|---------------------------------|
| <ol style="list-style-type: none"> <li>1. Explain the board and management's oversight and governance of climate-related risks and opportunities.</li> <li>2. Describe how identified climate risks and opportunities affect the business, strategy, and financial planning (short-term, medium-term, long-term).</li> <li>3. Explain the financial impact of extreme climate events and transition actions.</li> <li>4. Describe how the process of identifying, assessing, and managing climate risks is integrated into the overall risk management system.</li> <li>5. If scenario analysis is used to assess resilience to climate change risks, explain the scenarios, parameters, assumptions, analytical factors, and key financial impacts used.</li> <li>6. If there is a transition plan to manage climate-related risks, describe the plan's content and the indicators and targets used to identify and manage physical and transition risks.</li> <li>7. If internal carbon pricing is used as a planning tool, explain the basis for setting the price.</li> <li>8. If climate-related targets are set, explain the activities covered, greenhouse gas emission scopes, planning timeframe, annual progress, and if carbon offsets or Renewable Energy Certificates (RECs) are used to meet these targets, explain the source and quantity of offsets or RECs.</li> <li>9. Status of greenhouse gas inventory and assurance, along with reduction targets, strategies, and specific action plans.</li> </ol> | <p>Currently under planning</p> |

(2) Greenhouse Gas Inventory and Assurance for the Most Recent Two Years

(2-1) Greenhouse Gas Inventory Information: Below the reporting threshold, not applicable.

(2-2) Greenhouse Gas Inventory Information: Below the reporting threshold, not applicable.

(3) Greenhouse Gas Reduction Targets, Strategies, and Specific Action Plans: Below the reporting threshold, not applicable.



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

| Items  | Implementation Status |    |   | Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and reasons |
|--|-----------------------|----|---|--|
|  | Yes                   | No | Description   |  |
| A. Establishing ethical management policy and programs   |                       |    |   |  |
| i. Has the Company specified in its rules and external documents the ethical corporate management policies and the commitment by the board of directors and the management on rigorous and thorough implementation of such policies?   | V                     |    | (i) The company has formulated the "Procedures for Ethical Management and Guidelines for Conduct", which were approved by the board of directors on March 20, 2020. and continues to review and revise it. We also summarize relevant policies and practices on the company website and actively implement relevant policies.   | No significant difference  |
| ii. Has the Company established and adopted programs to prevent unethical conduct and set out in each program the standard operating procedures, conduct guidelines and a well-defined disciplinary and appeal system for handling violations?   | V                     |    | (ii) Our company operates in accordance with the principles of fairness, honesty, and transparency, and has formulated "Procedures for Ethical Management and Guidelines for Conduct" and "Code of Ethical Conduct" to specifically regulate matters that should be taken into account when personnel of the company performs business. Bribery and acceptance of bribes, provision or acceptance of improper benefits, and infringement of trade secrets are prohibited. | No significant difference  |
| iii. Has the Company adopted the preventive measures under the situations listed in Article 7, Paragraph 2 “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” or other business activities within its business scope which are possibly at a higher risk of unethical conduct? | V                     |    | (iii) The company has formulated the "Procedures for Ethical Management and Guidelines for Conduct" and "Code of Ethical Conduct" to specify the matters to be observed by the company personnel when performing their duties, and to hold regular meetings with the management to review related matters.  | No significant difference  |
| B. Carrying out ethical corporate management   |                       |    |   |  |
| i. Has the Company evaluated trading counterparties’ ethical record, and included terms of ethical corporate management policy in the contracts entered with the trading counterparties?   | V                     |    | (i) Before establishing a business relationship with others, the company should evaluate the legality and business integrity policy of agents, suppliers, customers, or other business counterparts to ensure that their business operations are fair and transparent, and explain the company's integrity policy to the transaction counterpart when executing the business.   | No significant difference  |
| ii. Has the Company established a dedicated unit under the board of directors for establishing and supervising the implementation of the ethical corporate management policies and prevention program? Has the dedicated unit reported to the board of directors on a regular basis?                               | V                     |    | (ii) The company appointed the Internal Audit Department to promote company integrity management, and report to the Board on a regular basis.   | No significant difference  |
| iii. Does the company formulate a policy to prevent conflicts of interest, provide appropriate presentation channels, and implement them?  | V                     |    | (iii) The "Procedures for Ethical Management and Guidelines for Conduct" set by the company has a system of avoidance of interests. Those who have a stake in the resolutions listed on the   | No significant difference  |

| Items   | Implementation Status |    |   | Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and reasons |
|---|-----------------------|----|---|--|
|   | Yes                   | No | Description   |  |
| iv. Has the Company established effective accounting systems and internal control systems for ethical management? Is the Company periodically audited by the internal audit unit or a certified public accountant?  | V                     |    | (iv) The accounting system of the Company is handled in accordance with the regulations and is checked by an independent accounting firm.   | No significant difference  |
| v. Does the Company hold the internal and external trainings on ethical management practices and programs periodically?   | V                     |    | (v) The company has established a "Procedures for Ethical Management and Guidelines for Conduct" and promotes to employees.   | No significant difference  |
| <b>C. Operation of whistle-blowing system</b>   |                       |    |   |  |
| i. Has the Company established a concrete whistle-blowing programs, incentive measures and convenient reporting channels and appointed dedicated personnel or unit to handle reported matters?  | V                     |    | (i) In the "Procedures for Ethical Management and Guidelines for Conduct", the company has clearly established a reporting system and a complaints channel, which can be reported or appealed through the company's e-mail address. If a major violation is discovered after an investigation or the group is seriously damaged, it should be immediately recreated. The report is notified to the independent director in writing. | No significant difference  |
| ii. Has the Company established standard operating procedures and related mechanism for whistle-blowing case acceptance?  | V                     |    | (ii) The discovery of dishonesty can be reported directly to the relevant supervisor or audit supervisor, and the relevant information is treated confidentially.   | No significant difference  |
| iii. Has the Company adopted measures to protecting whistle-blowers from inappropriate disciplinary actions due to their whistle-blowing?   | V                     |    | (iii) The company takes protective measures against the prosecutor and does not suffer improper handling due to the report.   | No significant difference  |
| <b>D. Enhancement of information disclosure</b>   |                       |    |   |  |
| i. Has the Company disclosed its ethical corporate management best practice principles and the effectiveness of promotion of ethical management policy on the Company websites and the Market Observation Post System (MOPS)?   | V                     |    | As its basis for ethical corporate management, the Company has linked to the MOPS website and disclosed financial information on the company website ( <a href="https://www.techcential-international.com">https://www.techcential-international.com</a> ).   | No significant difference.   |
| E. If the Company has established its ethical corporate management best practice principles according to “Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies”, please describe the differences of the implementation status: No significant difference. |                       |    |   |  |
| F. Other important information to facilitate better understanding of the Company’s implementation of ethical corporate management (e.g., the Company invites the companies'   |                       |    |   |  |

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

3.4.7 If the Company has adopted corporate governance best-practice principles or related by laws, it shall disclose how these are to be accessed: [https://www.techcential-international.com/company\\_manage/](https://www.techcential-international.com/company_manage/).

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

1. The company's important information is disclosed through the Market Observation Post System (MOPS).
2. The company has established a Corporate Governance section on its website, disclosing the matters discussed, important regulations, and board performance evaluation reports of the Board of Directors, Audit Committee, and Remuneration Committee, as well as the communication between independent directors, internal auditors, and certified public accountants in 2023.
3. The company has adopted the "Procedures for Handling Material Inside Information" as the basis for the company's handling and disclosure of inside information and reviews the said procedure periodically to comply with applicable laws and regulations and practical needs. The said procedure is also disclosed on the company's website (shorturl.at/sxLY2) for reference at any time and informs the employees of the matters to be noted with respect to inside information from time to time.
4. Directors Profession Enhancement Status:

31 December 2023

| Title    | Name   | Training Date (2023) |            | Organizing agency  | Training/Speech Title | Hours | Total Hours |
|----------|--|----------------------|------------|--|-----------------------|-------|-------------|
|          |  | Start                | End        |  |                       |       |             |
| Director | Eng Synergy Management Sdn. Bhd. Representative: Eng Kai Pin | 20/06/2023           | 20/06/2023 | The Institute of Internal Auditors-Chinese Taiwan 中華民國內部稽核協會 | 提升企業永續價值，完善風險管理制度     | 6     | 6           |
| Director | Surging Success Sdn. Bhd. Representative: Eng Kai Jie        | 20/06/2023           | 20/06/2023 | The Institute of Internal Auditors-Chinese Taiwan 中華民國內部稽核協會 | 提升企業永續價值，完善風險管理制度     | 6     | 6           |
| Director | Liao Wei Chuan   | 19/12/2023           | 19/12/2023 | Taiwan Corporate Governance Association                      | 證券不法案件刑事責任實務分析        | 3     | 6           |
|          |  | 01/12/2023           | 01/12/2023 | Taiwan Corporate Governance Association                      | 個資強力監管時代來臨            | 3     |             |

| Title                | Name             | Training Date (2023) |            | Organizing agency  | Training/Speech Title        | Hours | Total Hours |
|----------------------|------------------|----------------------|------------|--|------------------------------|-------|-------------|
|                      |                  | Start                | End        |  |                              |       |             |
| Director             | Chang Ming Huang | 23/08/2023           | 23/08/2023 | Taipei Exchange  | 「上櫃興櫃公司內部人股權宣導說明會，台中場」       | 3     | 9           |
|                      |                  | 23/03/2023           | 23/03/2023 | 中華民國會計師公會全國聯合會   | (台中)會計師洗錢防制監理與實務             | 3     |             |
|                      |                  | 16/03/2023           | 16/03/2023 | 中華民國會計師公會全國聯合會   | (台中)董事受託義務與財報不實責任            | 3     |             |
| Independent Director | Chou Chih Yuan   | 31/03/2023           | 31/03/2023 | 中華民國會計師公會全國聯合會   | 董事受託義務與財報不實責任                | 3     | 6           |
|                      |                  | 20/03/2023           | 20/03/2023 | 中華民國會計師公會全國聯合會   | 會計師洗錢防制監理與實務                 | 3     |             |
| Independent Director | Huang Chi Jui    | 17/03/2023           | 17/03/2023 | Taiwan Corporate Governance Association                        | 董事會議怎麼議?上市櫃公司董事會議事運作常見缺失實務分享 | 3     | 6           |
|                      |                  | 21/02/2023           | 21/02/2023 | Taiwan Corporate Governance Association                        | 公司重大訊息揭露與董監責任                | 3     |             |
| Independent Director | Tay Puay Chuan   | 20/06/2023           | 20/06/2023 | The Institute of Internal Auditors-Chinse Taiwan<br>中華民國內部稽核協會 | 提升企業永續價值，完善風險管理制度            | 6     | 6           |

5. CFO, Corporate Governance manager and Internal Audit manager profession enhancement status in 2023.

CFO and Corporate Governance manager profession enhancement status:

| Title | Name        | Training Date (2022) |            | Organizing agency   | Training/Speech Title   | Hours | Total Hours |
|-------|-------------|----------------------|------------|---|---|-------|-------------|
|       |             | Start                | End        |   |   |       |             |
| CFO   | Tan Kok Bee | 02/11/2023           | 03/11/2023 | Accounting Research and Development Foundation in Taiwan<br>財團法人中華民國會計研究發展基金會 | 發行人證券商證券交易所會計主管持續進修班<br>- 公司治理 6 小時<br>- 財務 3 小時<br>- 職業道德法律責任 3 小時 | 12    | 12          |

Corporate Governance manager and CFO profession enhancement status:

| Title                        | Name        | Training Date (2022) |            | Organizing agency  | Training/Speech Title | Hours | Total Hours |
|------------------------------|-------------|----------------------|------------|--|-----------------------|-------|-------------|
|                              |             | Start                | End        |  |                       |       |             |
| Corporate Governance manager | Tan Kok Bee | 15/04/2024           | 15/04/2024 | Accounting Research and Development Foundation in Taiwan 財團法人中華民國會計研究發展基金會 | 企業員工獎酬制度之內稽內控實務       | 6     | 12          |
|                              |             | 20/06/2023           | 20/06/2023 | The Institute of Internal Auditors-Chinese Taiwan 中華民國內部稽核協會               | 提升企業永續價值，完善風險管理制度     | 6     |             |

Note: On May 11, 2023, the company's board of directors approved the appointment of CFO Mr. Kenny Tan to concurrently serve as Corporate Governance Manager. However, newcomers to this position are required to complete at least 18 hours of professional development within a year of assuming the role. Therefore, the professional enhancement period is from May 11, 2023, to May 10, 2024.

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

| Title                         | Name           | Training Date (2022) |            | Organizing agency  | Training/Speech Title      | Hours | Total Hours |
|-------------------------------|----------------|----------------------|------------|--|----------------------------|-------|-------------|
|                               |                | Start                | End        |  |                            |       |             |
| Internal Audit manager        | Yee Lee Ching  | 29/05/2023           | 29/05/2023 | Accounting Research and Development Foundation in Taiwan 財團法人中華民國會計研究發展基金會 | 主管機關要求設置「公司治理人員」之稽核法遵實務    | 6     | 12          |
|                               |                | 27/12/2023           | 27/12/2023 | Accounting Research and Development Foundation in Taiwan 財團法人中華民國會計研究發展基金會 | 最新「永續發展行動方案」與淨零碳排對財報影響實務解析 | 6     |             |
| Acting Internal Audit Manager | Chua Siow Ling | 27/03/2023           | 27/03/2023 | Accounting Research and Development Foundation in Taiwan 財團法人中華民國會計研究發展基金會 | 內稽人員對於「資訊安全」之稽核管控實務        | 6     | 12          |

| Title | Name | Training Date (2022) |            | Organizing agency   | Training/Speech Title | Hours | Total Hours |
|-------|------|----------------------|------------|---|-----------------------|-------|-------------|
|       |      | Start                | End        |   |                       |       |             |
|       |      | 08/09/2023           | 08/09/2023 | The Institute of Internal Auditors-Chinese Taiwan<br>中華民國內部稽核協會 | 如何運用大數據強化稽核作業         | 6     |             |

6. D&O insurance

| Insured Object               | Insurance Company | Insurance Amount (\$) | Insurance Period                 | Status    | Date of Board Meeting | Remarks |
|------------------------------|-------------------|-----------------------|----------------------------------|-----------|-----------------------|---------|
| All directors and supervisor | AIG Taiwan        | US\$ 3 Million        | From 2023/01/01<br>To 2023/12/31 | Continued | 2023/03/21            | -       |

### 3.4.9 Internal control system implementation status

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

##### Techcential International Ltd Statement of Internal Control System

Date: March 15, 2024

Based on the findings of self-assessment, Techcential International Ltd states the following with regard to its internal control system in 2023:

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, 2023, 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 2023 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 15, 2024 with zero of seven attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Techcential International Ltd & its subsidiaries

Chairman: Eng Kai Pin

CEO: Eng Kai Jie



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



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

### 3.4.11 Major Resolutions of Shareholders' Meeting and Board Meetings.

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

| Date       | Major Resolutions |  | State of Implementation                        |
|------------|-------------------|--|--|
| 2023/06/21 | 1                 | Discussion Item: To issue new shares through capitalization of earnings. | The result of the resolution has been followed |
|            | 2                 | Discussion Item: To issuance of Restricted Stock Awards.                 | The result of the resolution has been followed |

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

| Date       | Major Resolutions |  |
|------------|-------------------|--|
| 2023/03/21 | 1                 | The Distribution of 2022 Employee and Director remuneration.   |
|            | 2                 | 2022 Consolidated Financial Statements and Annual Report.  |
|            | 3                 | Annual Earnings Distributions for the year 2022.   |
|            | 4                 | Issue new shares through capitalization of earnings.   |
|            | 5                 | The 2022 Statements of Internal Control System.  |
|            | 6                 | The change of CPA.   |
|            | 7                 | The assessment of the Independence and the 2023 annual remuneration of Certified Public Accountant.                                      |
|            | 8                 | The "General Principles of Pre-approval of Non-Confidential Service Policy"  |
|            | 9                 | The schedule plan through greenhouse gas inventory and verification of the consolidated subsidiary.                                      |
|            | 10                | The amendment "Code of Corporate Governance Practices", "Corporate Practice on Sustainable Development".                                 |
|            | 11                | Issuance of Restricted Stock Awards.   |
|            | 12                | 2023 Annual Shareholders' meeting.   |
| 2023/05/11 | 1                 | 2023 Q1 Consolidated Financial Statements.   |
|            | 2                 | Appoint Corporate Governance Officer.  |
|            | 3                 | Amendment of the "Rules and Procedures of Board Meetings".   |
|            | 4                 | Provisions "Rules Governing Financial and Business Matters Between this Company and its Affiliated Enterprises".                         |
|            | 5                 | Change the seal of the Bank SinoPac Savings account and related transaction matters.   |
|            | 6                 | The proposal of "Performance assessments and salary adjustment of Directors and managerial officers" for the year 2023.                  |
| 2023/06/21 | 1                 | To determine the cash dividends, stock dividend and Ex-rights and dividend Date.   |
| 2023/07/21 | 1                 | The proposal of increase share capital by issuing ordinary shares and the 3rd Non-Guaranteed Convertible Corporate Bond in Taiwan R.O.C. |
| 2023/08/24 | 1                 | 2023 First-Half Consolidated Financial Statements.   |
|            | 2                 | The company will not distribute 2023 First-Half Annual Earnings.   |
|            | 3                 | The "Measures for Employee Stock Subscription".  |

|            |   |  |
|------------|---|--|
|            | 4 | The proposal of the manager and employees' subscription of new shares.   |
| 2023/11/09 | 1 | 2023 Q3 Consolidated Financial Statements.   |
|            | 2 | Company Business Plan and Budget for 2024.   |
|            | 3 | Audit Plan for 2024.   |
|            | 4 | A securities underwriter to assist in compliance with the relevant laws and regulations of the Republic of China Securities. |
|            | 5 | Appoint Information Security Manager.  |
| 2024/03/15 | 1 | Distribution of 2023 Employee and Director remuneration.   |
|            | 2 | 2023 Consolidated Financial Statements and Annual Report.  |
|            | 3 | The appropriation of profit or loss for the year 2023.   |
|            | 4 | The 2023 Statements of Internal Control System.  |
|            | 5 | Adopt the assessment of the Independence and the 2024 annual remuneration of Certified Public Accountant.                    |
|            | 6 | Amend the Company M&A.   |
|            | 7 | Amend "Procedures for Election of Director".   |
|            | 8 | Adopt 2024 Annual Shareholders' meeting.   |

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

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

### 3.5 CPA Service Fees

Unit: NTD Thousands

| Audit Firm | CPA           | Service Period        | Audit Fees | Non-Audit Fees | Total | Note |
|------------|---------------|-----------------------|------------|----------------|-------|------|
| KPMG       | Phyllis Chang | 01.01.2023~31.12.2023 | 3,600      | -              | 3,600 | -    |
|            | Aaron Chiang  | 01.01.2023~31.12.2023 |            |                |       |      |

#### 3.5.1 Information of Audit & Non-Audit Services Fees

Unit: NTD Thousand

| Audit Firm | CPA           | Audit Fees | Non-Audit Fees |              |                 |        |          | Service Period        | Note |
|------------|---------------|------------|----------------|--------------|-----------------|--------|----------|-----------------------|------|
|            |               |            | System Design  | Registration | Human Resources | Others | Subtotal |                       |      |
| KPMG       | Phyllis Chang | 3,600      | -              | -            | -               | -      | -        | 01.01.2023~31.12.2023 | -    |
|            | Aaron Chiang  |            |                |              |                 |        |          |                       |      |

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

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

### 3.6 Information on replacement of Certified Public Accountant:

#### 3.6.1 About the former accountant

|   |   |                |                                    |
|---|---|----------------|------------------------------------|
| Replacement date  | Approved by the Board of Directors on 21 March 2023.  |                |                                    |
| Replacement reason and description  | The company comply with the internal discussion of KPMG, that the certified public accountants should be changed from accountants Phyllis Chang and Lisa Kuang to accountants Phyllis Chang and Aaron Chiang. |                |                                    |
| Describe whether the Company terminated or the CPA did not accept the appointment   | Litigant  | CPA            | The Company                        |
|   | Condition   |                |                                    |
|   | Voluntary termination of appointment  | Not applicable | Not applicable                     |
|   | No longer accept (continue) appointment   | Not applicable | Not applicable                     |
| Other issues (except for unqualified issues) in the audit reports within the last two years   | NA  |                |                                    |
| Differences with the Company  | Ya  |                | Accounting principles or practices |
|   |   |                | Disclosure of Financial Statements |
|   |   |                | Audit scope or steps               |
|   |   |                | Others                             |
|   | Na  | V              | Description                        |
| Other Revealed Matters (Should be disclosed according to item 1-4~7, subparagraph 6, article 10 of Regulations Governing Information to be Published in Annual Reports of Public Companies) | NA  |                |                                    |

#### 3.6.2 About the Successor Accountants:

|   |                                |
|---|--------------------------------|
| Name of accounting firm   | KPMG                           |
| Name of CPA   | Phyllis Chang and Aaron Chiang |
| Date of appointment   | January 1, 2023                |
| Consultation results and opinions on accounting treatments or principles with respect to specified transactions and the Company's financial reports that the CPA might issue prior to the engagement. | None                           |
| Succeeding CPA's written opinion of disagreement toward the former CPA  | None                           |

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

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

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

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

| Title                | Name                           | Year 2023                  |                                    | Year-To-Date<br>30 April 2024 |                                    |
|----------------------|--------------------------------|----------------------------|------------------------------------|-------------------------------|------------------------------------|
|                      |                                | Shares Increase (Decrease) | Pledged Shares Increase (Decrease) | Shares Increase (Decrease)    | Pledged Shares Increase (Decrease) |
| Director             | Eng Synergy Management Sdn Bhd | 1,356,000                  | —                                  | —                             | —                                  |
|                      | Representative: Eng Kai Pin    | 3,900                      | —                                  | —                             | —                                  |
| Director             | Surging Success Sdn. Bhd       | 395,000                    | —                                  | —                             | —                                  |
|                      | Representative: Eng Kai Jie    | 3,500                      | —                                  | —                             | —                                  |
| Director             | Chang Ming Huang               | —                          | —                                  | —                             | —                                  |
| Director             | Liao Wei Chuan                 | —                          | —                                  | —                             | —                                  |
| Independent Director | Chou Chih Yuan                 | —                          | —                                  | —                             | —                                  |
| Independent Director | Huang Chih Jui                 | —                          | —                                  | —                             | —                                  |
| Independent Director | Tay Puay Chuan                 | —                          | —                                  | —                             | —                                  |
| Manager              | Eng Kai Pin                    | 3,900                      | —                                  | —                             | —                                  |
| Manager              | Eng Kai Jie                    | 3,500                      | —                                  | —                             | —                                  |
| Manager              | Tan Kok Bee                    | 10,000                     | —                                  | —                             | —                                  |
| Manager              | Poa Keng Ling                  | 7,050                      | —                                  | —                             | —                                  |

3.8.2 Stock transfer with related parties: None.

3.8.3 Stock pledges with Related Parties: None.

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

April 30, 2024; unit:share ; %

| Name  | Shareholding |       | Spouse and minor Shareholding |   | Shareholding by nominee arrangement |   | Title, name, or relationship between the top 10 shareholders and their spouse or relatives within two degrees of consanguinity |                        | Note |
|---|--------------|-------|-------------------------------|---|-------------------------------------|---|--|------------------------|------|
|   | Shares       | %     | Shares                        | % | Shares                              | % | Title (or Name)  | Relationship           |      |
| Eng Synergy Management Sdn. Bhd.<br>Representative: Eng Say Kaw                   | 11,700,000   | 33.41 | —                             | — | —                                   | — | Eng Say Kaw  | Same person            | —    |
|   |              |       |                               |   |                                     |   | Golden Encore Holdings Sdn. Bhd.   | Second-class relatives | —    |
|   |              |       |                               |   |                                     |   | Youlen Enterprise Sdn. Bhd.  |                        | —    |
|   |              |       |                               |   |                                     |   | Only Inspiration Sdn. Bhd.   |                        | —    |
| Surging Success Sdn. Bhd.<br>Representative: Yee Jun Xing                         | 2,285,000    | 6.53  | —                             | — | —                                   | — | —  | —                      | —    |
| Eng Say Kaw   | 2,205,109    | 6.30  | —                             | — | —                                   | — | Eng Synergy Management Sdn. Bhd.   | Same person            | —    |
|   |              |       |                               |   |                                     |   | Golden Encore Holdings Sdn. Bhd.   | Second-class relatives |      |
|   |              |       |                               |   |                                     |   | Youlen Enterprise Sdn. Bhd.  |                        |      |
|   |              |       |                               |   |                                     |   | Only Inspiration Sdn. Bhd.   |                        |      |
| Only Inspiration Sdn. Bhd.<br>Representative: Eng Say Ben                         | 1,737,000    | 4.96  | —                             | — | —                                   | — | Eng Say Kaw  | Second-class relatives | —    |
|   |              |       |                               |   |                                     |   | Eng Synergy Management Sdn. Bhd.   |                        | —    |
|   |              |       |                               |   |                                     |   | Golden Encore Holdings Sdn. Bhd.   |                        | —    |
|   |              |       |                               |   |                                     |   | Youlen Enterprise Sdn. Bhd.  |                        | —    |
| Bank SinoPac As Custodian for Conceptscope Resources Sdn. Bhd investment account. | 1,397,700    | 3.99  | —                             | — | —                                   | — | —  | —                      | —    |
| JH Chen   | 385,000      | 1.10  | —                             | — | —                                   | — | —  | —                      | —    |
| Youlen Enterprise Sdn. Bhd.<br>Representative: Lau Miow Xiang                     | 380,298      | 1.09  | —                             | — | —                                   | — | Eng Say Kaw  | Second-class relatives | —    |
|   |              |       |                               |   |                                     |   | Eng Synergy Management Sdn. Bhd.   |                        | —    |
|   |              |       |                               |   |                                     |   | Golden Encore Holdings Sdn. Bhd.   |                        | —    |
|   |              |       |                               |   |                                     |   | Only Inspiration Sdn. Bhd.   |                        | —    |
| KS Yan  | 360,193      | 1.03  | —                             | — | —                                   | — | —  | —                      | —    |
| HG Wu   | 350,000      | 1.00  | —                             | — | —                                   | — | —  | —                      | —    |
| Golden Encore Holdings Sdn. Bhd.<br>Representative: Eng Ai Ten                    | 348,210      | 0.99  | —                             | — | —                                   | — | Eng Say Kaw  | Second-class relatives | —    |
|   |              |       |                               |   |                                     |   | Eng Synergy Management Sdn. Bhd.   |                        | —    |
|   |              |       |                               |   |                                     |   | Youlen Enterprise Sdn. Bhd.  |                        | —    |
|   |              |       |                               |   |                                     |   | Only Inspiration Sdn. Bhd.   |                        | —    |

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

April 30, 2024; Unit: Shares; %

| Affiliated Company<br>(Note) | Ownership by Parade |        | Direct/Indirect Ownership by<br>Directors and Management |       | Total Ownership |        |
|------------------------------|---------------------|--------|--|-------|-----------------|--------|
|                              | Shares              | %      | Shares   | %     | Shares          | %      |
| Techcential Sdn. Bhd.        | 10,000,000          | 100.00 | -  | -     | 10,000,000      | 100.00 |
| TC Home Sdn. Bhd.            | 2,000,000           | 100.00 | -  | -     | 2,000,000       | 100.00 |
| EHL Cabinetry Sdn. Bhd.      | 32,211,111          | 89.20  | 3,900,000  | 10.80 | 36,111,111      | 100.00 |
| TC Home Corporation          | 100                 | 100.00 | -  | -     | 100             | 100.00 |
| ESK Biomass Sdn. Bhd.        | 8,000,012           | 100.00 | -  | -     | 8,000,012       | 100.00 |
| ESK Wood Products Sdn. Bhd.  | 3,000,000           | 100.00 | -  | -     | 3,000,000       | 100.00 |

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

## 4.0 Capital Raising

### 4.1 Capital and Shares

#### 4.1.1 History of Capitalization

##### (A) Types of Stock

April 30, 2024; Unit: Shares

| Types of Stock | Authorized Capital        |                 |            | Remarks |
|----------------|---------------------------|-----------------|------------|---------|
|                | Outstanding issued Shares | Unissued Shares | Total      |         |
| Common Stock   | 35,018,129                | 14,981,871      | 50,000,000 | Tpex    |

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

April 30, 2024; Unit: Thousand Shares; NTD Thousand

| Year & Month  | Issue Price (NTD) | Authorized Capital |         | Capital Stock |         | Remarks                    |                                |        |
|---------------|-------------------|--------------------|---------|---------------|---------|----------------------------|--------------------------------|--------|
|               |                   | Shares             | Amount  | Shares        | Amount  | Source of Capital          | Non-monetary Capital Expansion | Others |
| June 2016     | 10                | 50,000             | 500,000 | 0.001         | 10      | Establishment              | -                              | -      |
| October 2016  | 10                | 50,000             | 500,000 | 21,000        | 210,000 | Conversion                 | -                              | -      |
| January 2018  | 10                | 50,000             | 500,000 | 23,625        | 236,250 | Cash                       | -                              | -      |
| December 2021 | 10                | 50,000             | 500,000 | 28,625        | 286,250 | Cash                       | -                              | -      |
| July 2022     | 10                | 50,000             | 500,000 | 28,634        | 286,342 | Convertible corporate bond | -                              | -      |
| July 2023     | 10                | 50,000             | 500,000 | 30,066        | 300,659 | Capitalization of earnings | -                              | -      |
| November 2023 | 10                | 50,000             | 500,000 | 34,232        | 342,319 | Cash                       | -                              | -      |
| March 2024    | 10                | 50,000             | 500,000 | 35,018        | 350,181 | Convertible corporate bond | -                              | -      |

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

#### 4.1.2 Composition of Shareholders

April 30, 2024; Unit: Person; Shares; %

| Shareholder Composition | Government Agencies | Financial Institutions | Other Juridical Persons | Natural Persons | Foreign Institutions and Foreign Persons | Total      |
|-------------------------|---------------------|------------------------|-------------------------|-----------------|--|------------|
| Number of Shareholders  | -                   | 2                      | 6                       | 1,921           | 21                                       | 1,950      |
| Shares Held             | -                   | 72,100                 | 99,382                  | 14,113,954      | 20,732,693                               | 35,018,129 |
| %                       | -                   | 0.206%                 | 0.284%                  | 40.305%         | 59.205%                                  | 100%       |

Remarks: Share held by PRC: 0%.

#### 4.1.3 Distribution of Shareholding

##### (A) Common Shares

April 30, 2024; Unit: Person; Shares; %

| Shareholder Ownership | Number of Shareholders | Shares Held | Percentage of Shareholding |
|-----------------------|------------------------|-------------|----------------------------|
| 1 to 999              | 336                    | 45,478      | 0.13                       |
| 1,000 to 5,000        | 1,143                  | 2,241,725   | 6.40                       |
| 5,001 to 10,000       | 191                    | 1,429,611   | 4.08                       |
| 10,001 to 15,000      | 83                     | 990,494     | 2.83                       |
| 15,001 to 20,000      | 55                     | 996,171     | 2.84                       |
| 20,001 to 30,000      | 42                     | 1,051,021   | 3.00                       |
| 30,001 to 40,000      | 21                     | 713,285     | 2.04                       |
| 40,001 to 50,000      | 15                     | 688,042     | 1.96                       |
| 50,001 to 100,000     | 32                     | 2,323,661   | 6.64                       |
| 100,001 to 200,000    | 18                     | 2,461,388   | 7.03                       |
| 200,001 to 400,000    | 9                      | 2,752,444   | 7.86                       |
| 1,000,001 and above   | 5                      | 19,324,809  | 55.19                      |
| Total                 | 1,950                  | 35,018,129  | 100                        |

(B) Preferred Shares: Not applicable.

#### 4.1.4 List of Major Shareholders:

April 30, 2024; Unit: Shares

| Name of Major Shareholders  | Shares | Shareholding | Percentage (%) |
|---|--------|--------------|----------------|
| Eng Synergy Management Sdn. Bhd.  |        | 11,700,000   | 33.41%         |
| Surging Success Sdn. Bhd.   |        | 2,285,000    | 6.53%          |
| Eng Say Kaw   |        | 2,205,109    | 6.30%          |
| Only Inspiration Sdn. Bhd   |        | 1,737,000    | 4.96%          |
| Bank SinoPac As Custodian for Conceptscope Resources Sdn. Bhd investment account. |        | 1,397,700    | 3.99%          |
| JH Chen   |        | 385,000      | 1.10%          |
| Youlen Enterprise Sdn. Bhd.   |        | 380,298      | 1.09%          |
| KS Yan  |        | 360,193      | 1.03%          |
| HG Wu   |        | 350,000      | 1.00%          |
| Golden Encore Holdings Sdn. Bhd.  |        | 348,210      | 0.99%          |



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

| Item                                |                                       | Year                         | Year 2022 | Year 2023      | As of<br>30 April 2024 |
|-------------------------------------|---------------------------------------|------------------------------|-----------|----------------|------------------------|
|                                     |                                       |                              |           |                |                        |
| Market Price<br>Per<br>Share(Note1) | Highest                               |                              | 31.40     | 16.75          | 17.40                  |
|                                     | Lowest                                |                              | 13.00     | 12.35          | 13.20                  |
|                                     | Average                               |                              | 17.59     | 13.99          | 14.38                  |
| Net Value Per<br>Share<br>(Note2)   | Before Distribution                   |                              | 14.63     | 12.49          | 12.94                  |
|                                     | After Distribution                    |                              | 14.53     | 12.49          | 12.94                  |
| Earnings Per<br>Share               | Weighted-Average Number of<br>Shares  |                              | 30,061    | 30,625         | 34,365                 |
|                                     | Earnings Per<br>Share(diluted)(note3) |                              | 1.04      | (0.78)         | 0.26                   |
| Dividend Per<br>Share               | Cash Dividends                        |                              | 2,864     | -              | -                      |
|                                     | Stock<br>Dividends                    | Surplus<br>distribution      | 14,317    | -              | -                      |
|                                     |                                       | Capital reserve<br>allotment | -         | -              | -                      |
|                                     | Accumulative Dividends<br>(Note4)     |                              | -         | -              | -                      |
| Rate on<br>Investment               | Price /Earnings Ratio ( Note5 )       |                              | 16.91     | (17.94)        | -                      |
|                                     | Price/Dividend Ratio ( Note6 )        |                              | 175.90    | Not applicable | -                      |
|                                     | Cash Dividend Yield ( Note7 )         |                              | 0.01      | Not applicable | -                      |

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

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

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

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

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

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

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

Note 8 : 2023 the shareholders' meeting has not resolved Earning distribution, so the relevant ratio is not listed.

#### 4.1.6 Dividend Policies and Implementation

##### (A) Dividend Policies under the Article of Incorporation

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

- (i) A tax payment reserve for the relevant fiscal year;
- (ii) An amount to offset losses incurred in previous years; and

(iii) A special surplus reserve as required by the applicable securities authority of the ROC under the applicable public company rules.

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

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

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

The distribution of dividend in the 2022:

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

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

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

The distribution of dividend in the 2023:

Cash dividend for the 2023 H1: The board of directors has passed a resolution on August 24, 2023 not to distribute dividends.

Cash dividend for the 2023 H2: It is planned not to issue cash dividend because of after-tax-loss in 2023.

The company's 2023 annual earnings distributions table is as below:

| Items                                 | Total NTD    |
|---------------------------------------|--------------|
| Beginning retained earnings           | 38,930,446   |
| Net loss after tax                    | (23,774,272) |
| Statutory reserve (10%)               | -            |
| Surplus reserve                       | (15,156,174) |
| Distributable net profit              | -            |
| Distributable items: Interim Dividend | -            |
| Distributable items: Dividend         | -            |
| Ending retained earnings              | -            |

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

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

4.1.8 Remuneration of employees, directors and supervisors.( The company does not have a supervisor)

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

If there are earnings for the year, the company shall set aside no more than 3% of the profit as employee compensation and only 5% of the profit as compensation for the directors. However, if the company has accumulated losses in previous years, it shall reserve an amount of the pre-tax profit to offset the accumulated losses. The employee compensation referred to in this Article 14.4 may be distributed as stock or cash and may be distributed to the Board in order for the subsidiaries' employees to be resolved on time.

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

The company shall set aside no more than 3% of the profit as employee compensation and only 5% of profits as compensation for the director's earnings for the year. However, if the company has accumulated losses in previous years, it shall reserve an amount of the pre-tax profit to offset the accumulated losses. If the actual distribution amount differs from the estimated price, it will be treated according to the

accounting changes and the impact of the change on the profit and loss for the next year.

(C) Board Resolution for the Distribution of Remuneration:

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

On March 15, 2024, the company's Board of Directors approved the 2023 employee compensation and director remuneration plans, amounting to NT\$3,496,082 and NT\$136,825 respectively, to be paid entirely in cash. The company had not previously accounted for any employee compensation or director remuneration in its books, resulting in a discrepancy of NT\$3,496,082 and NT\$136,825 between the estimated and actual disbursements. This decision was made in consideration of post-pandemic price increases, increased living pressures on employees, and various operational challenges. To express gratitude for the employees' contributions, the company decided to issue additional bonuses to recognize their hard work over the past year and to help alleviate their living pressures. The management decided to proceed with the usual employee and director remuneration for the current year, and this decision has been approved by the Board of Directors and will be reported at the upcoming shareholders' meeting.

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

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

On March 21, 2023, the Board of Directors passed the 2022 employee and director remuneration, which were NT\$3,229,894 and NT\$141,049, respectively, and were all paid in cash. There is no difference between the employee compensation and the director's compensation amount in line with the 2022 estimated cost.

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

#### 4.2 Corporate Bonds:

| Corporate Bond                 | The 1st Non-Guaranteed Convertible Corporate Bond in Taiwan R.O.C.   | The 2nd Non-Guaranteed Convertible Corporate Bond in Taiwan R.O.C.   | The 3rd Non-Guaranteed Convertible Corporate Bond in Taiwan R.O.C.   |
|--------------------------------|--|--|--|
| Issued Date                    | December 3, 2019   | November 11, 2021  | September 20, 2023   |
| Denomination                   | NT\$100,000  | NT\$100,000  | NT\$100,000  |
| Place of issue and transaction | Republic of China  | Republic of China  | Republic of China  |
| Issuing price                  | 101% of the denomination value.  | 101% of the denomination value.  | 100% of the denomination value.  |
| Total Amount                   | NT\$200,000 thousand   | NT\$120,000 thousand   | NT\$120,000 thousand   |
| Interest rate                  | The coupon interest rates are 0%   | The coupon interest rates are 0%   | The coupon interest rates are 0%   |
| Period                         | 3 years. validity: December 3, 2022.   | 3 years. validity: November 11, 2024.  | 5 years. validity: September 20, 2028.   |
| Guarantee agency               | Not applicable.  | Not applicable.  | Not applicable.  |
| Trustee                        | Bank SinoPac   | Bank SinoPac   | Bank SinoPac   |
| Underwriting agency            | SinoPac Securities   | First Securities   | First Securities   |
| Certified attorney             | Far East Law Offices, Charles Chou   | Far East Law Offices, Charles Chou   | Far East Law Offices, Charles Chou   |
| Certified Accountant           | KPMG<br>CPA: Charlotte Chao, Lisa Kuang  | KPMG<br>CPA: Charlotte Chao, Lisa Kuang  | KPMG<br>CPA: Charlotte Chao, Aarn Chiang   |
| Repayment method               | In case of conversion into the Company's common shares in accordance with the Regulations for Issuance or in a case where the Company exercises the right of repurchase in accordance with the Regulations for Issuance or where the Company redeems before expiry in accordance with the Regulations for Issuance or where the Company buys back for revocation, the Company shall pay back in cash in a lump-sum based on the face amount of the bonds upon expiry of the bonds. | In case of conversion into the Company's common shares in accordance with the Regulations for Issuance or in a case where the Company exercises the right of repurchase in accordance with the Regulations for Issuance or where the Company redeems before expiry in accordance with the Regulations for Issuance or where the Company buys back for revocation, the Company shall pay back in cash in a lump-sum based on the face amount of the bonds upon expiry of the bonds. | In case of conversion into the Company's common shares in accordance with the Regulations for Issuance or in a case where the Company exercises the right of repurchase in accordance with the Regulations for Issuance or where the Company redeems before expiry in accordance with the Regulations for Issuance or where the Company buys back for revocation, the Company shall pay back in cash in a lump-sum based on the face amount of the bonds upon expiry of the bonds. |

|  |   |  |  |
|--|---|--|--|
| Outstanding principal  | NT\$0   | NT\$0  | As of the publication date of the annual report, the outstanding principal was NT\$108,600 thousand.   |
| Redemption or advance payment  | Please refer to the company's first unsecured corporate bond issuance and conversion method in the Republic of China.   | Please refer to the company's second unsecured corporate bond issuance and conversion method in the Republic of China. | Please refer to the company's third unsecured corporate bond issuance and conversion method in the Republic of China.                                  |
| Restrictions   | Not applicable.   | Not applicable.  | Not applicable.  |
| Credit rating agency name, rating date, corporate debt rating and other results                                    | Not applicable.   | Not applicable.  | Not applicable.  |
| With other rights  | The amount of ordinary shares, overseas depository receipts or other marketable securities converted (exchange or subscription) as of the date of publication of the annual report. | This convertible bond has matured.   | This convertible bond has matured, of which NT\$92,000 of ordinary shares have been converted.   |
|  | Issuance and conversion (exchange or subscription) method   | Please refer to the company's first unsecured corporate bond issuance and conversion method in the Republic of China.  | Please refer to the company's second unsecured corporate bond issuance and conversion method in the Republic of China.                                 |
| Issuance and conversion, exchange or stock subscription methods, possible dilution of equity conditions and impact | This convertible bond has expired, so it is not applicable.   | This convertible bond has expired, so it is not applicable.  | Until the creditors request execution of the rights of conversion, the subject convertible corporate bonds do not function to dilute the equity of the |

|   |                 |                 |   |
|---|-----------------|-----------------|---|
| on existing shareholders' equity                                    |                 |                 | Company. A creditor may, at his or her discretion, choose to proceed with conversion at a timepoint at his or her most advantageous point and has the deferred effect in dilution of the equity. In terms of the impact on existing shareholders' equity, although the subject convertible corporate bonds will increase the Company's liabilities before conversion, where the subject convertible corporate bonds are converted into common shares, in addition to the effect of reducing liabilities, the subject convertible corporate bonds will, as well, increase the shareholders' equity and thus increase the net worth per share. In the long-term, profit (loss), the shareholders' equity would become better safeguarded. |
| Name of the entrusted custodian institution to exchange the subject | Not applicable. | Not applicable. | Not applicable.   |

Status of convertible bonds:

Unit: NT\$

| Year   |         | 2023   |  |  | Year-To-Date April 30,2024   |  |  |
|--|---------|--|--|--|--|--|--|
| Bond type  |         | The 1st Non-Guaranteed Convertible Corporate Bond in Taiwan R.O.C. (Year 2019) | The 2nd Non-Guaranteed Convertible Corporate Bond in Taiwan R.O.C. (Year 2021) | The 3rd Non-Guaranteed Convertible Corporate Bond in Taiwan R.O.C. (Year 2023) | The 1st Non-Guaranteed Convertible Corporate Bond in Taiwan R.O.C. (Year 2019) | The 2nd Non-Guaranteed Convertible Corporate Bond in Taiwan R.O.C. (Year 2021) | The 3rd Non-Guaranteed Convertible Corporate Bond in Taiwan R.O.C. (Year 2023) |
| The market prices of the convertible corporate bonds | Highest | -  | 100.85   | 100.20   | -  | -  | 119.35   |
|  | Lowest  | -  | 96.00  | 96.55  | -  | -  | 98.10  |
|  | Average | -  | 99.43  | 98.24  | -  | -  | 102.30   |
| Conversion Price                                     |         | -  | 20.20  | 14.50  | -  | -  | 14.50  |
| Date of issuance and conversion prices upon issuance |         | 03/12/2019, NTD 40.8   | 11/11/2021, NTD 22.8   | 20/09/2023, NTD 14.8   | 03/12/2019, NTD 40.8   | 11/11/2021, NTD 22.8   | 20/09/2023, NTD 14.8   |
| Ways of fulfilling conversion obligation             |         | Issuance of new shares   | Issuance of new shares   | Issuance of new shares   | Issuance of new shares   | Issuance of new shares   | Issuance of new shares   |

**4.3 Preferred Shares:** Not Applicable.

**4.4 Depository Receipts:** Not Applicable.

**4.5 Employee Stock Option Plan:** Not Applicable.

**4.6 Employee Restricted Stock Awards:** The company's shareholders' meeting approved the issuance of new shares restricting employee rights on June 21, 2023. But it has not yet been processed, as of the date of publication of the annual report.

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



**4.8 Financing Plan and Implementation (Undertakings of issuing or privately placing securities that have not been completed or completed within the last three years without evident benefits):**

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

4.8.1.1 Contents of the plan:

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

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

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

(D) Items under the plan and scheduled progress

Unit: NTD Thousand

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

(E) Change plan: none.

4.8.1.2 Execution:

1. Execution

Unit: NTD Thousand

| Item                    | Execution   |            | Expected use of the funds | Status  |
|-------------------------|-------------|------------|---------------------------|---|
|                         | Used amount | Completion |                           |   |
| Loan Repayment          | Used amount | Estimated  | 125,000                   | Completed in 2019 Q4  |
|                         |             | Actual     | 125,000                   |   |
|                         | Completion  | Estimated  | 100%                      |   |
|                         |             | Actual     | 100%                      |   |
| Reinvestment Subsidiary | Used amount | Estimated  | 45,000                    | Due to the delay in the delivery schedule of the manufacturer and |
|                         |             | Actual     | 45,000                    |   |

|                             |             |           |        |   |
|-----------------------------|-------------|-----------|--------|---|
|                             | Completion  | Estimated | 100%   | the progress of the plant decoration project, the implementation was completed in 2019Q1. |
|                             |             | Actual    | 100%   |   |
| Replenishing Operating Fund | Used amount | Estimated | 32,000 | Completed in 2019 Q4  |
|                             |             | Actual    | 32,000 |   |
|                             | Completion  | Estimated | 100%   |   |
|                             |             | Actual    | 100%   |   |

## 2. Comparison with the original expected benefit

### (1) Loan Repayment

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

### (2) Reinvestment Subsidiary

#### A. Original expected benefit

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

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

Units : NT\$ thousand ; %

| Item                | 2020     |          | 2021      |          | 2022      |           | 2023      |           |
|---------------------|----------|----------|-----------|----------|-----------|-----------|-----------|-----------|
|                     | estimate | actual   | estimate  | actual   | estimate  | actual    | estimate  | actual    |
| Operating revenues  | 96,300   | -        | 369,360   | 6,119    | 175,178   | 264,451   | 279,190   | 90,573    |
| Operating cost      | (87,345) | (9,263)  | (308,880) | (31,115) | (155,421) | (223,916) | (237,312) | (105,365) |
| Gross profit (loss) | 8,955    | (9,263)  | 60,480    | (24,996) | 19,757    | 40,535    | 41,879    | (14,792)  |
| Operating expenses  | (7,268)  | (10,647) | (13,598)  | (10,450) | (14,827)  | (61,687)  | (19,212)  | (9,917)   |

|   |         |                 |        |                 |          |                    |         |          |
|---|---------|-----------------|--------|-----------------|----------|--------------------|---------|----------|
| Operating net profit (loss)                     | 1,688   | (19,910)        | 46,883 | (35,446)        | 4,930    | (21,152)           | 22,666  | (24,709) |
| Profit before tax (loss)                        | (368)   | (23,109)        | 42,615 | (38,916)        | 943      | (27,502)           | 19,394  | (29,741) |
| Profit after tax (loss)                         | (368)   | (22,671)        | 31,958 | (30,120)        | 943      | (20,941)           | 19,394  | (22,398) |
| Shareholding ratio                              | 80%     | 70%<br>(Note 1) | 80%    | 70%<br>(Note 1) | 70%      | 89.20%<br>(Note 2) | 70%     | 89.20%   |
| Recognize investment income (loss)              | (294)   | (10,896)        | 25,566 | (21,084)        | 660      | (16,706)           | 13,576  | (19,979) |
| Accumulated investment income recognized (loss) | (1,884) | (9,387)         | 23,682 | (30,471)        | (20,051) | (47,177)           | (6,475) | (67,156) |

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

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

Due to the impact of the US-China Trade War, the company collected the debt on November 29, 2019, for the estimated benefit and achievement of previous fundraising by the company in EHL. Although the machine equipment manufacturer was asked to deliver as soon as possible, the delayed shipment of the manufacturer until the beginning of 2020 and the renovation of the rental factory did not meet the expected progress. EHL is expected to trial production in 2020Q1 and start mass production in 2020Q2. However, in 2020, due to the spread of the COVID-19 pandemic outbreak, the local government of Malaysia implemented entry and exit control and implemented a city lockdown on March 18, 2020, resulting in foreign machinery and equipment suppliers originally expected to be installed in 2020Q1. With the implementation of local government control, it is unable to enter Malaysia for machine installation and testing, delaying the installation and trial production schedule of EHL, and the US customer was originally expected to be evaluated at the factory in early 2020. Because of the COVID-19 pandemic outbreak and government control policies, the evaluation of the EHL process interfered and orders could not be placed smoothly, resulting in no revenue in 2020, with gross losses of 9,263 thousand, operating net losses of 9,10 thousand, pre-tax net losses of 23,109 thousand, and post-tax net losses of 22,671 thousand.

Due to the ongoing COVID-19 outbreak in Malaysia, which led to the extension of the Movement Control Order (MCO) until March 31, 2021, and subsequent extensions, foreign new customers were unable to enter Malaysia for EHL's process evaluation. In the second quarter of 2021, the company collaborated with an American-style cabinet company operating in Malaysia to obtain orders for furniture components. It was anticipated to secure orders for complete cabinets in the fourth quarter of 2021. However, EHL was still in the initial stages of operation, and the COVID-19 pandemic had not subsided, resulting in the company not turning a profit in 2021. The operating gross loss for 2021 was (24,996) thousand, the operating net loss was (35,446) thousand, the pre-tax net loss was (38,916) thousand, and the net loss after tax was (30,120) thousand.

The actual sales revenue of EHL in 2022 was 264,451 thousand, an increase of 51% from the estimated number of 175,178 thousand. This increase is mainly because of the sales condition of EHL's customers, who are DDP. The sales revenue is recognized only after the goods are delivered to the customer's location, and all shipping costs during the delivery process are borne by EHL in advance and then transferred to the product price. Because of the COVID-19 pandemic outbreak, shipping costs have soared tenfold, resulting in actual sales revenue being significantly higher than the estimated number.

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

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

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

Although production was initiated in 2022, EHL was still impacted by the lingering effects of the post-pandemic era, notably the "long whip" effect. This effect resulted in overflowing inventories in the United States, influenced by the Federal Reserve's high-interest rate policy, which significantly affected new home sales and end-consumer demand in the United States. As a result, existing customers of EHL showed decreased ordering momentum, and new product development was temporarily halted. In 2023, orders and shipments for EHL cabinets decreased, and capacity utilization did not meet standards. Despite this, fixed monthly expenses still needed to be allocated, leading to costs exceeding operating income. Consequently, EHL could not achieve a break-even point, resulting in an operating net loss of (24,709) thousand, a pre-tax net loss of (29,741) thousand, and a net loss after tax of (22,398) thousand for the year 2023.

#### B. Revised Estimated Benefit

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

reasonable to delay the production line and mass production schedule because of the COVID-19 pandemic.

With the gradual increase in the vaccination rate, the Malaysian government has gradually relaxed the movement control order. In 2021, the government instructed the manufacturing industry to resume operations following the resumption conditions issued by the Ministry of Health and the proportion of employees receiving two doses of the vaccine on August 19, 2021. EHL's employees were arranged for the second vaccination in early September, and it restored the operational capacity to 100% on September 13. EHL has started the cabinet production line and shipped a small amount. According to the market research report "Global Furniture Market: 2020-2024" (Global Furniture Market: 2020-2024), the scale of the global furniture market is forecast to grow to US\$113.61 billion by 2024 and is expected to grow at a CAGR of 4% in 2020-2024. The main factors behind market growth are the increase in residential and commercial construction, the growth of organized retail, and the consumer population in developing countries. Dynamic changes, looking forward to the hot US real estate market in the future, coupled with the fact that the US still implements anti-dumping and countervailing duty policies on Chinese cabinets and other factors, can also drive the overall market demand for American cabinets. Therefore, the adjusted and revised estimated benefits are listed below, which have been reported to the board of directors in October 2021, without the need to handle changes in the plan and submit it to the shareholders' meeting for ratification.

EHL's estimated operating conditions (revised)

Units : NT\$ thousand ; %

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

### C. Revised Estimated Benefit

| Item  | 2024      |           |
|---|-----------|-----------|
|   | Estimate  | Actual Q1 |
| Operating revenues                              | 279,190   | 90,573    |
| Operating cost                                  | (237,312) | (105,365) |
| Gross profit (loss)                             | 41,878    | (14,792)  |
| Operating expenses                              | (19,212)  | (9,917)   |
| Operating net profit (loss)                     | 22,666    | (24,709)  |
| Profit before tax (loss)                        | 19,394    | (29,741)  |
| Profit after tax (loss)                         | 19,394    | (22,398)  |
| Shareholding ratio                              | 70%       | 89.20%    |
| Recognize investment income (loss)              | 13,576    | (19,979)  |
| Accumulated investment income recognized (loss) | (6,475)   | (67,156)  |

EHL began accepting orders and trial production in September 2021, with shipments commencing in December 2021. Since 2023, the management team has aimed to increase the overall capacity utilization of the group by coordinating the collaboration and management of various factories. This was achieved by flexibly arranging production processes and scheduling manpower resources to enhance cost control. Additionally, many product designs suitable for EHL production, such as knock-down furniture and dining sets, were developed. However, the economic environment in the United States in 2022 and 2023 led to a decrease in demand for end-cabinet furniture, coupled with increases in raw material and labor costs. As a result, the expected economic benefits were not realized, while fixed monthly expenses still needed to be allocated, leading to costs exceeding operating income. Consequently, EHL could not achieve a break-even point, resulting in an operating net loss of (24,709) thousand, a pre-tax net loss of (29,741) thousand, and a net loss after tax of (22,398) thousand for the year 2023.

Amid the relatively unstable global economic situation and various unforeseen circumstances, the group's profitability in its investment portfolio has indeed encountered significant challenges, requiring patient efforts to overcome. In the future, the management team will make more strategic adjustments and transformations in response to market changes in market layout and operational management. However, it may take a longer time for the benefits to be realized.

### D. Impact on shareholders' equity

The company's first non-guaranteed convertible corporate bond in Taiwan, R.O.C., has been implemented to repay bank borrowings and replenish working capital as of 2019 Q4. In 2021Q1, the reinvested subsidiary completed installation, testing, and production. With the gradual control of the pandemic, future economic

development and real estate recovery in the United States will also drive the overall market demand for American-style cabinets. We expect it can still achieve benefits in the future. There should be no significant impact on the shareholders' equity in the company.

### (3) Replenishing Operating Fund

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

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

### 4.8.2.1 Contents of the plan:

- (A) Date and file number of approval by the Financial Supervisory Commission: October 18, 2021, approved by the Financial Supervision and Administration Commission under letter No. 11003598271.
- (B) The total fund amount needed for the plan : NT\$202,828 thousand
- (C) Fund source :
  - (1) 5,000 thousand new shares were issued for a capital increase in cash, with a face value of NT\$10 per share, and we tentatively set the issue price per share at NT\$15.96. It is expected to raise NT\$79,800,000 in funds. The total amount raised is NT\$81,250,000, adjusted to NT\$16.25 per share due to market price changes.
  - (2) The 2nd non-guaranteed convertible corporate bond in Taiwan R.O.C. has 1,200 copies, a face value of NT\$100,000, a total face value of NT\$120,000,000, an



issuance period of 3 years, and a coupon rate of 0%. Auction has publicly underwritten the conversion company's bonds and issued them at 101% of par value. In total, NT \$121,578 thousand was raised.

(D) Items under the plan and scheduled progress

Unit: NTD Thousand

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

(E) Change plan: none.

4.8.2.2 Execution:

1. Execution

Unit: NTD Thousand

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

2. Compared with the original expected benefit

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

### 4.8.3 The increase share capital by issuing ordinary shares and the 3rd Non-Guaranteed Convertible Corporate Bond in the Republic of China.

#### 4.8.3.1 Contents of the plan:

- (A) Date and file number of approval by the Financial Supervisory Commission: August 28, 2023, approved by the Financial Supervision and Administration Commission under letter No. 11203514411.
- (B) The total fund amount needed for the plan : NT\$ 169,992 thousand
- (C) Fund source :
- (1) 4,166 thousand new shares were issued for a capital increase in cash, with a face value of NT\$10 per share, an issue price of NT\$12 per share, and a total raised amount of NT\$49,992 thousand.
  - (2) The 3rd non-guaranteed convertible corporate bond in Taiwan R.O.C. has 1,200 copies, a face value of NT\$100,000, an issuance period of 5 years, a coupon rate of 0%, and a total of 100% of the face value. The amount is NT\$120,000,000.
  - (3) If the actual price of each share in this cash capital increase is adjusted due to market changes or if non-guaranteed convertible corporate bonds are not issued in full at the time of actual issuance, resulting in insufficient funds raised, the difference will be used as self-owned funds or bank borrowings are required. However, if the actual raised funds increase compared to the estimated raised amount, the increased funds will be used to repay bank borrowings or supplement working capital based on the company's actual needs.
- (D) Items under the plan and scheduled progress

Unit: NTD Thousand

| Item  | Estimated Completion | Total   | Scheduled progress |         |
|---|----------------------|---------|--------------------|---------|
|   |                      |         | 2023Q4             | 2024 Q1 |
| Repayment of the principal (including interest compensation) due for the 2nd Non-Guaranteed Convertible Corporate Bond in Taiwan R.O.C. | 2023 Q4              | 121,001 | 121,001            | —       |
| Enrich working capital  | 2024 Q1              | 48,991  | 20,000             | 28,991  |
| Total   |                      | 169,992 | 141,001            | 28,991  |

- (E) Change plan: none.

#### 4.8.3.2 Execution:

##### 1. Execution

Unit: NTD Thousand

| Item  | Execution      |           | 2023Q4  | 2024Q1 | Cumulative application progress | Status               |
|---|----------------|-----------|---------|--------|---------------------------------|----------------------|
|   | Used amount    | Estimated |         |        |                                 |                      |
| Repayment of the principal (including interest compensation) due for the 2nd Non-Guaranteed Convertible Corporate Bond in Taiwan R.O.C. | Used amount    | Estimated | 121,001 | —      | 121,001                         | Completed in 2023 Q4 |
|   |                | Actual    | 119,890 | —      | 119,890                         |                      |
|   | Completion (%) | Estimated | 100.00% | —      | 100.00%                         |                      |
|   |                | Actual    | 99.08%  | —      | 99.08%                          |                      |
| Enrich working capital  | Used amount    | Estimated | 20,000  | 28,991 | 48,991                          | Completed in 2024 Q1 |
|   |                | Actual    | 20,085  | 30,017 | 50,102                          |                      |
|   | Completion (%) | Estimated | 40.82%  | 59.18% | 100.00%                         |                      |
|   |                | Actual    | 41.00%  | 61.27% | 102.27%                         |                      |
| Total   | Used amount    | Estimated | 141,001 | 28,991 | 169,992                         | -                    |
|   |                | Actual    | 139,975 | 30,017 | 169,992                         |                      |
|   | Completion (%) | Estimated | 82.95%  | 17.05% | 100.00%                         |                      |
|   |                | Actual    | 82.34%  | 17.66  | 100.00%                         |                      |

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

###### (1) Repayment of the principal (including interest compensation) due for the 2nd Non-Guaranteed Convertible Corporate Bond in Taiwan R.O.C.

The NTD121,001,000 in the company's current fundraising plan will repay the principal (including interest compensation) due for the 2nd Non-Guaranteed Convertible Corporate Bond in Taiwan R.O.C. Besides reducing the financial burden, it can also improve debt solvency, strengthen the financial structure, reduce dependence on bank borrowings, and increase the flexibility of capital utilization. Assuming the company does not rely on bank borrowings, based on the current average interest rate for medium to long-term loans of approximately 2.46% to 6.65%, with an average of 4.56%, it is expected to save interest expenses of 5,518 million NT dollars annually after 2024.

###### (2) enrich working capital

The NTD 48,991 thousand in the company's current fundraising plan is expected to be used to enrich working capital in 2023Q4 and 2024Q1 to meet the needs of future




operational growth and to cover product development expenses, purchasing To meet the needs of material demand, manufacturing products, and daily operation turnover, the funds raised will replace bank financing. Besides improving working capital, turnover capacity, and strengthening the financial structure, it can also reduce bank borrowing interest expenses and reduce dependence on banks. Improve the flexibility of capital allocation and reduce operational risks while increasing long-term capital stability to enhance the company's mid- to long-term competitiveness. If calculated based on the short-term borrowing interest rate of approximately 3.92% ~ 4.09% in the company's consolidated financial report reviewed by accountants for the first quarter of 2023, and an average of 4.01%, it is estimated that interest expenses of NTD 1,965 thousand can be saved every year after 2024.

## 5.0 Operational Highlights

### 5.1 Business Activities

#### 5.1.1 Business Scope

This company is a holding company with substantial operating functions. The main business of its subsidiaries is the design, production, manufacture, and sale of American wooden bedroom furniture and kitchen cabinets. In addition, the company's reinvested businesses have also invested in the procurement and sale of upstream raw materials—boards and rubber wood.

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

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

Unit: NTD in Thousands; %

| Products         | Year 2022 |        | Year 2023 |        |
|------------------|-----------|--------|-----------|--------|
|                  | Amount    | %      | Amount    | %      |
| Wooden Furniture | 835,568   | 72.38  | 879,876   | 87.13  |
| Others           | 318,847   | 27.62  | 129,922   | 12.87  |
| Total            | 1,154,415 | 100.00 | 1,009,798 | 100.00 |

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

##### (1) Bedroom furniture

- Techcential Sdn Bhd (TC) is the operating entity of the company. It mainly designs, manufactures, and sells 5-piece wooden bedroom furniture, including bed frames, nightstands, dressers, chests, and mirrors. Wooden bedroom furniture products include the following three types:

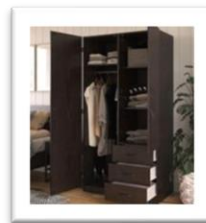
##### (i) Painting :



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



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



(2) Kitchen cabinets:

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



(3) Board and rubberwood:

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

(C) Prospective New Products Development

(a) Development of diversified products: Our company has over 20 years of experience in bedroom furniture manufacturing and has accumulated many contacts and customers. Therefore, we intend to invest in the research and development of diversified products to benefit the company's revenue.

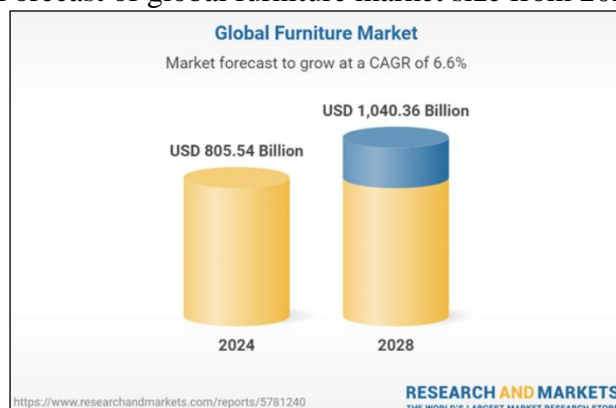
5.1.2 Industry Overviews

(A) Current Development of Furniture Industry

(a) Global Furniture Market

The Research and Markets report points out that the furniture market size has grown strongly in recent years. It will grow from US\$752.22 billion in 2023 to US\$805.54 billion in 2024 at a compound annual growth rate (CAGR) of 7.1% (Figure 1). The growth observed in the historical period can be attributed to several factors, including the globalization of furniture manufacturing, economic growth and housing expansion, the adoption of sustainable and eco-friendly practices, demographic shifts, and the rise of the do-it-yourself (DIY) culture. The furniture market is expected to see strong growth in the next few years. It will grow to US\$1040.36 billion in 2028 at a compound annual growth rate (CAGR) of 6.6% (Figure 1). Forecasted growth is fueled by flexible, multifunctional designs, sustainable practices, wellness-focused furniture, rental markets, and luxury furniture. Major trends include smart furniture, customizable designs, retro styles, biophilic design, and space-saving solutions in furniture.

Figure 1. Forecast of global furniture market size from 2024 to 2028.



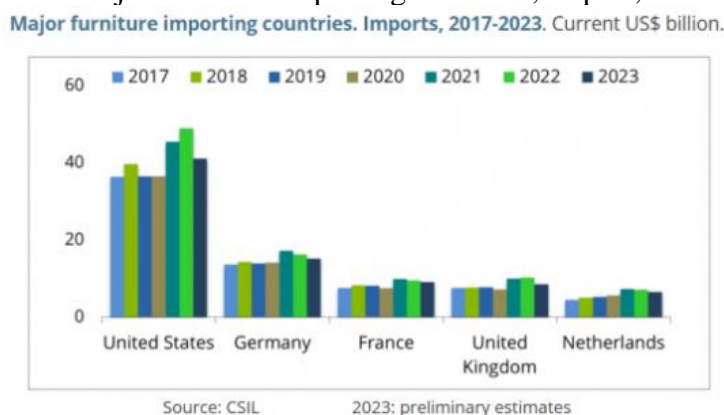
Source : Research and Markets.

The wooden furniture market is forecast to grow by USD108.09 billion during 2022–2027, accelerating at a CAGR of 5.6% during the forecast period. Persistence Market Research pointed out that the wooden furniture market will account for 53.9% of the overall furniture market in 2023. Consumers' increasing awareness of

environmentally friendly furniture and their reluctance to use furniture made of plastic or other harmful materials have led to a significant increase in demand for wooden furniture. The growth of construction activity is also likely to be the reason for the high demand for wooden furniture. As an example, the British government announced an allocation of US\$542 million for green building projects as part of its commitment to achieve zero emissions in 2021. Other countries also provide subsidies and financial support for green buildings to promote the development of green buildings, so green buildings will further promote the growth of demand for environmentally friendly furniture. In line with this trend, furniture manufacturers are focusing on strengthening and expanding their product portfolios and production capacities, which is also expected to increase global furniture demand.

According to CSIL research estimates, the value of global furniture imports is currently approximately US\$187 billion and has accounted for approximately 1% of international manufacturing trade in the past decade. The world's major furniture-importing countries are the United States, Germany, France, and the United Kingdom (Figure 2), accounting for approximately 48% of the total import value. The global furniture market has recovered from the COVID-19 pandemic in 2021, and furniture consumption levels are higher than before the pandemic. Further growth is expected in the future, but factors such as the uncertainty of the Russia-Ukraine war, supply chain constraints, logistics issues, strong inflationary pressure, and the depreciation of major currencies against the US dollar may all affect the future growth of the furniture market.

Figure 2. Major furniture importing countries, Import, 2017-2023.



Source : CSIL 「World Furniture Outlook 2023」

To sum up, the world will gradually recover from the COVID-19 pandemic in 2021. Although 2022 will be affected by adverse factors such as the Russia-Ukraine war, inflation, and U.S. interest rate hikes, global real estate and construction activities will continue to develop. The demand for products such as smart furniture and wooden

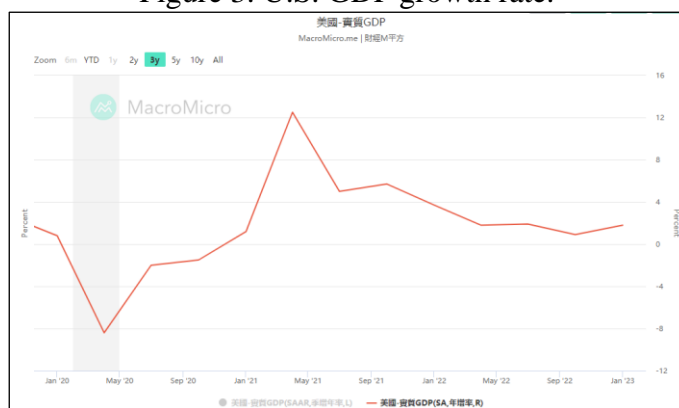


furniture also continues to rise, so relevant research institutions predict a compound annual growth rate of 5.5% from 2022 to 2030.

(b) North-America Furniture Market

The United States is the world's largest economy, and the real gross domestic product (GDP) growth rate is used as an indicator to measure U.S. economic activity. Affected by the COVID-19 pandemic in 2020, the U.S. economy suffered a severe decline. In order to improve the economic situation, the Federal Reserve (FED) launched a quantitative monetary easing policy and a zero interest rate policy, which caused a large amount of capital to flow into the market, which led to the annual real GDP growth rate in 2021. Increased substantially. However, because of a large amount of money printing and inflation caused by factors such as the Russia-Ukraine war and the energy crisis in 2022, the Federal Reserve (FED) announced a policy of shrinking its balance sheet and raising interest rates to curb inflation. Therefore, the annual GDP growth rate in 2022 will gradually decrease. The moderation shows a stable growth trend (Figure 3).

Figure 3. U.S. GDP growth rate.

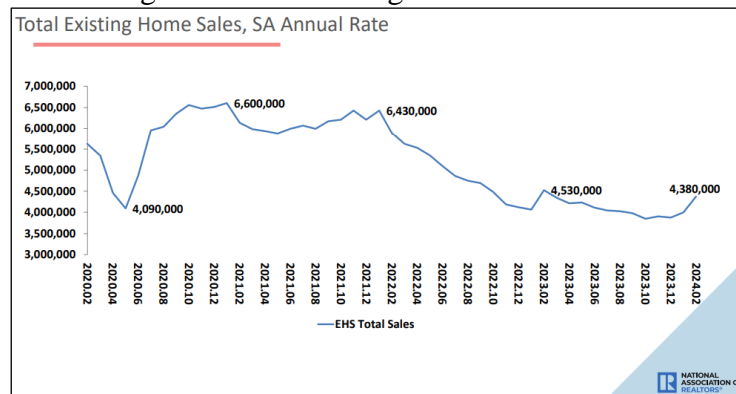


Source : U.S. Bureau of Economic Analysis , MacroMicro

In recent years, inflation has affected the United States. According to a report from the Taiwan Institute of Economics and Business Economics, data from the National Association of Realtors (NAR) showed that sales of existing homes in the United States fell in December 2022 (Figure 4), down 1.5% from the previous month, which was the same as the previous month. Compared with the same period last year, sales dropped by 34%, the lowest since November 2010, and have been declining for 11 consecutive months. This shows that the Federal Reserve (Fed) has sharply raised interest rates in order to suppress prices, which has led to an increase in mortgage interest rates, seriously weakening the affordability of housing for buyers. Existing-home sales surged

9.5% in February to a seasonally adjusted annual rate of 4.38 million (Figure 4), the largest monthly increase since February 2023. Sales declined 3.3% from the previous year. The median existing-home sales price elevated 5.7% from February 2023 to US\$384,500 – the eighth consecutive month of year-over-year price gains. The inventory of unsold existing homes increased 5.9% from one month ago to 1.07 million at the end of February, or the equivalent of 2.9 months' supply at the current monthly sales pace.

Figure 4. U.S. existing home sales status.

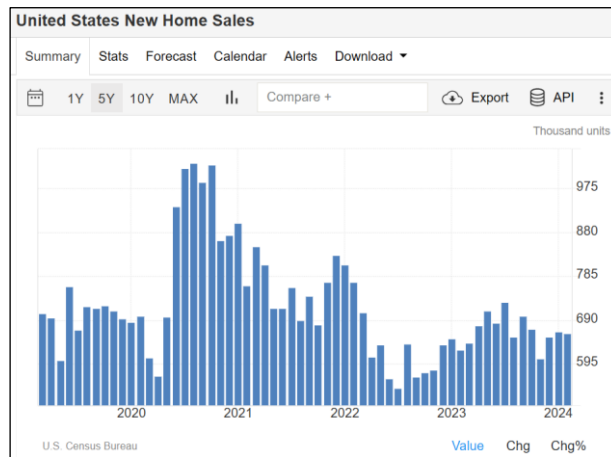


Sources : National Association of Realtors

It closely linked the rise and fall of the furniture industry to real estate and construction-related industries. The United States is a global economic power. As the population continues to migrate and the economy develops, the demand for the real estate and construction industries continues to expand. As a result, the furniture market has grown steadily in the long term. The United States It has become the world's largest consumer and importer of furniture. In 2022, the U.S. Federal Reserve (Fed) sharply raised interest rates in response to inflation, driving up mortgage interest rates and resulting in a sluggish home purchase market. The Taiwan Institute of Economics and Business Database pointed out that U.S. mortgage interest rates reached a high in January 2023. Then it fell, and house prices also fell, which may stimulate demand for home purchases and cause furniture sales to rebound slightly (Figure 5). Sales of new single-family houses in the United States eased by 0.3% from the previous month to a seasonally adjusted annualized rate of 662,000 in February of 2024, firmly below market expectations of 675,000, to trim the revised 1.7% increase from the earlier month. Despite the expectation miss, the result was broadly in line with the increase in mortgage rates during the second month of the year, according to data compiled by the MBA and Freddie Mac, and tracking the rise in long-duration Treasury yields.

Figure 5. US New Home Sales

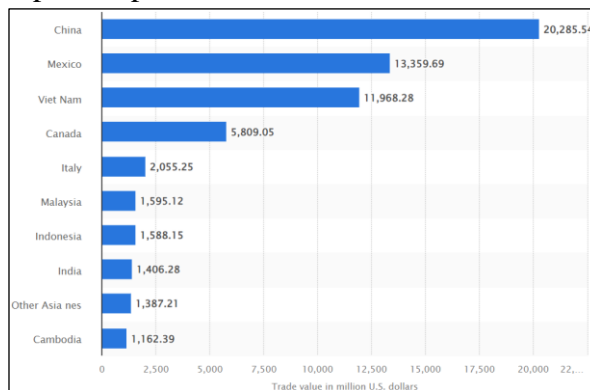
Units : USD Thousand



Sources : US Census Bureau

According to Statista research, more than 75% of furniture imports in the United States come from Asia (mainly China, Vietnam and Malaysia). In 2023, furniture imported by the United States from China will account for approximately USD20,285mil, ranking first (Figure 6) .

Figure 6 、 Top 10 import source countries of U.S. furniture in 2023.

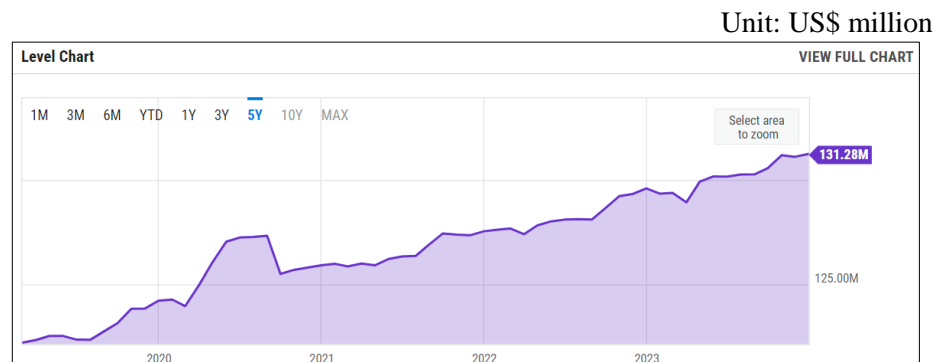


Sources : Statista

The company's main market is the United States. The company's net sales in the United States accounted for 87.57% of the group's sales revenue in 2022. The United States is a major economic power in the world. With the economic development and real estate recovery in the United States, the number of new home construction projects has increased, and the demand for furniture has increased, which is beneficial to the overall furniture industry. According to statistics from the U.S. Census Bureau, the monthly sales amount of U.S. furniture and home furnishings sellers from 2020 to 2023 (Figure 7) shows that the U.S. furniture industry is showing a long-term and stable trend. Furniture Today pointed out that the North American furniture and bedding market will have sales of approximately US\$123.9 billion in 2022, mainly because of fluctuations in the global supply chain, the U.S. real estate market, and the overall economy,

resulting in a weak furniture market, and because of inflation and concerns about economic recession. They suppressed household spending in 2022, and this situation may continue into 2023. Furniture Today predicts that overall furniture and bedding sales will grow to US\$147.2 billion in 2027, a five-year growth rate of approximately 18.8%.

Figure 7. 2020-2023 US furniture and homeware seller monthly sales.



Source : US Census Bureau ; YCHARTS Financial Service Database. (2024/2)

### (c) Asean Furniture Market

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

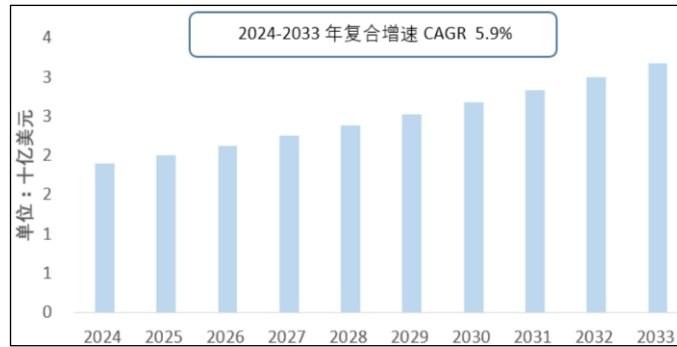
According to The Star Online report, Malaysia has established itself as one of the most trade-friendly countries, exporting a competitive range of products and services to over 200 countries and territories worldwide. Malaysia External Trade Development Corp. (Matrade) said the country is an integral part of the global supply chain. The World Trade Organization (WTO) recognized Malaysia as the world's 26th largest trader and the 26th largest importers and exporters, respectively, in 2023. Malaysia is the link between China, India, and ASEAN markets. Malaysia is undoubtedly the most promising trade center in the region, with an annual economic growth rate of 6%. With the establishment of the rules under the framework of the ASEAN Free Trade Zone and the World Trade Organization, the Malaysia International Furniture Fair has increasingly become a link between the Asian furniture industry and the international furniture market and has also become a growth point for the Asian furniture market.

With the rise of shipping, Malaysia's strategic geographical location has made it the focus of the convergence of the East and the West and has also become the gateway for the Asian furniture industry to the global market.

Malaysia ranks among the top ten furniture exporters in the world. More than 80% of the furniture produced is exported. Among them, the United States, Japan and Australia are its largest export destinations, occupying a certain position in the world furniture industry. In recent years, Malaysia's furniture exports to the United Arab Emirates, Saudi Arabia, the Philippines and Russia have grown significantly, and it has also begun to focus on the European and African markets. The success of the Malaysian furniture industry is closely linked to the resurgence of rubberwood. Rubber wood became the main source of wood, injecting new vitality into the furniture industry. Since then, Malaysia has become a major producer and exporter of wooden furniture, with its products sold to more than 160 countries around the world. At present, the Malaysian furniture industry has ranked among the top 10 furniture exporters in the world, with about 80% of its products sold to the international market.

According to CRI Yuanzhe Consulting, the market size of the Malaysian furniture industry is expected to reach US\$1.9 billion by 2024. About 80-85% of Malaysia's furniture is exported, with the main exporting countries being the United States, Japan and Australia. Wooden furniture accounts for the vast majority of exported furniture. Since 2022, the U.S. home furnishing market has begun to cool down after the Federal Reserve began to raise interest rates, which directly led to the decline in Malaysian furniture exports. In the future, the Malaysian furniture market will continue to expand. It will be driven by several key growth drivers. First, the growing urban population and rising disposable income are driving consumer demand for homewares and modern furniture designs. In addition, the growing influence of e-commerce and digital marketing channels has expanded the reach of the market and made these products accessible to more customers. As sustainability and environmentally friendly practices gain increasing prominence, the market is benefiting from a shift toward environmentally friendly materials and production methods. According to Yuanzhe Consulting, the adaptability of the Malaysian furniture market coupled with these growth drivers has allowed it to expand and become competitive in the global furniture industry. According to analysis by CRI Yuanzhe Consulting, the market size of the Malaysian furniture industry will reach US\$3.9 billion in 2033, with a compound annual growth rate of 5.9% from 2024 to 2033.

Figure 8. Forecast of Malaysian furniture market size from 2024 to 2033.



Source : CRI 元哲咨询。

(B) Furniture supply Chain Stakeholders

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

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

The upstream industry handles raw materials such as wood and board (such as MDF and chipboard) and other auxiliary materials (such as paint, cartons, and hardware). Because of its rich natural resources, Malaysia has many furniture suppliers that provide production materials and components to the international furniture market. Mid-stream manufacturing is mainly in furniture design, cutting, stamping, assembly, sanding, painting, drying, veneering, edge sealing, and packaging. The furniture was designed by downstream brand distributors and commissioned by the manufacturer. The downstream segment consists primarily of furniture wholesalers or retailers. Nowadays, large-scale international furniture distributors have integrated wholesale and retail under their brands, such as Ashley (the top furniture retail sales volume in the United States in 2022), Coaster, and Lifestyle.

(C) Development trends and competition of furniture industry

Malaysia has abundant natural resources, sufficient timber production, and cheap labor costs compared to Western countries. According to the Malaysian Furniture Promotion Council, the export value of wooden furniture was about 80% in 2019. The company's sales area is the United States. The US furniture industry is mature and highly

competitive, and there are many brands and distributors. According to Furniture Today's survey on the sales of the U.S. furniture retail industry, the sales of furniture and home furnishings in the U.S. have seen a slight increase (2.9%) in 2022 from the previous year (US\$120.4 billion) to US\$123.9 billion. The top 100 furniture The total sales of the industry accounted for 52% of the total sales of all furniture channels in the United States, with the number one Ashley Homestore having a market share of as high as 10%. The American-style wooden bedroom furniture and American-style kitchen cabinets manufactured by our company are sold to customers such as retailers, importers, distributors, and small and medium-sized furniture retailers in the United States. The production quality is recognized by customers, which makes the company's business stable and generates revenue growth. Customers recognize the production quality, so TC's revenue grows steadily.

### 5.1.3 Development of Technology and Products

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

They entrusted the company with producing wooden bedroom furniture. The company's R&D department had 27 employees at the end of April 2024. The R&D department is engaged in furniture design, improvement, proofing, assembly testing, production process, and product quality improvement responsibilities. The company will continue to train R&D personnel and invest resources to research and improve production process technology and equipment as future growth momentum.

#### (B) R&D personnel and their academic experience

Unit: Person

| Year      |                     | 2021 | 2022 | 2023 | Year-To-Date<br>April 30, 2024 |
|-----------|---------------------|------|------|------|--------------------------------|
| Education | Master & Above      | -    | -    | -    | -                              |
|           | Degree              | 9    | 6    | 8    | 9                              |
|           | High School & Below | 14   | 15   | 18   | 18                             |
| Total     |                     | 23   | 21   | 26   | 27                             |

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

Unit: NTD Thousand; %

| Item \ Year                       | 2021    | 2022      | 2023      |
|-----------------------------------|---------|-----------|-----------|
| R&D Expenses                      | 6,377   | 7,416     | 10,664    |
| Consolidated net operating income | 894,227 | 1,154,415 | 1,009,798 |
| %                                 | 0.71    | 0.64      | 1.06      |

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

| Year | R&D Results   | Function and effectiveness   |
|------|---|--|
| 2019 | PU Paper products   | Increasing the strength of material development and style design of PU paper products, which are more favoured by young consumers.               |
| 2020 | Automatic drawer assembly machine, bedside frame automatic assembly machine, automatic feeding and in-line edge banding machine | With the improvement of the process, the process can be completed in a centralized manner to save labor costs and improve processing efficiency. |
| 2021 | Hanging wire automatic reciprocating electrostatic spraying machine   | It significantly improves the quality stability of suspension paint products, and can save labor costs.  |
| 2022 | Drawer board grooving sander  | In conjunction with process improvements, several processes can be completed in one machine to improve processing efficiency.                    |

#### 5.1.4 Long-Term and Short-Term Business Development Strategies

##### (A) Short-term goals

- (a) Actively develop raw material direct procurement business: By directly purchasing raw materials such as panel and rubber wood from raw material suppliers, the cost of raw material purchase at the factory can be reduced, and the related raw material external sales business is expected to be expanded to make a contribution to the group's net profit.
- (b) Actively develop the US market and new customers: In terms of professional manufacturing, new customers will continue to be contacted, hoping to expand the product's fame by introducing product reputation and participating in Malaysian and Chinese furniture exhibitions.
- (c) Increase automation machinery and equipment: With the continuous growth of the company's operations and with the average Malaysian wage increasing year by year, automation production equipment will be gradually introduced in the future to replace manual labor and improve productivity while reducing labor costs.
- (d) Re-invest in the kitchen cabinet manufacturing business: In recent years, due to the tense Sino-US trade relations and the US's proposed countervailing duty on Chinese wooden kitchen furniture, orders from Chinese mainland manufacturing have gradually shifted to other countries. In response to the new business opportunity, the company is actively investing in the wooden kitchen cabinet market.



(B) Long-term goals

- (a) Develop Diversified Products: The company has more than 20 years of experience in bedroom furniture manufacturing and has accumulated many contacts and customers. Therefore, it is intended to invest in the research and development of diversified products in order to benefit the company's revenue and reduce the risk of a single product.
- (b) Purchase industrial land to expand the company's operating scale: The important subsidiary Techcentral Sdn Bhd has achieved a capacity utilization rate of more than 90% in 2021Q4 due to the good order situation of US customers and the highly popular PU product series. After reviewing the current usage of the company's factories, the ratio of the company's own factories to leased factories is about 2:1, and the warehouse space is also tight. In view of the company's long-term development plan, the order demand for PU products is strong, and the company plans to expand its operating scale and product lines in the next three years to meet the increasing orders. In addition to hoping to increase the area of the production line and increase the storage space, the company also plans to cooperate with outsourcing factories so that the factory area of the outsourcing factories can be coordinated in the nearby area, which can reduce transportation costs and improve production efficiency through smooth traffic arrangements.

## 5.2 Market and Sales Overview

### 5.2.1 Market Analysis

(A) Revenue by Geographic Region

Unit: NTD in Thousands; %

| Regions        | Year 2021 |        | Year 2022 |        | Year 2023 |        |
|----------------|-----------|--------|-----------|--------|-----------|--------|
|                | Revenue   | %      | Revenue   | %      | Revenue   | %      |
| Domestic Sales | 86,037    | 9.62   | 82,561    | 7.15   | 66,223    | 6.56   |
| Overseas Sales | 808,190   | 90.38  | 1,071,854 | 92.85  | 943,575   | 93.44  |
| Total          | 894,227   | 100.00 | 1,154,415 | 100.00 | 1,009,798 | 100.00 |

(B) Market Share

The company's main sales products are American-style wooden bedroom furniture and American-style kitchen cabinets. The main sales area is in North America. The sales customers are mainly wholesale traders and retailers in the United States, including many of the top 100 well-known furniture brands in the United States. According to Malaysian

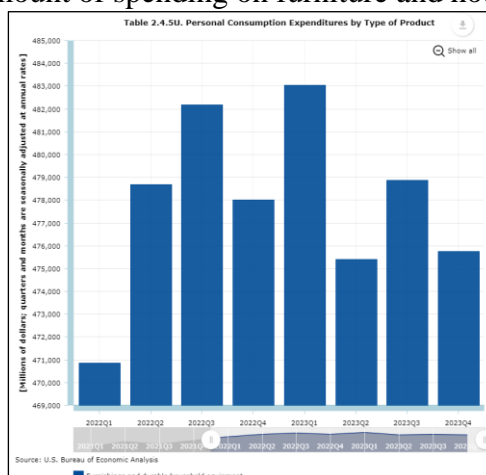
export data, Malaysia's furniture exports in 2022 will be approximately MYR 13.864 billion, of which wooden bedroom furniture and kitchen cabinets account for approximately 43.14%. Based on the company's 2022 annual sales, it is estimated that the market share will be approximately 2%. It shows that the company occupies an important furniture export position in Malaysia. In the future, the company will continue to increase overall sales and market share by actively developing products and expanding channels.

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

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

The United States is the world's largest consumer of furniture. The US furniture market is promising, benefiting from the increase in new housing construction, personal disposable income, and the expectation that the demand for furniture will continue to thrive in the next few years. According to statistics on personal consumption expenditures in the United States by the U.S. Bureau of Economic Analysis, from 2022Q1 to 2022Q3, the amount of personal consumption expenditures on furniture and household equipment in the United States has shown a growing trend (Figure 11). The housing area in the United States is spacious, and the per capita income level is high. In addition, people from all over the world immigrate to the United States to settle, resulting in many new house construction projects every year. Americans also have the habit of frequent relocation and regular replacement of furniture, which means the country's demand for furniture remains high. Furniture Today pointed out that the North American furniture and bedding market will have sales of approximately US\$123.9 billion in 2022, mainly because of fluctuations in the global supply chain, the U.S. real estate market, and the overall economy, resulting in a weak furniture market, and because of inflation and concerns about economic recession. We suppressed household spending in 2022, and this situation may continue into 2023. Furniture Today predicts that overall furniture and bedding sales will grow to US\$147.2 billion in 2027, a five-year growth rate of approximately 18.8%.

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



Sources : U.S. Bureau of Economic Analysis

(D) Core Competency

- (a) Professional Management Team: Our management team has been deeply engaged in the production of furniture for many years, with considerable experience in the production of American furniture. They have a high sensitivity to product and process control, market strategy, and positioning and can effectively cooperate with upstream and downstream cooperative manufacturers, as well as meet customer needs in terms of production and marketing management.
- (b) Direct Procurement of Raw Materials: Malaysia has abundant natural resources, with many furniture suppliers providing production materials and parts within its borders. Therefore, our company mainly purchases locally, which can shorten the pre-purchase time, reduce the risk of a shortage of materials to ensure timely delivery, and also immediately grasp the price changes of raw materials.
- (c) R&D Design and Customization: Our company has a design and R&D team with many years of cooperative experience with American furniture merchants. When customers propose new product requirements, they can quickly design and sample, reducing communication time with customers, helping customers launch new products as soon as possible, and seizing the market opportunity.
- (d) Flexible Large-scale Production: In addition to self-purchasing and controlling the quality of materials and supply stability, our company also uses outsourcing to entrust cooperative manufacturers with processing. As our company has been in the furniture industry for many years, we have cultivated many excellent cooperative manufacturers. No matter the size of the order, normal or urgent, our company can

maintain stable and timely delivery and also provide customers with more flexible ordering options.

(E) Advantages and disadvantages of Future Developments and Proposed

(a) Favorable Factors

- (i) The demand for the American market is huge: As the economy recovers, the outlook for the US furniture market is good, benefiting from increasing new housing projects, personal disposable income, and stable demand for furniture over the next few years. The company mainly manufactures American bedroom furniture, and the US is its main sales area. In the future, with the continuous, stable growth of demand for furniture in the US.
- (ii) Abundant resources in the area: Malaysia ranks third in the world for natural rubberwood production, which is the main material for our wooden furniture. Our company has the advantage of location and has already entered the upstream raw material (rubberwood and panel) procurement and processing business. It can purchase raw materials directly in the local area to maintain a steady supply and reduce the risk of shortages.
- (iii) Long-term and deep cooperation relations with customers: Our company has had a long-standing partnership with its main customer group. Both parties have formed a stable relationship. This is because of our company's deep focus on American-style furniture and our extensive experience working with US furniture vendors. Our company has also earned the approval of US furniture importers and retailers due to its design capabilities, quality consistency, and profound production technologies. With this trust as the foundation, there will be much help for our company's future business development.

(b) Unfavorable factors and countermeasures

(i) Price fluctuation of raw materials

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

stock according to the market trend to cope with the risk of fluctuation in the raw material price.

(ii) Rising global inflation

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

5.2.2 Main Features and Production Process of Major Products

(A) Key Product applications

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

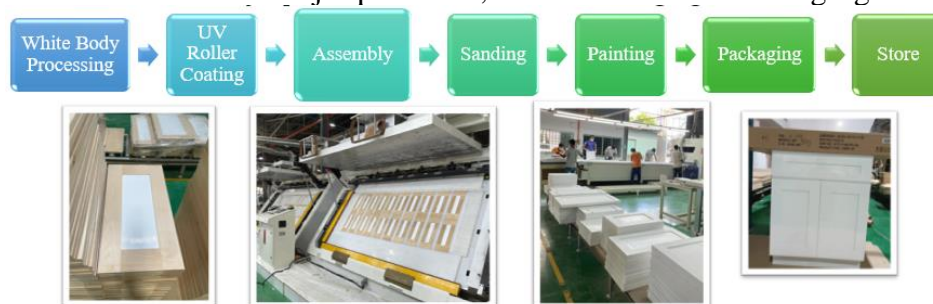
EHL manufacturing business of kitchen cabinets. The products mainly include five-piece sets of “doors, frames, drawer heads, drawer surfaces, and cabinet bodies”. The raw materials used are mainly solid wood-birch and plywood.

(B) Production Processes

A) The main production process of the company's bedroom furniture products is divided into 6 major processes, as shown in the following figure:



B) The main production process of the company's kitchen cabinet products is divided into 7 major processes, as shown in the following figure:



### 5.2.3 Production Material Sourcing

| Major Raw Material | Major Supplier                                 | Supply Situation |
|--------------------|--|------------------|
| Board              | Five Hills 、 Allgreen Timber 、 Robin Resources | Good             |
| Wood               | Linewood Industries 、 Hua Joo Success Industry | Good             |
| Paint              | Nikkolac 、 Lycora                              | Good             |
| Packaging          | Pine Packaging 、 Southern Legend               | Good             |

### 5.2.4 Major suppliers and customers

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

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

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

Unit: NTD in Thousands; %

| Customer     | Year 2022    |                        |      | Relationship with the Company | Year 2023 |              |                        |
|--------------|--------------|------------------------|------|-------------------------------|-----------|--------------|------------------------|
|              | Sales Amount | Ratio to Net Sales (%) |      |                               | Customer  | Sales Amount | Ratio to Net Sales (%) |
| Elements     | 267,941      | 23.21                  | None | Ashley (AFT)                  | 297,379   | 29.45        | None                   |
| Splendid     | 254,229      | 22.02                  | None | Elements                      | 210,750   | 20.87        | None                   |
| Ashley (AFT) | 155,404      | 13.46                  | None | Crown Mark                    | 171,306   | 16.96        | None                   |
| Others       | 476,841      | 41.31                  |      | Others                        | 330,363   | 32.72        |                        |
| Net Sales    | 1,154,415    | 100.00                 |      | Net Sales                     | 1,009,798 | 100.00       |                        |

Ashley Furniture Trading (AFT) is a subsidiary of American furniture manufacturer Ashley Furniture Industries (AFI). AFI has more than 700 branches across the United States. It has become the largest furniture merchant in the United States through online marketing and

effective promotion methods based on market knowledge. In this period, as TC developed new products for customers, the market responded enthusiastically, so customers increased their orders, resulting in a significant increase in sales revenue in 2023 compared with 2022.

Element is a large-scale furniture importer and wholesaler in the United States. It is headquartered in Texas, USA. It mainly deals with bed sets, children's bed sets, restaurant furniture, etc. Since almost all products are purchased in Asia, except for the United States, it also has warehouse bases in Vietnam, Malaysia, and other places. Since last year, the U.S. Central Bank's hawkish interest rate hikes have led to a slowdown in home sales and reduced market demand for furniture, resulting in a relatively slow flow of goods. Customers are still purchasing large quantities of goods after the recovery of the epidemic, resulting in excessively high inventory levels this year, so the pace of goods purchases is slowed down in this issue, resulting in a decrease in overall sales revenue in 2023 compared with 2022.

Crown Mark is a furniture distributor in the United States and is a stable customer of TC. Its main sales products include bed sets, dining sets, and coffee tables. The main sales locations are in Fontana and High Point in the United States. The products CMI purchases from TC are mainly TAMBLIN. TC develops five new models for customers, among which Amalia is the most popular in the market. Since the U.S. economy has not yet recovered, TC focuses on mid- to low-priced products, and the items sold to Crown Mark are very popular with market consumers. Therefore, customers have increased their orders this period, resulting in an increase in sales revenue in 2023 compared with 2022.

Splendid is a furniture distributor located in Los Angeles and San Francisco, USA. It operates multiple showrooms and warehouses, primarily selling granite and cabinet products to construction contractors. It has changed its purchasing strategy, concentrating shipments in Vietnam and ceasing purchases from Malaysia. This shift has resulted in a decrease in sales revenue in 2023 compared to 2022.

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

Unit: Thousand Container; Volume in NTD Thousands

| Year             | Year 2022           |                   |                  | Year 2023           |                   |                  |
|------------------|---------------------|-------------------|------------------|---------------------|-------------------|------------------|
|                  | Production Capacity | Production Volume | Production Value | Production Capacity | Production Volume | Production Value |
| Wooden Furniture | 1,183               | 533               | 787,193          | 1,050               | 553               | 834,475          |

Explanation on the changes:

Due to the impact of U.S. interest rate hikes in recent years, U.S. home sales have slowed down, thereby affecting market demand for furniture. Due to the impact

on overall orders, TC reduce the operations of Factory No. 7 in 2023, resulting in a decrease in production capacity of approximately 11% compared to 2022.

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

Unit: Thousand Container; Volume in NTD Thousands

| Main Products    | Year 2022      |        |                |         | Year 2023      |        |                |         |
|------------------|----------------|--------|----------------|---------|----------------|--------|----------------|---------|
|                  | Domestic Sales |        | Overseas Sales |         | Domestic Sales |        | Overseas Sales |         |
|                  | Volume         | Amount | Volume         | Amount  | Volume         | Amount | Volume         | Amount  |
| Wooden Furniture | 41             | 17,943 | 558            | 817,625 | 3              | 5,491  | 583            | 874,385 |
| Others           | Note 1         | 64,618 | Note 1         | 254,229 | Note 1         | 60,732 | Note 1         | 69,190  |

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

#### Explanation on the changes:

Due to the unstable economic climate after the epidemic, Malaysian wooden furniture customers have adjusted their marketing strategies, suspended the mixed container plan (mixed container), closed the warehouse previously established in Malaysia, and instead purchased directly from suppliers and exported directly from the supplier's location to Customer location. Therefore, domestic sales of wooden furniture in 2023 will decrease compared with 2022, while external sales will increase compared with 2022. In addition, the export revenue of other commodities mainly comes from the kitchen cabinet business. The decrease in sales volume in 2023 is primarily due to EHL's main customers being impacted by the overall economic environment, leading to a reduction in their orders. Additionally, these customers have altered their procurement strategies to concentrate shipments in Vietnam, resulting in the cessation of purchases from Malaysia.

### 5.3 Employees

Unit: Person/%

| Year                     |                      | 2022  | 2023  | Year-To-Date<br>30 April 2024 |
|--------------------------|----------------------|-------|-------|-------------------------------|
| Number of Employees      | Management staff     | 15    | 17    | 17                            |
|                          | Normal staff         | 82    | 90    | 93                            |
|                          | Production Line      | 483   | 642   | 681                           |
|                          | Total                | 580   | 749   | 791                           |
| Average age              |                      | 33.64 | 31.75 | 31.52                         |
| Average Years of Service |                      | 4.60  | 3.83  | 3.79                          |
| Education (%)            | Doctoral             | -     | -     | -                             |
|                          | Master               | 0.17  | 0.13  | 0.25                          |
|                          | University & College | 9.8   | 7.21  | 7.71                          |
|                          | High School          | 10.86 | 7.74  | 7.97                          |



| Year              | 2022  | 2023  | Year-To-Date<br>30 April 2024 |
|-------------------|-------|-------|-------------------------------|
| Below High School | 79.14 | 84.92 | 84.07                         |

#### 5.4 Information on Environmental Protection Expenditures

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

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

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

- No such incident.

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

-No such incident.

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

-No such incident.

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

-No such incident.

## **5.5 Labor Relationship**

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

(A) Fringe Benefits Programs:

Our company cares about employee welfare and has planned various management regulations and provisions, such as salaries, promotion, reward and punishment, social security fund, provident fund, and annual leave, under local laws and regulations. Employee welfare includes year-end bonuses, staff uniforms, marriage and funeral subsidies, medical expense subsidies, year-end parties, full attendance bonuses, etc. In addition, we also hold employee group activities and sports competitions from time to time to encourage employee morale and provide annual physical examinations and personal accidental insurance for employees who have worked for over 3 years. In addition, our company also has a long-term service award to reward employees who have served in the company for 10 years and over 20 years, and the children of employees who have excellent exam results can also receive the academic excellence award presented by the company at the annual dinner.

(B) Human Resource Development and Staff Training:

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

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

(C) Retirement Programs

The Employees Provident Fund (EPF/KWSP) was established under the Employees Provident Fund Act 1991 (Act 452), which provides retirement benefits to members through compulsory contributions from employers and employees (part of the employee's salary and contributions from employers on behalf of the employees). The Employees Provident Fund provides employers with a convenient framework to fulfill their legal and moral obligations to employees by making compulsory contributions to their retirement fund accounts every month.

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

- i. Employees: Employees aged below 60 years old are required to contribute 11% of their monthly salary, which will be deducted directly from their salary. Starting from August 2022, employees aged 60 years old and above are exempted from contributing to the monthly Employee Provident Fund.
- ii. Employers: For employees aged below 60 years old, the contribution rates are as follows: 13% for monthly salaries of MYR5,000 and below, and 12% for monthly salaries exceeding MYR5,000. Starting from August 2022, employers are required to contribute a minimum of 4% to the Employer Provident Fund for employees aged 60 years old and above.

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

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

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

## **5.6 Security Risk of Information Technology Management**

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

(1) Security risk of information technology structure

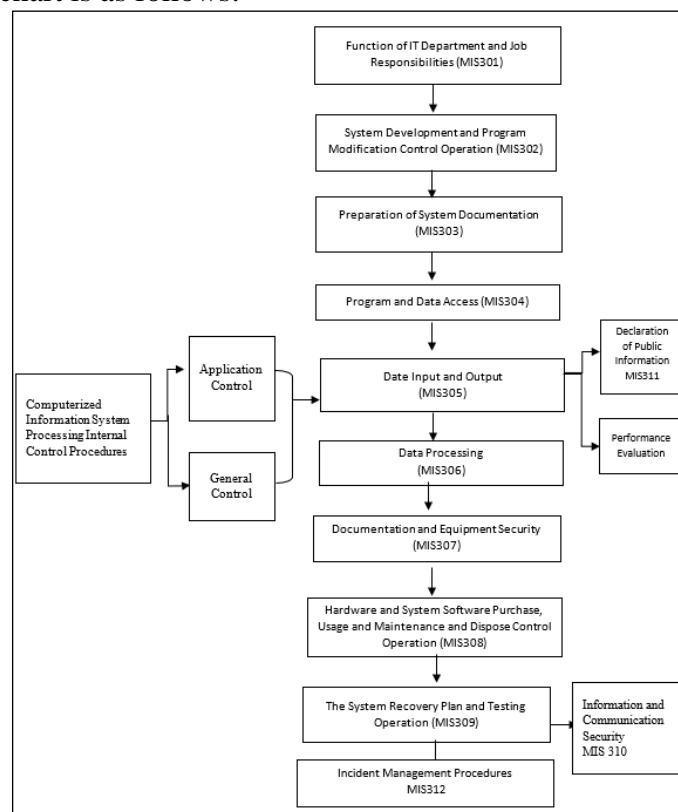
We are in an era of information society and globalization. The relationship between people, computers, and networks is becoming increasingly close, and electronic transactions are becoming more and more popular. However, this has also led to some information security or cybercrime issues. However, our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

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

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

## (2) Security risk of information technology policy

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



## (3) Specific management plans

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

employees to pay attention to network security and to promote the latest information on security.

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

(4) Resources invested in security risk of information technology

(1) Employee management and education training

- A. Personnel safety assessment and management
- B. Staff responsibility for maintaining information security and official confidentiality
- C. Information Security Education and Training

(2) Computerized Information System Security Management

- A. Content for Computerized Information System Processing Internal Control
- B. Computerized Information System Processing Flow Chart
- C. Function of IT Department and Job Responsibilities
- D. System Development and Program Modification Control Operation
- E. Preparation of System Documentation Control
- F. Program and Data Access Control
- G. Data Input and Output Control
- H. Data Processing Control
- I. Documentation & Equipment Security Control
- J. Hardware and System Software Purchase, Usage, Maintenance and Dispose Control
- K. The System Recovery Plan and Testing Control
- L. Information and Communication Security
- M. Declaration of Public Information Operation
- N. Incident Management Procedures

5.6.2 List the losses, impact, and corresponding measures in the most recent year and as of the publication date of the annual report due to major IT security incidents. It shall be stated if could not estimate:

The company has not experienced any major information security incidents, so there is no loss due to information security, as of the date of publication of the annual report in 2023.

## 5.7 Important Contracts and Agreements

### 5.7.1 Techcential Sdn Bhd

| Contractual nature | Involved Party   | Contract date   | Content       | Restricted terms (Note 1)   |
|--------------------|--|---|---------------|---|
| Loan Contract      | Citibank   | 2013.07.04 ( respectively dated to 2013.11.21 、 2014.11.21 、 2015.11.09 、 2016.03.18及2017.01.16 、 2019.07.04 、 2021.05.20 、 2022.05.20 、 2023.07.27 、 2023.09.13 、 2023.11.08 supplemental letter amendment )   | Bank Loan     | <ol style="list-style-type: none"> <li>The debt service coverage ratio [operating net profit + depreciation and amortization expenses + interest expenses / (long-term borrowing due within one year + interest expenses)] is not less than 1.3 times.</li> <li>The leverage ratio (total liabilities/tangible net worth) does not exceed 4.0 times.</li> </ol> |
| Loan Contract      | Hong Leong Bank  | 2013.03.26 ( respectively dated to 2013.06.10 、 2015.06.23 、 2016.02.02 、 2016.02.17 、 2016.10.07 、 2017.03.28 、 2017.06.19 、 2017.08.28及2017.10.09 、 2019.07.02 、 2019.10.30 、 2021.06.17 、 2022.07.14 、 2024.02.16 、 2024.02.20 supplemental letter amendment ) | Bank Loan     | <ol style="list-style-type: none"> <li>The debt-to-equity ratio shall not exceed 1.5 times.</li> <li>Maintain the operation of HLB bank account.</li> </ol>   |
| Loan Contract      | Chailease International Financial Services (Singapore) Pte. Ltd. | 2021.05.25-2024.05.24   | Bank Loan     | NA  |
| Loan Contract      | BMW Credit (Malaysia) Sdn Bhd                                    | 2019.06.06-2023.06.05   | Finance Lease | NA  |
| Loan Contract      | BMW Credit (Malaysia) Sdn Bhd                                    | 2019.11.06-2024.11.05   | Finance Lease | NA  |
| Loan Contract      | Orix Credit (Malaysia) Sdn Bhd                                   | 2020.08.25-2023.08.24   | Finance Lease | NA  |
| Loan Contract      | Hong Leong Bank  | 2021.12.03-2028.12.02   | Finance Lease | NA  |
| Loan Contract      | Hong Leong Bank  | 2023.04.19-2026.04.18   | Finance Lease | NA  |
| Loan Contract      | Hong Leong Bank  | 2023.07.03-2026.07.02   | Finance Lease | NA  |
| Loan Contract      | Hong Leong Bank  | 2023.07.17-2026.07.16   | Finance Lease | NA  |
| Loan Contract      | Hong Leong Bank  | 2023.08.02-2026.08.01   | Finance Lease | NA  |
| Loan Contract      | Hong Leong Bank  | 2023.10.04-2026.10.03   | Finance Lease | NA  |
| Loan Contract      | Hong Leong Bank  | 2023.12.27-2028.12.26   | Finance Lease | NA  |
| Lease contract     | Imei Furniture Sdn Bhd   | 2022.05.01-2025.04.30   | Factory lease | NA  |

| Contractual nature | Involved Party         | Contract date         | Content       | Restricted terms (Note 1) |
|--------------------|------------------------|-----------------------|---------------|---------------------------|
| Lease contract     | Imei Furniture Sdn Bhd | 2022.06.01-2025.05.31 | Factory lease | NA                        |
| Lease contract     | Yong Long Sdn Bhd      | 2023.05.01-2025.04.30 | Factory lease | NA                        |

Note 1: The company has complied with the financial ratios and requirements of the above commitments, as of December 31, 2023.

#### 5.7.2 ESK Biomass Sdn Bhd

| Contractual nature | Involved Party                | Contract date         | Content       | Restricted terms |
|--------------------|-------------------------------|-----------------------|---------------|------------------|
| Loan Contract      | BMW Credit (Malaysia) Sdn Bhd | 2019.02.28-2024.02.27 | Finance Lease | NA               |

#### 5.7.3 ESK Wood Products Sdn Bhd

| Contractual nature | Involved Party      | Contract date         | Content          | Restricted terms |
|--------------------|---------------------|-----------------------|------------------|------------------|
| Loan Contract      | Hong Leong Bank     | 2021.01.21            | Bank Loan        | NA               |
| Lease contract     | Tey Kok Leong       | 2021.11.01-2024.10.31 | Office rental    | NA               |
| Lease contract     | KSC Success Sdn Bhd | 2023.06.01-2026.05.31 | Warehouse rental | NA               |

#### 5.7.4 EHL Cabinetry Sdn Bhd

| Contractual nature | Involved Party                | Contract date         | Content       | Restricted terms |
|--------------------|-------------------------------|-----------------------|---------------|------------------|
| Lease contract     | Muar Industries Sdn Bhd       | 2020.03.04-2025.03.03 | Factory lease | NA               |
| Loan Contract      | Ambank                        | 2020.03.30-2025.03.29 | Finance Lease | NA               |
| Loan Contract      | Ambank                        | 2020.09.18-2025.09.17 | Finance Lease | NA               |
| Loan Contract      | Ambank                        | 2020.12.30-2025.12.29 | Finance Lease | NA               |
| Loan Contract      | Ambank                        | 2021.03.15-2026.10.14 | Finance Lease | NA               |
| Loan Contract      | Ambank                        | 2021.05.08-2026.12.07 | Finance Lease | NA               |
| Loan Contract      | BMW Credit (Malaysia) Sdn Bhd | 2021.10.02-2026.10.01 | Finance Lease | NA               |



## 6.0 Financial Overview

### 6.1 Five-Year Financial Summary

#### 6.1.1 Condensed Balance Sheets and Condensed Income Statements

##### (A) Condensed Balance Sheets – IFRSs

Unit: NTD Thousand

| Item                                  | Year                | Five-Year Financial Summary (Note 1) |         |          |         |          |
|---------------------------------------|---------------------|--------------------------------------|---------|----------|---------|----------|
|                                       |                     | 2019                                 | 2020    | 2021     | 2022    | 2023     |
| Current Assets                        |                     | 552,737                              | 670,779 | 640,644  | 499,777 | 546,584  |
| Property, plant and equipment (Note2) |                     | 144,649                              | 145,666 | 127,965  | 138,468 | 132,000  |
| Right-of-use assets                   |                     | 51,693                               | 106,764 | 76,164   | 81,838  | 56,096   |
| Intangible assets                     |                     | 323                                  | 157     | 43       | -       | 98       |
| Other assets (Note2)                  |                     | 77,776                               | 41,549  | 40,606   | 58,246  | 59,807   |
| Total assets                          |                     | 827,178                              | 964,915 | 885,422  | 778,329 | 794,585  |
| Current liabilities                   | Before Distribution | 175,457                              | 495,350 | 314,157  | 280,550 | 211,984  |
|                                       | After Distribution  | 227,432                              | 542,600 | 314,157  | 297,730 | 211,984  |
| Non-current liabilities               |                     | 260,159                              | 86,501  | 202,084  | 72,584  | 151,416  |
| Total liabilities                     | Before Distribution | 435,616                              | 581,851 | 516,241  | 353,134 | 363,400  |
|                                       | After Distribution  | 487,591                              | 629,101 | 516,241  | 370,314 | 363,400  |
| Equity                                |                     | 377,480                              | 368,874 | 358,626  | 418,989 | 427,622  |
| Share Capital                         |                     | 236,250                              | 236,250 | 286,250  | 286,342 | 342,319  |
| Capital surplus                       |                     | 32,651                               | 34,772  | 75,279   | 76,452  | 94,714   |
| Retained earnings                     | Before Distribution | 94,057                               | 103,469 | 30,392   | 61,624  | 20,669   |
|                                       | After Distribution  | 42,082                               | 56,219  | 30,392   | 44,444  | 20,669   |
| Other equity interest                 |                     | 14,522                               | (5,617) | (33,295) | (5,429) | (30,080) |
| Treasury stock                        |                     | -                                    | -       | -        | -       | -        |
| Non-controlling interests             |                     | 14,082                               | 14,190  | 10,555   | 6,206   | 3,563    |
| Total Equity                          | Before Distribution | 391,562                              | 383,064 | 369,181  | 425,195 | 431,185  |
|                                       | After Distribution  | 339,587                              | 335,814 | 369,181  | 408,015 | 431,185  |

Sources: Consolidated financial report audited by accountants for 2019-2023.

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

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

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

Note 4: The above post-distribution figures after distribution should be filled in according to the resolutions of

the board of directors or the shareholders' meeting of the following year.

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

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

6.1.2 Condensed Income Statements

(A) Condensed Income Statements – IFRS

Unit: NTD Thousand

| Item \ Year   | Five-Year Financial Summary (Note 1) |           |          |           |           |
|---|--------------------------------------|-----------|----------|-----------|-----------|
|   | 2019                                 | 2020      | 2021     | 2022      | 2023      |
| Operating revenues  | 1,386,627                            | 1,259,850 | 894,227  | 1,154,415 | 1,009,798 |
| Gross profit  | 310,564                              | 244,400   | 125,317  | 203,587   | 909,434   |
| Operating income  | 131,816                              | 99,099    | 21,317   | 40,669    | (25,640)  |
| Non-operating income and expenses                                     | (3,608)                              | (12,420)  | (57,374) | 7,575     | (7,597)   |
| Profit before income tax  | 128,208                              | 86,679    | (36,057) | 48,244    | (33,237)  |
| Net profit of the continuing operations                               | 91,355                               | 54,738    | (34,863) | 26,997    | (26,193)  |
| Loss of the discontinuing operation                                   | -                                    | -         | -        | -         | -         |
| Net profit for the year   | 91,355                               | 54,738    | (34,863) | 26,997    | (26,193)  |
| Other comprehensive Income (Loss) for the Year, Net of Income tax     | (4,698)                              | (34,235)  | (28,222) | 28,827    | (24,875)  |
| Total Comprehensive Income for the Year                               | 86,657                               | 20,503    | (63,085) | 55,824    | (51,068)  |
| Net profit attributed to the owners of parent company                 | 92,038                               | 61,387    | (25,827) | 31,232    | (23,774)  |
| Net profit attributed to non-controlling interests                    | (683)                                | (6,649)   | (9,036)  | (4,235)   | (2,419)   |
| Total comprehensive income attributed to owners of the parent company | 87,760                               | 41,248    | (53,505) | 59,098    | (48,425)  |
| Total comprehensive income attributed to non-controlling interests    | (1,103)                              | (20,745)  | (9,580)  | (3,274)   | (2,643)   |
| Earnings per share (EPS)  | 3.90                                 | 2.60      | (1.08)   | 1.04      | (0.78)    |

Sources: Consolidated financial report audited by accountants for 2019-2023.

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

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

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

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

reviewed by the accountant, and should be disclosed.

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

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

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

Standards: Not Applicable

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

| Year | CPA Firm | Name of CPA                 | Audit / Review Opinions |
|------|----------|-----------------------------|-------------------------|
| 2018 | KPMG     | Charlotte Chao, Lisa Kuang  | Unqualified opinion     |
| 2019 | KPMG     | Charlotte Chao, Lisa Kuang  | Unqualified opinion     |
| 2020 | KPMG     | Charlotte Chao, Lisa Kuang  | Unqualified opinion     |
| 2021 | KPMG     | Charlotte Chao, Lisa Kuang  | Unqualified opinion     |
| 2022 | KPMG     | Phyllis Chang, Lisa Kuang   | Unqualified opinion     |
| 2023 | KPMG     | Phyllis Chang, Aaron Chiang | Unqualified opinion     |

## 6.2 Five-Year Financial Analysis

### 6.2.1 Financial Analysis

#### (A) Financial Analysis – IFRS

Unit: NTD Thousand

| Item (Note 3) \ Year (Note 1)  |   | Five-Year Financial Summary |        |         |        |        |
|--------------------------------|---|-----------------------------|--------|---------|--------|--------|
|                                |   | 2019                        | 2020   | 2021    | 2022   | 2023   |
| Financial structure            | Debt to assets ratio (%)                                  | 52.66                       | 60.30  | 58.30   | 45.37  | 45.73  |
|                                | Long-term fund to property, plant and equipment ratio (%) | 331.93                      | 186.02 | 279.85  | 225.95 | 309.74 |
| Liquidity Analysis             | Current ratio (%)   | 315.03                      | 135.42 | 203.92  | 178.14 | 257.84 |
|                                | Quick ratio (%)   | 215.50                      | 72.71  | 89.60   | 91.35  | 157.04 |
|                                | Interest coverage ratio (times)                           | 15.45                       | 8.82   | (2.00)  | 5.31   | (2.23) |
| Operating performance Analysis | Accounts receivable turnover (times)                      | 8.12                        | 8.47   | 9.38    | 15.30  | 10.29  |
|                                | Average cash collection days                              | 45                          | 43     | 39      | 24     | 35     |
|                                | Inventory turnover (times)                                | 7.27                        | 4.62   | 2.40    | 3.01   | 3.65   |
|                                | Accounts payable turnover (times)                         | 16.80                       | 12.64  | 8.14    | 14.70  | 15.80  |
|                                | Inventory turnover Days                                   | 50                          | 79     | 152     | 121    | 100    |
|                                | Property, plant and equipment turnover (times)            | 8.74                        | 5.61   | 3.92    | 5.44   | 4.95   |
|                                | Total assets turnover (times)                             | 1.92                        | 1.41   | 0.97    | 1.39   | 1.28   |
| Profitability Analysis         | Return on total assets (%)                                | 13.50                       | 6.89   | (2.51)  | 4.00   | (2.30) |
|                                | Return on Equity (%)                                      | 25.52                       | 14.13  | (9.27)  | 6.80   | (6.12) |
|                                | Pre-tax income to paid-in capital ratio (%) (note 7)      | 54.27                       | 36.69  | (12.60) | 16.85  | (9.71) |
|                                | Net Profit margin (%)                                     | 6.59                        | 4.34   | (3.90)  | 2.34   | (2.59) |
|                                | Basic Earnings per share (NT\$)                           | 3.90                        | 2.60   | (1.08)  | 1.09   | (0.78) |
| Cash flow                      | Cash flow ratio (%)                                       | 77.43                       | 6.67   | 8.07    | 33.14  | 24.47  |
|                                | Cash flow adequacy ratio (%)                              | 66.79                       | 19.65  | 33.81   | 44.40  | 63.92  |
|                                | Cash flow reinvestment ratio (%)                          | 23.22                       | Note 2 | Note 2  | 13.39  | 6.16   |
| Leverage                       | Operating leverage  | 1.19                        | 1.33   | 2.59    | 1.89   | (0.41) |
|                                | Financial leverage  | 1.07                        | 1.13   | 2.30    | 1.38   | 0.71   |

Please explain the reasons for changes in various financial ratios in the last two years. (If the increase or decrease does not reach 20%, analysis is exempted)

1. Long-term funds as a percentage of real estate, plant, and equipment: Primarily due to the increase in long-term liabilities from the issuance of the third unsecured convertible corporate bonds, and the termination of the lease contract for EHL2 factory premises resulting in a decrease in real estate, plant, and equipment compared to the previous year.
2. Current ratio (%): Mainly attributed to the increase in cash from the current cash capital increase and issuance of convertible corporate bonds, as well as an increase in accounts receivable due to the resurgence of orders. Additionally, the majority of CB2 bonds have been redeemed upon maturity. Overall, the increase in current assets and decrease in current liabilities led to an increase in the current ratio compared to the same period last year.
3. Quick ratio (%): Mainly due to the increase in cash from the current cash capital increase and issuance of convertible corporate bonds, as well as an increase in accounts receivable due to the resurgence of orders. Additionally, the majority of CB2 bonds have been redeemed upon maturity. Overall, the increase in quick assets and decrease in current liabilities led to an increase in the quick ratio compared to the same period last year.
4. Interest coverage ratio: Primarily due to the development of low-profit products by TC to gain a competitive advantage in the market amid the unstable economic conditions in the United States. Additionally, the increase in labor and raw material costs resulted in a decrease in gross profit for the period, leading to the company incurring losses.
5. Accounts receivable turnover (times): Mainly due to the slowdown in furniture market demand caused by multiple interest rate hikes by the Federal Reserve to curb inflation. This led to a reduction in overall sales revenue from the second half of 2022 to the first half of 2023, as customers slowed down their ordering pace. However, with the gradual recovery of the economy, the fourth quarter of 2023 saw an increase in orders for TC and ESKW, leading to an increase in year-end accounts receivable. Overall, the decrease in sales revenue and increase in average accounts receivable resulted in a lower accounts receivable turnover rate compared to the previous year.
6. Average collection days: Mainly attributed to the slowdown in furniture market demand caused by multiple interest rate hikes by the Federal Reserve to curb inflation. This led to a reduction in overall sales revenue from the second half of 2022 to the first half of 2023, as customers slowed down their ordering pace. However, with the gradual recovery of the economy, the fourth quarter of 2023 saw an increase in orders for TC and ESKW, leading to an increase in year-end accounts receivable. Overall, the decrease in sales revenue and increase in average accounts receivable resulted in a lower accounts receivable turnover rate and an increase in average collection days compared to the previous year.
7. Inventory turnover (times): Mainly due to the increase in TC orders in the second half of 2023, with management striving to reduce inventory, resulting in a decrease in average inventory compared to the previous year.
8. Return on assets: Primarily due to TC's development of low-profit products to gain a competitive advantage in the market amid the unstable economic conditions in the United States. Additionally, the increase in labor and raw material costs resulted in a decrease in gross profit for the period, leading to the company incurring losses.
9. Return on equity (%): Primarily due to TC's development of low-profit products to gain a competitive advantage in the market amid the unstable economic conditions in the United States. Additionally, the increase in labor and raw material costs resulted in a decrease in gross profit for the period, leading to the company incurring losses.
10. Pre-tax profit to paid-up capital ratio (%): Primarily due to TC's development of low-profit products to gain a competitive advantage in the market amid the unstable economic conditions in the United States. Additionally, the increase in labor and raw material costs resulted in a decrease in gross profit for the period, leading to the company incurring losses.
11. Net profit margin (%): Mainly due to the current unstable economic conditions in the United States, TC has developed more low-profit products to gain a competitive advantage in the market. Additionally, the increase in labor and raw material costs led to a decrease in gross profit for the period, resulting in the company incurring losses.
12. Earnings per share (NT\$): Mainly due to the current unstable economic conditions in the United States,

TC has developed more low-profit products to gain a competitive advantage in the market. Additionally, the increase in labor and raw material costs led to a decrease in gross profit for the period, resulting in the company incurring losses.

13. Cash flow ratio (%): Primarily because the group's profitability shifted from profit to loss in the current period, resulting in less cash inflow from operating activities, leading to a decrease in the cash flow ratio compared to the previous year.
14. Cash adequacy ratio (%): Mainly due to the group's good operating condition over the past five years, as well as multiple cash increases through the issuance of new shares and corporate bonds, and receipt of fire insurance claims, resulting in more cash inflows. Hence, the cash adequacy ratio increased compared to the previous year.
15. Cash reinvestment rate (%): Mainly due to the group's profitability turning into losses in the current period, resulting in less cash inflow from operating activities.
16. Operating leverage: Mainly due to the current unstable economic conditions in the United States, TC has developed more low-profit products to gain a competitive advantage in the market. Additionally, the increase in labor and raw material costs led to a decrease in gross profit for the period, resulting in the company incurring losses in operating profit.
17. Financial leverage: Mainly due to the current unstable economic conditions in the United States, TC has developed more low-profit products to gain a competitive advantage in the market. Additionally, the increase in labor and raw material costs led to a decrease in gross profit for the period, resulting in the company incurring losses in operating profit.

Sources: Consolidated financial report audited by accountants for 2019~2023.

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

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

Note 3 : Equations :

#### 1. Capital Structure

(1) Debt ratio = Total liability / Total assets

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

#### 2. Solvency

(1) Current ratio = Current assets / current liability

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

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

#### 3. Operating ability

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

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

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

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

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

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

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

#### 4. Profitability

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

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

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

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

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

#### 5. Cash flow

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

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

expenditure + Inventory interest + Cash dividend) in the past 5 years

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

#### 6. Leverage

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

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

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

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

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


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

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

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

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

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

|   |
|---|
| <p style="text-align: center;">特昇國際股份有限公司<br/>Techcential International Ltd</p> <p style="text-align: center;">AUDIT COMMITTEE' S REVIEW REPORT</p> <p style="text-align: right;">Date: 15 March 2024</p> <p>To: Shareholder' s Annual General Meeting for Year 2024, Techcential International Ltd</p> <p>Board of Directors has prepared the Company' s 2023 Business Report, Consolidated Financial Statement, and appropriation of profit and loss. The CPA firm of KPMG was retained to audit the Company' s Consolidated Financial Statements. KPMG has completed audit procedures and issued Audit Opinion. Business Report, Financial Statements, and profit allocation proposal have been reviewed and determined to be correct and accurate by Audit Committee members of the Company.</p> <p>According to Article 14-4 of Securities and Exchange Act and Article 219 of Company Law, we hereby submit this report.</p> <p>The Audit Committee, Chairman:</p> <p style="text-align: center;"><br/>Mr Chou Chih Yuan</p> |
|---|

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

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

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



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

### 7.1 Financial Status

Unit: NTD Thousand; %

| Year<br>Item                  | 2022    | 2023     | Variance |         |
|-------------------------------|---------|----------|----------|---------|
|                               | Amount  | Amount   | Amount   | %       |
| Current assets                | 499,777 | 546,584  | 46,807   | 9.37    |
| Property, Plant and Equipment | 138,468 | 132,000  | (6,468)  | 4.67    |
| Right of use assets           | 81,838  | 56,096   | (25,742) | (31.45) |
| Intangible assets             | -       | 98       | 98       | 100.00  |
| Other assets                  | 58,246  | 59,807   | 1,561    | 2.68    |
| Total assets                  | 778,329 | 794,585  | 16,256   | 2.09    |
| Current liabilities           | 280,550 | 211,984  | (68,566) | (24.44) |
| Non-current liabilities       | 72,584  | 151,416  | 78,832   | 108.61  |
| Total liabilities             | 353,134 | 363,400  | 10,266   | 2.91    |
| Share capital                 | 286,342 | 342,319  | 55,977   | 19.55   |
| Capital surplus               | 76,452  | 94,714   | 18,262   | 23.89   |
| Retained earnings             | 61,624  | 20,669   | (40,955) | (66.46) |
| Other equity                  | (5,429) | (30,080) | (24,651) | 454.06  |
| Non-control equity            | 6,206   | 3,563    | (2,643)  | (42.59) |
| Total equity                  | 425,195 | 431,185  | 5,990    | 1.41    |

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

1. Decrease in right-of-use assets: Primarily due to (1) the termination of the lease contract for EHL2 factory by EHL. (2) Partial financing leases of TC were fully repaid during the period, resulting in the corresponding transportation equipment and machinery being reclassified from right-of-use assets to fixed assets on the balance sheet. (3) Depreciation of the Malaysian Ringgit(MYR) against the New Taiwan Dollar(NTD) during the period, leading to a decrease in the carrying value of the right-of-use assets.
2. Decrease in non-current liabilities: Mainly attributable to the redemption of 1,187 bonds by holders of CB2 bonds on November 11, 2023, resulting in a decrease in the number of bonds that mature or are redeemed within one year or one operating cycle.
3. Increase in non-current liabilities: Primarily due to the issuance of the third convertible corporate bonds on September 20, with a five-year term and a face value of NTD 100,000 per bond. A total of 1,200 bonds were issued at 100% of the face value, resulting in a total issue amount of NTD 120 million.
4. Increase in capital surplus: Mainly driven by the stock premium generated from the cash capital increase during the period, employee stock subscriptions, and the issuance of the third convertible corporate bonds resulting in subscription rights.
5. Decrease in retained earnings: Mainly due to (1) the loss incurred during the period resulting in a decrease in undistributed earnings compared to the same period last year. (2) Provision for 2022 profit distribution during the period: NT\$0.50 per share for stock dividends and NT\$0.10 per share for cash dividends, totaling NT\$17,181 million. (3) Reversal of special surplus reserves amounting to NT\$24,879 thousand during the period.
6. Other equity: Primarily due to the downward trend in the exchange rate of the Malaysian Ringgit against the New Taiwan Dollar from January to December 2023 (7.055 to 6.6979), resulting in a larger accumulated negative exchange difference from the translation of financial statements of foreign operations during the period.

## 7.2 Financial Performance

### 7.2.1 Financial performance analysis

Unit: NTD Thousand; %

| Item   | 2022      | 2023      | Difference |          |
|--|-----------|-----------|------------|----------|
|  | Amount    | Amount    | Amount     | %        |
| Operating revenues   | 1,154,415 | 1,009,798 | (144,617)  | (12.53)  |
| Operating costs  | 950,828   | 909,434   | (41,394)   | (4.35)   |
| Gross profit   | 203,587   | 100,364   | (103,223)  | (50.70)  |
| Operating expenses   | 162,918   | 126,004   | (36,914)   | (22.66)  |
| Operating income   | 40,669    | (25,640)  | (66,309)   | (163.05) |
| Non-operating income and expenses                                | 7,575     | (7,597)   | (15,172)   | (200.29) |
| Profit before income tax   | 48,244    | (33,237)  | (81,481)   | (168.89) |
| Income tax expense   | 21,247    | (7,044)   | (28,291)   | (133.15) |
| Net profit for the year  | 26,997    | (26,193)  | (53,190)   | (197.02) |
| Other comprehensive income(loss) for the year, net of income tax | 28,827    | (24,875)  | (53,702)   | (186.29) |
| Total comprehensive income for the year                          | 55,824    | (51,068)  | (106,892)  | (191.48) |

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

1. Decrease in gross profit: Mainly due to: (1) The economic situation in the United States has not yet stabilized after interest rate hikes, prompting the company to lower product prices to increase order volume. (2) In order to gain a competitive advantage, TC has adjusted its strategy, focusing on developing low-profit-margin products. (3) The increase in labor costs due to the government raising the minimum wage to 1,500 Ringgit. Overall, the gross profit for this period decreased compared to the same period last year.
2. Decrease in operating expenses: EHL's transaction terms with customers are DDP, which requires bearing the freight cost before the goods reach the customer's location. The significant decrease in freight costs this period was mainly due to the reduction in EHL orders.
3. Decrease in operating income: Primarily due to the decrease in gross profit for this period compared to last year.
4. Decrease in non-operating income and expenses: Mainly because TC received significant insurance claim income for the TC2 fire in November 2021 during the same period last year, which did not occur this period.
5. Decrease in profit before tax: Mainly due to the decrease in gross profit for this period compared to last year.
6. Decrease in income tax expense: Primarily due to (1) the provision for EHL's losses offsetting taxes for this period and (2) the reversal of overestimated income tax for TC in the previous fiscal year.
7. Decrease in net profit after tax: Mainly due to the decrease in gross profit for this period compared to last year.
8. Decrease in other comprehensive income: Mainly because the exchange rate of the Malaysian Ringgit to the New Taiwan Dollar showed a declining trend from January to December 2023 (7.055-6.6979), compared to the rising trend from January to December 2022 (6.6456-7.005), resulting in losses for this period.
9. Decrease in total comprehensive income for the period: Primarily due to the company transitioning from profit to loss for this period and the depreciation of the Malaysian Ringgit against the New Taiwan Dollar.

### 7.2.2 Sales forecast and assumptions:

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

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

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

### 7.3 Cash Flows

#### 7.3.1 Analysis of the Change in Cash Flow in 2023:

Unit: NTD Thousand

| Item  | 2022      | 2023    | Difference |       |
|---|-----------|---------|------------|-------|
|   |           |         | Amount     | %     |
| Net Cash generate from Operating activities   | 92,969    | 51,874  | (41,095)   | -44%  |
| Net cash used in Investing activities   | (18,430)  | (6,180) | 12,250     | -66%  |
| Net cash used in Financing activities   | (123,300) | 8,430   | 131,730    | -107% |
| Change analysis :   |           |         |            |       |
| <ol style="list-style-type: none"> <li>1. Decrease in cash inflows from operating activities: In this period, as TC orders began to increase and customers gradually resumed pulling goods, coupled with management's efforts to reduce inventory, there was a higher amount of cash inflow. Additionally, the company increased materials in preparation for orders in the next quarter, leading to an increase in accounts payable. Overall, there was a higher net cash inflow for this period.</li> <li>2. Decrease in cash outflows from investing activities: <ol style="list-style-type: none"> <li>(1) Main cash inflows: Primarily from the return of deposits due to the termination of the EHL2 factory lease and the deposits paid for increasing power supply capacity to the electricity board, as well as proceeds from the sale of prepaid equipment.</li> <li>(2) Main net cash outflows: Primarily due to capital expenditures for TC2 factory construction projects and the purchase of utility vehicles during this period.</li> </ol> </li> <li>3. Increase in cash inflows from financing activities: <ol style="list-style-type: none"> <li>(1) Main net cash inflows: <ol style="list-style-type: none"> <li>(a) Approximately NTD116,680 million obtained from issuing the third unsecured convertible corporate bonds in this period.</li> <li>(b) Approximately NTD 49,765 million obtained after deducting issuance costs from the cash capital increase of NTD 4,166 million shares at NTD 12 per share.</li> <li>(c) Increase in short-term borrowings to meet daily expenses due to increased purchases in this period.</li> </ol> </li> <li>(2) Main net cash outflows: <ol style="list-style-type: none"> <li>(a) Approximately NTD 119,889 million from the redemption of 1,187 bonds issued in the second unsecured convertible corporate bonds in this period.</li> <li>(b) Repayment of financing lease and factory rental expenses of subsidiary companies.</li> <li>(c) Repayment of long-term borrowings from leasing companies.</li> </ol> </li> </ol> </li> </ol> |           |         |            |       |

#### 7.3.2 Remedial measures for cash deficit:

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

#### 7.3.3 Cash flows analysis for the following year:

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

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

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

7.5.1 Investment policy:

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

7.5.2 Major causes for profit or losses and improvement plans:

Unit: NTD Thousand

| Investee Enterprises | Direct (Indirect) shareholding ratio | Approved investment gains and losses in the most recent year | Reason for profit or loss  | Improvement plan   |
|----------------------|--------------------------------------|--|--|--|
| TC                   | 100.00%                              | 12,466   | Good operating condition   | NA   |
| TCH                  | 100.00%                              | (74)   | Mainly to cooperate with the group's business reorganization, there is currently no profit to cover operating expenses.  | NA   |
| EHL                  | 89.20%                               | (19,979)   | The company officially put into production and operation in 2022, but the capacity utilization rate has not yet reached the standard, and the monthly fixed expenses still have to be amortized as usual, resulting in costs higher than operating income, so the profit and loss point cannot be reached. | In 2023, we plan to optimize our production capacity through a strategic business approach to increase the group's overall capacity utilization rate. Additionally, we will invest in production processes beyond just kitchen cabinets. |
| TCH(US)              | 100.00%                              | (4)  | Mainly to cooperate with the Group's business reorganization, there is no profit to cover operating expenses.  | NA   |
| ESK B                | 100.00%                              | 964  | Good operating condition   | NA   |
| ESK WP               | 100.00%                              | 1,113  | Good operating condition   | NA   |

7.5.3 The Investment plans for the coming year:

In 2022, amidst the post-COVID era and gradual reopening of international borders, economies worldwide were in a phase of recovery. However, uncertainties such as the Ukraine-Russia conflict, global inflation, and central banks' interest rate hikes persisted.

Therefore, in 2023, our company will continue to adhere to the principle of "focus on core business, maintain profitability". We will prioritize the operation and development of existing businesses while actively exploring new product lines, markets, and customers. We aim to leverage our current procurement and production scale to enhance efficiency and strengthen cost control in raw materials and processes. Our goal is to steadily achieve our objectives in the face of uncertainties.

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

### 7.6.1 Risk Management

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

#### (i) Interest rate changes

Unit: NTD Thousand

| Year<br>Item     | Year 2022 |                     | Year 2023 |                     |
|------------------|-----------|---------------------|-----------|---------------------|
|                  | Amount    | Net sales share (%) | Amount    | Net sales share (%) |
| Interest income  | 524       | -                   | 1,204     | -                   |
| Interest expense | 11,187    | 0.97                | 10,279    | 1.02                |

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

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

#### (ii) Exchange rate changes

Unit: NTD Thousand

| Item  | Year  |       |
|---|-------|-------|
|   | 2022  | 2023  |
| Gains (losses) on foreign currency exchange | 1,029 | 8,006 |

|   |          |         |
|---|----------|---------|
| Gains (losses) on financial assets at fair value through profit or loss | (12,807) | (8,136) |
| Total   | (11,778) | (130)   |
| Proportion of operating income (%)                                      | (1.02)   | (0.01)  |

The company's exchange benefits in the last two years were NTD(11,778) thousand and NTD (130) thousand respectively, accounting for (1.02)% and (0.01)% of the net operating income in each year respectively. The company's products are exported. Quotations are in US dollars, so exchange gains and losses are mainly affected by fluctuations in the US dollar. Since the exchange rate of the US dollar against the ringgit at the end of last year fell more sharply than this year, the exchange losses incurred in this period were less than last year. After net expression, the foreign currency exchange losses in this period were less than last year.

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

(iii) Inflation

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

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

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

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

To cope with the growth of the future American wooden furniture market, our company has taken advantage of the professional manufacturing factory for wooden bedroom furniture to launch its own brand in the market. In the future, besides continuously improving the production efficiency of our company, we must also strengthen the development and manufacturing capabilities of our products in order to meet the different needs of customers. Besides the expected investment of NTD13 million in 2024, we will continue to invest in research and development expenses in order to continuously enhance the competitiveness of our company. The future development direction of the company is:

- (1) Actively train R&D talent to improve product design capabilities and manufacturing technology standards.
- (2) Gradually reduce labor costs by introducing automated production equipment through R&D and improved processes.
- (3) It will actively develop environmentally friendly materials that can replace native wood to increase product competitiveness.
- (4) The intention is to invest in diversified products to help the company's revenue and reduce the risk of a single product.

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

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

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

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

#### Cyber Security Risk

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

Countermeasures:

- a. The company has an information department that hires relevant professionals to assist in the company's management network, host, and related systems. The company has also compiled a "computerized information system processing cycle (MIS cycle)" to further ensure and strengthen the management of information security through specific management plans.
- b. The MIS Department has adopted a variety of network security precautions, including firewalls, anti-virus software, and other technologies, and the company's employees use the company network to set up barriers when browsing external web pages to strengthen network security. If the website is unknown or malicious, the link will not be opened.
- c. The company's internal control system has procedures related to computerized information system processing, and we will also announce relevant information use methods and precautions to all employees by email. The information department will also arrange some information security-related briefings from time to time to remind company employees to pay attention to network security and promote the latest security information.

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

Our company adheres to the principles of honesty, trust, and sustainable management. Since its establishment, it has been focused on its own business, with a good corporate image and in compliance with relevant laws and regulations. It has maintained a good corporate image, and there has been no change in the corporate image in recent years or as of the date of publication of the annual report that has caused corporate crisis management.



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

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

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

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

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

(i) Concentrated purchase of goods:

The first largest procurement supplier of our company accounted for 7.06% of total purchases in 2022 and 4.72% in 2023. In the local furniture industry chain in Muar, Malaysia, the supply chain is well-established, with a focus on local procurement due to industry characteristics, which facilitates control over delivery times. Moreover, our company collaborates with suppliers that have been established for many years, ensuring relatively stable quality and delivery times for raw materials. Additionally, our main procurement items have multiple suppliers. If one supplier cannot provide a stable supply or meet delivery deadlines, we seek alternative manufacturers or suitable alternative materials. Therefore, our procurement sources are stable, reducing the risks associated with concentrated procurement and material shortages.

(ii) Concentrated selling:

In 2022 and 2023, our company's largest sales customers accounted for 23.21% (Elements) and 29.45% (Ashley), respectively, of total revenue. This is mainly attributed to our emphasis on high-quality production of American-style bedroom furniture, which has been recognized by customers for our manufacturing capabilities. However, during the COVID-19 pandemic, many customers stockpiled inventory, leading to an oversupply in the market and triggering a ripple effect. As a result, many customers faced slow inventory turnover, causing cash flow constraints. Recently, with the gradual recovery of the market, we have prioritized allocating production capacity to Ashley, which has better cash flow, exacerbating the concentration risk of sales in 2023 compared to 2022. We will continue actively

expanding our customer base and developing new products to mitigate the risk of concentrated sales.

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

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

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

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

(l) Other material risks and countermeasures:

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

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

(ii) The risk of protecting shareholder rights

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

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

A. Facts and statistics

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

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

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

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

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

Our management team has abundant experience in the operation of this business. After entering the capital market of the Republic of China, they still need to adapt to the regulations of the Republic of China. In the future, part of the

management energy will be placed on maintaining investor relations and familiarizing ourselves with the relevant regulations of the Securities Law of the Republic of China to avoid distracting from the operation of this business. The company has recruited the necessary qualified personnel to set up an excellent back-office team as a strong backing for the management level to meet the challenges of becoming an over-the-counter company.

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

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

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

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

#### 7.6.2 Litigation and non-litigation matters

- (a) The most recent two years until the printing date of the annual report, conclusive judgements or major litigations, non-litigations, administrative disputes, disputed facts, subject-matter amount, initial date of litigation, main litigants, and status of current proceedings: Not Applicable.
- (b) The company's directors, supervisors, general managers, substantive principals, major shareholders, and subordinate companies with a shareholding ratio of more

than 10% Participate in any litigation, non-litigation, or administrative litigation that has been determined or is currently in the system in the last two years and up to the date of the annual report, the outcome of which may have a significant impact on the company's shareholders' equity or securities prices: Not Applicable.

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

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

7.6.4 The issuer's compliance with the second important subsidiary standard of Article 2 of the Rules for the Auditing of Financial Statements of the Visa in the most recent fiscal year or the application for the next accounting year, or the recommended securities firm, considers that the issuer's financial report is significant. Those with influence should include a description of their risky items:

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

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

- (a) Country of registration: Cayman Islands

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

The Cayman Islands are an overseas territory in the West Indies, located in the Caribbean Sea south of Miami, Florida. The Cayman Islands have been politically stable for a long time, with the capital city of George Town located on Grand Cayman, which is the administrative, commercial, and financial center. The financial services and tourism industries are the main sources of economic income. The Cayman Islands is one of the major global financial centers.

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

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

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

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

The Cayman Islands currently do not levy tax on profits, income, gains, or appreciations of individuals or companies, nor do they have inheritance or estate taxes. Apart from stamp duty applicable to contracts entered into or made in the Cayman Islands, there are no other taxes that may be significant to the company imposed by the Cayman Islands government. The transfer of shares in a Cayman Islands company is not subject to stamp duty in the Cayman Islands, but this does not apply if the company has any rights to land in the Cayman Islands. The Cayman Islands have no foreign exchange or currency regulations.

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

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

#### A. Risk of litigation claims

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

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

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

Although the judgments of the courts of the Republic of China cannot be enforced in the Cayman Islands, based on the principle that the court with jurisdiction to make the judgment is a foreign court (including the Republic of China) and the judgment is for the debtor to pay the amount determined by the judgment, the Cayman Islands court will recognize and enforce the foreign court (including the Republic of China) judgments with judicial jurisdiction, provided

that the judgment is a final judgment and not a monetary payment for taxes or other such obligations, penalties or fines and that the obtaining or enforcement of the judgment will not be contrary to public policy in the Cayman Islands. In certain circumstances, the Cayman Islands court may extend the category of foreign court judgments enforceable in the Cayman Islands beyond monetary judgments to include orders for specific performance, declarations, and injunctions.

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

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



Cayman Islands Court is whether it believes and accepts the request made by the plaintiff on behalf of the company as having substance and that the alleged wrongdoing was done by those who can control the company and who can prevent the company from suing. The Cayman Islands Court will decide the case on its facts (although the Court may refer to the articles of association, this is not a determinative factor).

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

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

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

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

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

- (b) The main operation country: Malaysia

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

Malaysia is an export-oriented economy in Southeast Asia with a diversified industrial product structure and a developed financial services industry. It is a world leader in Islamic finance. It is estimated that the output value of Malaysia's agriculture,

industry, and service industries in 2023 will account for 6.30%, 35.50%, and 58.70% of GDP, respectively.

In 2023, the Malaysian electronics industry will continue to be sluggish, coupled with domestic demand slowing down because of the impact of monetary tightening policies and demand from major export markets such as mainland China and the United States being weak. The real economic growth rate is 3.80%. It is expected that exports will gradually pick up in 2024 as demand for electronic products in developed countries recovers and consumer spending increases. The increase in international tourists will support the service industry. Monetary policy may be loose in the second half of the year, which will boost private consumption and investment and continue to stimulate the economy in 2025. Growth: the real economic growth rate in 2024 and 2025 is predicted to be 4.40% and 4.50%, respectively.

Malaysia is an export-oriented economy in Southeast Asia with a diversified industrial product structure and a developed financial services industry. It is a world leader in Islamic finance. The government's focus is to promote economic growth through digitalization and the green economy. Major policies include the National Energy Transformation Roadmap (NETR), the 12th Malaysia Plan (12MP; 2021–25 Expenditure Plan) mid-term review, and the 2030 New Energy Transformation Roadmap. The industrial main plan will serve as the coalition government's vision for improving the competitiveness of the economy. It is expected that Malaysia's economic growth will be stimulated in 2024 because of the gradual recovery of exports, the recovery of tourism, and an increase in private consumption and investment; the government will gradually cancel fuel subsidies and increase service taxes; the El Niño phenomenon will put upward pressure on food prices, causing inflation to rise; and the government's top priority is fiscal consolidation. Besides reforming subsidies and multiple tax-increase measures, the promulgation of a government procurement law will improve fiscal transparency and reduce costs. In addition, the economic improvement will increase direct tax revenue, resulting in a reduction in the fiscal deficit. It is predicted that Malaysia's real economic growth rate in 2024 will be 4.40%, the fiscal deficit to GDP ratio will be 4.40%, the current account surplus to GDP ratio will be 1.60%, the foreign exchange deposit will be US\$117.429 billion, the total external debt will be US\$282.602 billion, and the external debt to GDP ratio will be 62.90%. The foreign exchange deposit capacity to pay for imports is 5.40 months, and its external liquidity capacity is acceptable.

In the political environment, in the House of Representatives election on November 19, 2022, the Pakatan Harapan (PH) does not have enough seats and must form a coalition government. The prime minister is PH leader Dato' Seri Anwar bin Ibrahim. The next general election is expected to be held in November 2027. The cabinet will be reorganized in December 2023, and the government's focus will be to promote economic growth through digitalization and the green economy. Reforms are expected to be accelerated in 2024–25, including bills to improve healthcare sector operations and political finance. In 2024, Malaysia will cancel a basket of support measures and adopt reasonable subsidies instead to reduce potential inflationary pressure. The financial savings can benefit disadvantaged groups. In addition, given the loss of major crops caused by the El Niño phenomenon and the export restrictions by India and other major rice-producing countries, causing price increases, the government will continue to impose price limits on rice.

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

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

### a. Foreign exchange control

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

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

The Central Bank of Malaysia announced five new measures on foreign exchange controls for exporters effective from April 15, 2021: (1) Domestic exporters can exchange export earnings according to their own foreign exchange needs, without any percentage restrictions; (2) Domestic exporters' local transactions related to global supply chain businesses can also use foreign exchange for payments; (3) In special circumstances, domestic exporters can delay repatriating export earnings back to Malaysia for over 6 months; (4) Domestic exporters can offset foreign exchange obligations with export earnings, such as import expenditures originating from the same country; and (5) Domestic companies can directly engage in derivative hedging transactions with foreign companies.

The relaxation of foreign exchange controls for exporters as mentioned above is beneficial for enhancing Malaysia's position in the global supply chain and attracting more foreign direct investment (FDI).

#### b. Taxation

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

SST has two elements: The service tax is collected and levied on taxable services provided by all taxable persons in Malaysia who conduct and promote SST is divided into two parts: the service tax, which is collected and levied on taxable services

provided by all taxable persons in Malaysia in the course of conducting and promoting business, and the goods tax, which is levied on imported and locally produced goods. The single-stage sales tax is levied when goods are imported or when the manufacturer sells or disposes of goods. It levies the new sales tax on taxable goods imported into or manufactured in Malaysia. The recommended tax rates are 5% and 10%, and petroleum is subject to specific tax rates. It must tax the commodities that are not included in the exempt sales tax list. Effective March 1, 2024, Malaysia's SST tax rate will be adjusted from 6% to 8%. This means that starting on March 1, 2024, all invoices and transactions will be subject to the new 8% tax rate (except for some specific industries that are exempt).

According to the "2024 Fiscal Budget," the Prime Minister proposes to enforce electronic invoicing (E-Invoicing) starting from August 2024: This refers to recording every transaction electronically, aiming primarily to enhance tax revenue efficiency and transparency, reducing tax evasion and fraud. After the full implementation of E-Invoicing, consumers will no longer need to keep physical receipts, and all transaction records will be backed up in the LHDN (Inland Revenue Board of Malaysia) database. Taxpayers will have their eligible expenses automatically settled in the system during annual tax filing, eliminating the need for manual input. The government's goal is to fully implement the electronic invoicing policy by July 2025, as indicated in the following implementation schedule:

| Implementation schedule | Enterprises involved                                   | Implementation date |
|-------------------------|--|---------------------|
| 1st stage               | Enterprises with a turnover of RM100 million and above | 1/8/2024            |
| 2nd stage               | Businesses with a turnover of RM25 million and above   | 1/1/2025            |
| 3rd stage               | All other businesses                                   | 1/7/2025            |

### c. Social Insurance and Provident Fund

Malaysia has a population of about 30 million, and it has the smallest population except for Singapore among the ASEAN countries. Malaysia allows manufacturing and export-oriented industries to introduce foreign labor, but they must pay a head tax (about 1,250 MYR per year). But there is a trend towards stricter restrictions year by year to solve the labor shortage. Currently, Malaysia mainly permits foreign workers from Indonesia, Thailand, Cambodia, Nepal, Myanmar, Laos, Vietnam, the Philippines, India, Turkmenistan, Uzbekistan, Kazakhstan, and other countries and established a single application in August 2005. According to reports, the number of officially

introduced foreign workers has increased from 700,000 in 2000 to 2.35 million today. Because of its geographical proximity and language communication among them, Indonesia accounts for the majority of foreign labor.

(i) Employees Provident Fund Act 1991

According to the Employees Provident Fund Act of 1991 (Act No. 452), all employers and employees are required to pay the Employees Provident Fund (EPF) under this law. The employer sets the contribution rate based on the employee's monthly salary. For employees aged less than 60 years old, if the employee's salary is less than RM5,000, the employer sets a share of 13%. If the employee's salary is more than RM5,000, the employer's contribution ratio is 12%; starting in August 2022, for employees over 60 years old, the employer's contribution ratio is 4%. Employees are required to pay 11% of the employer share. Starting from August 2022, employees over 60 years old will be exempted from paying the Employees Provident Fund, and employees who are not Malaysian nationals will be exempted from paying.

(ii) Employee Social Insurance Law

The Social Insurance Organization (SOCSO) implements the work injury insurance plan and disability pension plan under the Employee Social Insurance Law of 1969. Employees under the age of 60 have been required to pay social insurance since January 1, 2013. The employer contributes 1.75% of the employee's monthly salary, and the employee contributes 0.5%. For employees over 60 years old or those who reached 55 years old when they first registered with SOCSO, the work injury insurance plan is paid by the employer at 1.25% of the employee's monthly salary, and cash is provided for the employee's disability or death caused by a work injury and medical protection.

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

Starting from September 1, 2022, the government officially implements an adjustment to the upper limit of the monthly salary for SOCSO contributions, raising the previous limit from RM4,000 to RM5,000. This update applies to employees earning RM4,001.00 or more per month, and employers should pay the revised SOCSO contribution rates for September 2022 and subsequent months accordingly.

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

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

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

**7.7 Other Significant Matters:** None.

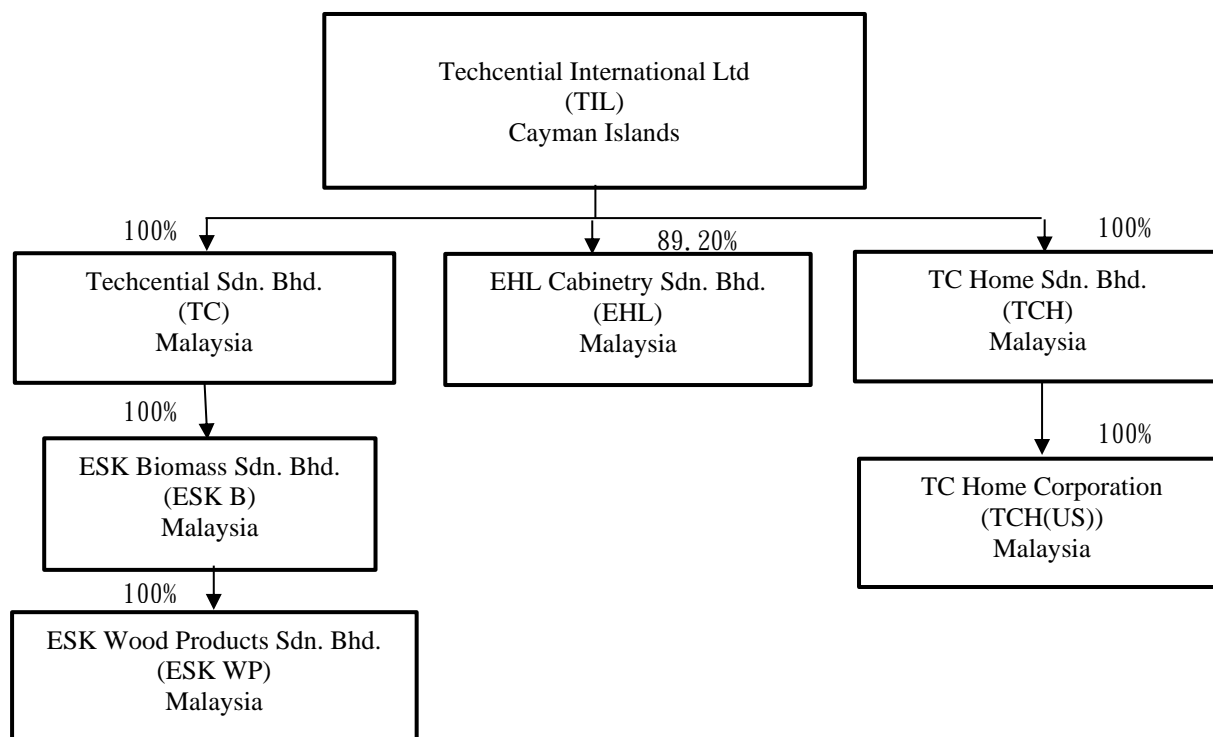
## 8.0 Special Disclosures

### 8.1 Chart of Affiliated Companies

#### 8.1.1 Organization

##### (A) Affiliated Organizational Chart

April 30, 2024



#### 8.1.2 List of Affiliated Companies

April 30, 2024

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



|  |  |   |  |                           |
|--|--|---|--|---------------------------|
|  |  | Seroja, Jalan Abd. Jabar, Parit Jawa, 84150<br>Parit Jawa, Muar, Johor. |  | Trading of<br>Rubber Wood |
|--|--|---|--|---------------------------|

8.1.3 Shareholders in common of the company and its affiliates with deemed control and Subordination: Not Applicable.

8.1.4 Business Scope of the company and its affiliates.

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

| Company Name | Investment Year | The function of reinvestment business | Group Positioning and Business Policy   |
|--------------|-----------------|---------------------------------------|---|
|              |                 |                                       | temporarily out of operation and currently rents out its machinery and equipment to others to earn rental income.   |
| ESK WP       | 2018            | The manufacturing of the rubber wood  | Group positioning: The procurement, processing and sales of raw material (rubber wood).<br>Business policy : The main business is the procurement, processing and sales of rubberwood, and sales of the products to small and medium-sized furniture manufacturers in Malaysia. |

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

April 30, 2024

| Name of Affiliated Companies | Title    | Name of Representative | Shareholding |       |
|------------------------------|----------|------------------------|--------------|-------|
|                              |          |                        | Shares       | %     |
| Techcential Sdn. Bhd.        | Director | Eng Kai Pin            | -            | -     |
|                              | Director | Eng Kai Jie            | -            | -     |
|                              | Director | Eng Kai Jian           | -            | -     |
|                              | CEO      | Eng Kai Jian           | -            | -     |
| TC Home Sdn. Bhd.            | Director | Eng Kai Pin            | -            | -     |
|                              | Director | Eng Kai Jie            | -            | -     |
|                              | Director | Eng Say Kaw            | -            | -     |
|                              | CEO      | Eng Kai Pin            | -            | -     |
| TC Home Corporation          | Director | Eng Kai Pin            | -            | -     |
|                              | Director | Eng Kai Jie            | -            | -     |
| EHL Cabinetry Sdn. Bhd.      | Director | Eng Kai Pin            | -            | -     |
|                              | Director | Eng Say Kaw            | -            | -     |
|                              | Director | Eng Kai Jie            | -            | -     |
|                              | Director | Lim Swee Soon          | 3,510,000    | 9.70% |
|                              | CEO      | Eng Kai Jie            | -            | -     |
| ESK Biomass Sdn. Bhd.        | Director | Eng Kai Jie            | -            | -     |
|                              | Director | Eng Xin Kai            | -            | -     |
| ESK Wood Products Sdn. Bhd.  | Director | Eng Kai Jie            | -            | -     |
|                              | Director | Eng Xin Kai            | -            | -     |

### 8.1.6 Operational Highlights of Affiliated Companies

December 31, 2023; 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                 | 688,615      | 186,018           | 502,597   | 879,877  | 6,807            | 12,466     | NA  |
| TC Home Sdn. Bhd.           | MYR 2,000                  | 779          | 77                | 702       | -        | (60)             | (74)       | NA  |
| TC Home Corporation         | US\$ 100                   | 990          | 216               | 774       | -        | (4)              | (4)        | NA  |
| EHL Cabinetry Sdn. Bhd.     | MYR 19,000                 | 118,021      | 85,029            | 32,992    | 90,573   | (24,709)         | (22,398)   | NA  |
| ESK Biomass Sdn. Bhd.       | MYR 8,000                  | 34,016       | 4,479             | 29,537    | 1,280    | 62               | 964        | NA  |
| ESK Wood Products Sdn. Bhd. | MYR 3,000                  | 53,691       | 23,710            | 29,981    | 71,216   | 2,501            | 1,113      | NA  |

**8.2 Private Placement Securities:** None.

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

#### 8.4 Other Supplementary Information Required:

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

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

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

| Important matters for shareholder's protection   | Differences for articles of incorporation and Reasons  | The Influence for Shareholder's Equity  |
|--|--|---|
| <p>1. The shareholders' meeting shall be held in the Republic's territory, China. The Board of Directors meeting, or two days after the shareholders meeting, gets consent from the competent authority and permission from TPEX if the shareholders' meeting is held outside of the Republic of China.</p> <p>2. Shareholders holding over 3% of total issued shares for over a year can document proposed matters and reasons and request the board of directors convene an interim shareholders' meeting. If the board of directors has not yet convened, shareholders can hold a meeting with the permission of the competent authority 15 days after the request is made.</p>   | <p>1. As for the part that shareholders hold their own shareholders' meeting, since there is no special provision of the Cayman Islands company law for the aforesaid part, Article 19.6 of the articles of incorporation does not regulate that shareholders have to report to the competent authority before holding an interim shareholders' meeting by themselves.</p> <p>2. In addition, if shareholders hold a shareholders' meeting outside of the R.O.C. since shareholders can hold an interim shareholders' meeting without the permission of the Cayman Islands local authority, Article 19.6 of the articles of incorporation merely regulates that they should apply for TWSE's approval, not that shareholders have the agreement of TWSE in a two-day application after getting the permission of the competent authority.</p>  | <p>No significant impact to equity.</p> |
| <p>1. The articles of incorporation should list the electronic method as the channel for voting. When shareholders' meetings are convening, the shareholder may exercise their voting rights in writing or electronically. If the company convenes a shareholder meeting outside of the Republic of China, we should mention that the shareholder exercises voting rights in writing or electronically.</p> <p>2. When the company exercises the right to vote in written or electronic form, it should state the form in the meeting notices for the shareholders' meeting. The shareholders exercising their right to vote in written or electronic form should be regarded as attending the shareholders' meeting in person. However, as for the extempore motions and amendments to the original motions, it is regarded as an abstention.</p> | <p>As for the written or electronic form for exercising the right to vote for shareholders, the Cayman Islands company law does not mention that those forms can be regarded as attending the shareholders' meeting in person, and the lawyers in the Cayman Islands did not find out the relevant cases. To arrange for others, Article 25.4 of the articles of incorporation regulates that when the shareholders exercise their right to vote in written or electronic form under the previous regulation, the chairperson of the meeting is regarded as their proxy with authorization and exercises the right to vote with their signature in written or electronic form. Because of the status of the meeting chairperson as their proxy, he or she has no right to exercise the shareholders' right to vote for those unmentioned or unstated matters in written or electronic form and/or the amendment of the original motions. To clarify the doubts, the shareholders' right to vote in such form is regarded as abandoning their right to vote for extempore motions and/or amendments to the original motion. Also, article 26.3 of the article of incorporation regulates that the proxy voting right of the chairperson of the shareholders' meeting shall not be restricted by any more than 3% of the total voting rights of the issued shares.</p> | <p>No significant impact to equity.</p> |
| <p>The following proposals involving major shareholder rights should be represented by shareholders who have issued over two-thirds of the total</p>   | <p>1. Regarding the resolution methods of the shareholder's meeting, except for our law on ordinary resolutions and heavy resolutions, Article 1.1 of the Article of</p>   | <p>No significant impact to equity.</p> |

|   |   |  |
|---|---|--|
| <p>shares, and a majority of the voting rights of the shareholders present shall agree with the meeting. If the total number of shares of present shareholders is less than the aforementioned quota, With a shareholder representing more than half of the total issued shares. With over two-thirds of the voting rights of the shareholders agreeing to do it:</p> <ol style="list-style-type: none"> <li>1. The company concludes, changes, or terminates business, commissioned business or contracts frequent joint business with others, transfers all or a major part of the business or financial property, transfers all the business or property of others, and has significant influence on the company.</li> <li>2. Alteration of a trading charter.</li> <li>3. If changes to the articles of incorporation damage the shareholders of special shares for those with rights, a resolution of the special shareholders' meeting is required.</li> <li>4. Distribution of all or one of the dividends and bonuses by issuing new shares.</li> <li>5. Resolution of disbanding, merger, or division.</li> <li>6. Those who issued new shares that restrict employee rights.</li> </ol> | <p>Incorporation also contains the Company Act of Cayman Islands "special resolutions," that is, when at the shareholders' meeting, the shareholders who have the right to vote in person attend or vote by proxy, by legal person shareholders, or in the form of legally allowed representatives of non-natural person shareholders, after calculating the number of voting rights each shareholder has, at least two-thirds of the voting rights of present shareholders agree to pass a resolution.</p> <p>2. According to the Company Act of Cayman Islands, the following matters should be addressed as a special resolution:</p> <p>(1) Alteration of a trading charter<br/>According to the Company Act of Cayman Islands, the amendments are special resolutions stipulated by the company law. In Article 12.1 of the articles of incorporation, changing the articles of incorporation is not based on the shareholders' equity. It charged the requirements as a priority under the law of our country. According to Article 13 of the articles of incorporation, if any amendments or changes to the articles of incorporation will harm any kind of priority of shares, the relevant amendments or changes shall be subject to the special resolution that is passed and should be approved by the shareholders of such damaged shares. And should be approved by a special resolution at a separate shareholder meeting.</p> <p>(2) Disband:<br/>According to the Company Act of the Cayman Islands, if the company cannot settle its debt when it is due, the resolution is voluntary liquidation and dissolution. In case of dissolution, the shareholders' meeting shall be taken. However, if the company was voluntarily liquidated and dissolved for reasons other than the above, We shall base dissolution on the special provisions of the Company Act of the Cayman Islands. In Article 12.4(a) of the articles of incorporation, the payment is because the company cannot pay off its debts and resolution of voluntary liquidation and dissolution, not by the checklist for shareholder rights protection. It is a serious resolution under the law of our country.</p> <p>(3) Merge:</p> |  |
|---|---|--|

|   |   |   |
|---|---|---|
|   | <p>This is because the Company Act of the Cayman Islands makes the voting method of the defined merger mandatory. Article 12.3(b) of the articles of incorporation “Union” (except as defined in the Company Act of Cayman Islands, purchase and/or merger only require a special resolution) should be a severe resolution passed.</p> <p>3. The differences in the table lie in the importance of matters that are heavily resolved in the articles of incorporation regulated by major resolution and special resolution between the inspection of the above matters and protecting shareholders’ rights and interests. These differences are because the Company Act of the Cayman Islands was born, and the articles of incorporation have the major resolutions of the important matters listed in the public. The major resolutions and special resolutions in the company charter item and the articles of incorporation have a limited response.</p> |   |
| <ol style="list-style-type: none"> <li>1. The supervisor selected by the shareholders’ and at least the supervisor must have a residence in the country.</li> <li>2. The term of the supervisor shall not exceed three years. But we have to re-elect.</li> <li>3. When all supervisors are dismissed, the board of directors shall convene an interim meeting of shareholders within sixty years.</li> <li>4. The supervisor shall supervise the execution of the company’s business and may investigate the company’s business and financial status, check the books and documents, and request that the board of directors or managers submit reports.</li> <li>5. The supervisor made up the shareholder meeting for the board of directors. The various forms should be checked, and opinions should be reported in the shareholders’ meeting.</li> <li>6. The supervisor may handle the inspection affairs on behalf of the committee with the help of accountants and lawyers.</li> <li>7. The supervisor may attend the board of directors to present opinions. Board of directors meeting or director’s execution of business violets laws, regulations, or shares The supervisor shall notify the directors immediately of the decision of the Eastern Conference. The meeting or directors cease their actions.</li> <li>8. Each supervisor may exercise its supervisory power independently.</li> </ol> | <p>The issuing company has an audit committee, but there are no supervisory regulations in the articles of incorporation.</p>   | <p>No significant impact to equity.</p> |

|  |   |   |
|--|---|---|
| <p>9. Supervisors shall not concurrently serve as company directors, managers, or other staff.</p>   |   |   |
| <p>1. The shareholder who has held the issued shares for over one year and owns over 3% of the total can request it in writing. The supervisor sued the director for the company and could use the Taipei District Court as the court of first instance jurisdiction.</p> <p>2. Within 30 days after the shareholder's request, the supervisor will not sue. But the shareholders can sue the company, and the Taipei District Court of Taiwan was the court of jurisdiction for litigation.</p> | <p>Because the Cayman Islands' company act does not apply to supervisors and the company has an audit committee, the articles of incorporation contain no relevant regulations on supervisors. Only refer to Republic of China Article 214 of the articles of incorporation concerning minority shareholders' requests. It stipulated the requirements for suing in Article 48.3 of the articles of incorporation. To the extent permitted by the laws of the Cayman Islands, continuing for one year and holding over 3% of the total issued shares may (a) request the board of directors to allow the review of independent directors of the Planning Committee Litigation, and the Taipei District Court in Taiwan was the first instance competent court; or (b) request the audit committee in writing. The independent director sued the director, and the Taipei District Court of Taiwan is the court of first instance jurisdiction. After receiving a shareholder's request by (a) or (b) above within 30 days, if (i) the board of directors is not authorized or independent directors of the audit committee allowed by the board of directors do not mention litigation; or (ii) the requested audit committee when independent directors do not sue, the laws of the Cayman Islands allow shareholders to sue the directors for company litigation and be managed by the Taipei District Court in Taiwan as the first instance jurisdiction of courts.</p> <p>However, the Cayman Islands lawyers are what the island decree reminds:</p> <p>The Cayman Islands company law does not allow minority shareholders to use the Island Court's specific rules for derivative litigation proceedings started by the board of directors.</p> <p>The articles of incorporation are not a contract between shareholders and directors but an agreement between shareholders and the company. Even if it is allowed in the articles of incorporation, minority shareholders may file derivative lawsuits against directors. Cayman Group Attorney Island believes that the content will not restrain the directors. However, under the law, all shareholders (including minority shareholders), regardless of their shareholding ratio or holding period, may have started derivative litigation (including litigation against directors). Once the shareholders have sued, the Cayman Islands court will have</p> | <p>No significant impact to equity.</p> |

|   |   |   |
|---|---|---|
|   | <p>full power to decide whether shareholders can proceed with litigation. Of prophecy, the Article stipulates that minority shareholders (or those who have the required shareholding ratio or shareholders during the holding period) may represent the company's litigation, but whether the lawsuit can be continued will still depend on the decision of the Cayman Islands court. According to open related judgments made by the Grand Court of Man Island, The Court of the Cayman Islands is considering whether to approve the continued derivative litigation. The applicable criterion is whether the Cayman Islands court believes and accepts the request made by the plaintiff on behalf of the company is substantive, the company controls the wrongdoing it advocates, and those controllers can prevent the company from suing it. The Cayman Islands court will make a real judgment (although the court may refer to the articles of incorporation, this is not the decisive factor).</p> <p>Regarding the law of the Cayman Islands, the board of directors should, instead of individual directors, decide on behalf of the company. Therefore, directors shall be authorized by a resolution of the board of directors. The directors represented the company and sued other directors.</p> <p>The Cayman Islands company law does not give shareholders the right to decide on specific matters in clear text. But the Cayman Islands Company Law does not prohibit companies from stipulating regulations related to the procedures of board meetings (including directors' rules for convening meetings).</p> |   |
| <p>1. The company director should perform their business faithfully and do their best to fulfill the duty of care of an excellent manager. If anyone suffers damage, they shall be liable for damages. If the behavior is done by oneself or others, the shareholder's meeting can resolve and treat the income of the act as the company's income.</p> <p>2. The company's directors perform the business, such as when a violation of the law causes damage to others, respond to others responsible for joint compensation with the company.</p> <p>3. The managers and supervisors have the same liability as the directors of the company.</p> | <p>Anyone who violates and causes damage to the company shall, as far as the law allows, be liable for the damage. If the directors violate the above regulations, for yourself or others, when any benefit is obtained, the company should take all appropriate actions and steps, to the maximum extent permitted by law, from the directors to make these interests belong to the company. If the directors of the company violate laws or orders when performing business operations that cause the company to have any compensation or damage to anyone's responsibility, the director shall agree with the company on such compensation or damage responsible for joint damages, and for any reason, the director shall not be liable for joint compensation with the company. The director shall be responsible for any damage suffered by the company because of its breach of responsibility; the</p>  | <p>No significant impact to equity.</p> |



|  |   |  |
|--|---|--|
|  | <p>loss will be compensating. The manager should be liable for the same damages as the directors.</p> <p>However, the Cayman Islands lawyers are what the island decree reminds:</p> <p>The manager or supervisor will not be liable for the company's or shareholder's responsibility for the same thing under the law of the Cayman Islands. However, if the manager or supervisor represents the actions of senior executives, they will be responsible for the duty to do the same thing. To avoid doubt, the Cayman Islands company enters into a service contract with the manager or supervisor. Standardize its responsibilities and obligations to the company and shareholders' service.</p> <p>Similarly, since the articles of incorporation are an agreement between shareholders and the company, the manager or supervisor is not a party to the charter. So, all respond to the manager's or supervisor's claim of a violation. It should regulate the right to compensation for damages in the service contract.</p> <p>As per the laws of the Cayman Islands, the articles of incorporation are an agreement between the shareholders and the issuing company; the directors (for whom they act as directors of the issuing company) are not parties to the articles of incorporation. Therefore, the Cayman Islands lawyers believe that the articles of incorporation do not restrict the directors. If the company wants to make the relevant clauses effective for the directors, the Cayman Islands lawyer believes it should regulate the relevant rights in the contract with the individual directors, such as service contracts.</p> |  |
|--|---|--|

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

**TEHCENTIAL INTERNATIONAL LIMITED  
AND SUBSIDIARIES**

**Consolidated Financial Statements**

**With Independent Auditors' Report  
For the Years Ended December 31, 2023 and 2022**

**Address: 4th Floor, Harbour Place, 103 South Church Street,  
P.O. Box 10240, Grand Cayman, KY1 1002, 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.

## Table of contents

| Contents  | Page  |
|---|-------|
| 1. Cover Page   | 1     |
| 2. Table of Contents  | 2     |
| 3. Independent Auditors' Report   | 3     |
| 4. Consolidated Balance Sheets  | 4     |
| 5. Consolidated Statements of Comprehensive Income  | 5     |
| 6. Consolidated Statements of Changes in Equity   | 6     |
| 7. Consolidated Statements of Cash Flows  | 7     |
| 8. Notes to the Consolidated Financial Statements   |       |
| (1) Company history   | 8     |
| (2) Approval date and procedures of the consolidated financial statements                         | 8     |
| (3) New standards, amendments and interpretations adopted   | 8~9   |
| (4) Summary of significant accounting policies  | 9~21  |
| (5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty | 22    |
| (6) Explanation of significant accounts   | 22~53 |
| (7) Related-party transactions  | 54~55 |
| (8) Pledged assets  | 55    |
| (9) Commitments and contingencies   | 55    |
| (10) Losses Due to Major Disasters  | 55    |
| (11) Subsequent Events  | 55    |
| (12) Other  | 56    |
| (13) Other disclosures  |       |
| (a) Information on significant transactions   | 56~57 |
| (b) Information on investees  | 57    |
| (c) Information on investment in mainland China   | 58    |
| (d) Major shareholders  | 58    |
| (14) Segment information  | 58~60 |

## 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, 2023 and 2022, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretation Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### Basis for Opinion

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

### Key Audit Matters

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

Please refer to note 4(h) "Inventories" for accounting policy related to the 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 principal activities are the manufacturing and sales of furniture. As of December 31, 2023, the inventory balance of \$191,449 thousand consisted 24% of the total consolidated assets. Valuation of inventory was based on past experience and future sales forecasts, which involved the subjective judgment made by the top management. Therefore, the valuation of inventories was considered to be one of our key audit matters.

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

Our audit procedures included:

- Assessing whether appropriate provision policies for inventories are applied.
- Assessing whether the Group's subsequent measurement of inventories has been evaluated in accordance with the Group's provision policy consistently.
- Assessing the appropriateness of the aging movement by examining the aging analysis of inventories, and relevant documents to verify the aging period.
- 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 for the source documents of samples; then, determining whether the provision for net realizable value has been appropriately evaluated.
- For inventories with low turnover, examining the sales after the reporting date and assessing the basis on the net realizable value that was adopted to verify the appropriateness of the Group's valuation on provision for inventory obsolescence.

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

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

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

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

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

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

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

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

2. Obtain an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not to express an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Chung-I Chang and Chia-Chi Chiang.

KPMG

Taipei, Taiwan (Republic of China)  
March 15, 2024

#### **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, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

| Assets |  | December 31, 2023 |            | December 31, 2022 |            | Liabilities and Equity |   | December 31, 2023 |            | December 31, 2022 |            |
|--------|--|-------------------|------------|-------------------|------------|------------------------|---|-------------------|------------|-------------------|------------|
|        |  | Amount            | %          | Amount            | %          |                        |   | Amount            | %          | Amount            | %          |
| 11xx   | <b>Current assets:</b>   |                   |            |                   |            | 21xx                   | <b>Current liabilities:</b>   |                   |            |                   |            |
| 1100   | Cash and cash equivalents (note 6(a))  | \$ 209,721        | 27         | 172,927           | 22         | 2100                   | Short-term loans (notes 6(b), (f), (i), 7 and 8)  | \$ 48,366         | 6          | 42,633            | 5          |
| 1110   | Current financial assets at fair value through profit or loss (notes 6(b) and 7) | 942               | -          | 135               | -          | 2120                   | Current financial liabilities at fair value through profit or loss (notes 6(b) and (l))     | -                 | -          | 1,641             | -          |
| 1170   | Accounts receivable, net (notes 6(c) and (r))                                    | 110,373           | 14         | 77,322            | 10         | 2130                   | Current contract liabilities (note 6(r))  | 2,049             | -          | 6,397             | 1          |
| 1200   | Other receivables (note 6(d))  | 93                | -          | 500               | -          | 2170                   | Accounts payable  | 81,271            | 11         | 33,847            | 4          |
| 1220   | Current tax assets   | 9,213             | 1          | 417               | -          | 2200                   | Other payables (notes 7)  | 40,397            | 5          | 28,347            | 4          |
| 1310   | Inventories (note 6(e))  | 191,449           | 24         | 225,183           | 29         | 2230                   | Current tax liabilities   | 216               | -          | 8,327             | 1          |
| 1410   | Prepayments  | 22,231            | 3          | 18,323            | 2          | 2280                   | Current lease liabilities (notes 6(j) and 7)  | 23,766            | 3          | 25,825            | 3          |
| 1479   | Other current assets   | 2,562             | -          | 4,970             | 1          | 2321                   | Convertible bonds payable, current portion (notes 6(b) and (l))                             | 1,075             | -          | 113,924           | 15         |
|        | <b>Total current assets</b>  | <u>546,584</u>    | <u>69</u>  | <u>499,777</u>    | <u>64</u>  | 2322                   | Long-term loans, current portion (notes 6(b), (f), (k), 7 and 8)                            | 12,307            | 2          | 19,587            | 3          |
| 15xx   | <b>Non-current assets:</b>   |                   |            |                   |            | 2399                   | Other current liabilities   | 2,537             | -          | 22                | -          |
| 1536   | Non-current financial assets at amortized cost (notes 6(b), (i), (k) and 8)      | 3,825             | -          | 3,969             | 1          |                        | <b>Total current liabilities</b>  | <u>211,984</u>    | <u>27</u>  | <u>280,550</u>    | <u>36</u>  |
| 1600   | Property, plant and equipment (notes 6(f), (g), (i), (k), 7 and 8)               | 132,000           | 17         | 138,468           | 18         | 25xx                   | <b>Non-Current liabilities:</b>   |                   |            |                   |            |
| 1755   | Right-of-use assets (notes 6(f), (g) and (j))                                    | 56,096            | 7          | 81,838            | 10         | 2500                   | Non-current financial liabilities at fair value through profit or loss (notes 6(b) and (l)) | 1,572             | -          | -                 | -          |
| 1780   | Intangible assets (note 6(h))  | 98                | -          | -                 | -          | 2531                   | Convertible bonds payable (notes 6(b) and (l))  | 107,268           | 13         | -                 | -          |
| 1840   | Deferred tax assets (note 6(n))  | 37,619            | 5          | 30,042            | 4          | 2540                   | Long-term loans (notes (b), (f), (k), 7 and 8)  | 13,433            | 2          | 23,292            | 3          |
| 1915   | Prepayments for equipment  | 453               | -          | 2,491             | -          | 2570                   | Deferred tax liabilities (note 6(n))  | 7,830             | 1          | 2,689             | -          |
| 1920   | Refundable deposits  | 17,910            | 2          | 21,744            | 3          | 2580                   | Non-current lease liabilities (notes 6(j) and 7)  | 17,295            | 2          | 42,090            | 5          |
|        | <b>Total non-current assets</b>  | <u>248,001</u>    | <u>31</u>  | <u>278,552</u>    | <u>36</u>  | 2670                   | Other non-current liabilities   | 4,018             | 1          | 4,513             | 1          |
|        |  |                   |            |                   |            |                        | <b>Total non-current liabilities</b>  | <u>151,416</u>    | <u>19</u>  | <u>72,584</u>     | <u>9</u>   |
|        |  |                   |            |                   |            |                        | <b>Total liabilities</b>  | <u>363,400</u>    | <u>46</u>  | <u>353,134</u>    | <u>45</u>  |
|        |  |                   |            |                   |            | 2xxx                   | <b>Total liabilities</b>  |                   |            |                   |            |
|        |  |                   |            |                   |            | 31xx                   | <b>Equity attributable to owners of the Company (notes 6(l), (o) and (p)):</b>              |                   |            |                   |            |
|        |  |                   |            |                   |            | 3110                   | Common stock  | 342,319           | 43         | 286,342           | 37         |
|        |  |                   |            |                   |            | 3200                   | Capital surplus   | 94,714            | 12         | 76,452            | 10         |
|        |  |                   |            |                   |            | 3300                   | Retained earnings:  |                   |            |                   |            |
|        |  |                   |            |                   |            | 3310                   | Legal reserve   | 84                | -          | 84                | -          |
|        |  |                   |            |                   |            | 3320                   | Special reserve   | 5,429             | 1          | 30,308            | 4          |
|        |  |                   |            |                   |            | 3350                   | Unappropriated retained earnings  | 15,156            | 2          | 31,232            | 4          |
|        |  |                   |            |                   |            |                        | Total retained earnings   | 20,669            | 3          | 61,624            | 8          |
|        |  |                   |            |                   |            | 3410                   | Exchange differences on translation of foreign financial statements                         | (30,080)          | (4)        | (5,429)           | (1)        |
|        |  |                   |            |                   |            |                        | <b>Total equity attributable to owners of the Company</b>                                   | <u>427,622</u>    | <u>54</u>  | <u>418,989</u>    | <u>54</u>  |
|        |  |                   |            |                   |            | 36xx                   | <b>Non-controlling interests</b>  | 3,563             | -          | 6,206             | 1          |
|        |  |                   |            |                   |            | 3xxx                   | <b>Total equity</b>   | <u>431,185</u>    | <u>54</u>  | <u>425,195</u>    | <u>55</u>  |
| 1xxx   | <b>Total assets</b>  | <u>\$ 794,585</u> | <u>100</u> | <u>778,329</u>    | <u>100</u> | 2-3xxx                 | <b>Total liabilities and equity</b>   | <u>\$ 794,585</u> | <u>100</u> | <u>778,329</u>    | <u>100</u> |

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, 2023 and 2022**

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

|      |   | 2023               |            | 2022          |          |
|------|---|--------------------|------------|---------------|----------|
|      |   | Amount             | %          | Amount        | %        |
| 4000 | <b>Operating revenue (note 6(r))</b>  | \$ 1,009,798       | 100        | 1,154,415     | 100      |
| 5000 | <b>Operating costs (notes 6(e), (f), (g), (j), (m), 7 and 12)</b>                       | 909,434            | 90         | 950,828       | 82       |
| 5900 | <b>Gross profit from operations</b>   | 100,364            | 10         | 203,587       | 18       |
| 6000 | <b>Operating expenses (notes 6(c), (f), (g), (h), (j), (m), (s), 7 and 12):</b>         |                    |            |               |          |
| 6100 | Selling expenses  | 54,226             | 5          | 93,300        | 8        |
| 6200 | Administrative expenses   | 60,926             | 6          | 62,793        | 6        |
| 6300 | Research and development expenses   | 10,664             | 1          | 7,416         | 1        |
| 6450 | Expected credit loss (reversal of expected credit loss)                                 | 188                | -          | (591)         | -        |
|      | <b>Total operating expenses</b>   | 126,004            | 12         | 162,918       | 15       |
| 6900 | <b>Operating income</b>   | (25,640)           | (2)        | 40,669        | 3        |
| 7000 | <b>Non-operating income and expenses (notes 6(b), (f), (g), (j), (l) and (t)):</b>      |                    |            |               |          |
| 7100 | Interest income   | 1,204              | -          | 524           | -        |
| 7010 | Other income  | 3,766              | -          | 31,202        | 3        |
| 7020 | Other gains and losses  | (2,288)            | -          | (12,964)      | (1)      |
| 7050 | Finance costs   | (10,279)           | (1)        | (11,187)      | (1)      |
|      | <b>Total non-operating income and expenses</b>  | (7,597)            | (1)        | 7,575         | 1        |
| 7900 | <b>Profit (loss) before tax</b>   | (33,237)           | (3)        | 48,244        | 4        |
| 7950 | <b>Less: Income tax expenses (benefit) (note 6(n))</b>                                  | (7,044)            | -          | 21,247        | 1        |
| 8200 | <b>Net profit (loss)</b>  | (26,193)           | (3)        | 26,997        | 3        |
| 8300 | <b>Other comprehensive income (loss):</b>   |                    |            |               |          |
| 8360 | <b>Item that may be reclassified subsequently to profit or loss</b>                     |                    |            |               |          |
| 8361 | Foreign currency translation difference for foreign operations                          | (24,875)           | (2)        | 28,827        | 2        |
| 8399 | Income tax relating to items that may be reclassified subsequently to profit or loss    | -                  | -          | -             | -        |
| 8300 | <b>Other comprehensive income (loss), net</b>   | (24,875)           | (2)        | 28,827        | 2        |
| 8500 | <b>Total comprehensive income (loss)</b>  | <b>\$ (51,068)</b> | <b>(5)</b> | <b>55,824</b> | <b>5</b> |
|      | <b>Net profit (loss), attributable to:</b>  |                    |            |               |          |
| 8610 | Owners of the Company   | \$ (23,774)        | (3)        | 31,232        | 3        |
| 8620 | Non-controlling interests   | (2,419)            | -          | (4,235)       | -        |
|      |   | <b>\$ (26,193)</b> | <b>(3)</b> | <b>26,997</b> | <b>3</b> |
|      | <b>Total comprehensive income (loss) attributable to:</b>                               |                    |            |               |          |
| 8710 | Owners of the Company   | \$ (48,425)        | (5)        | 59,098        | 5        |
| 8720 | Non-controlling interests   | (2,643)            | -          | (3,274)       | -        |
|      |   | <b>\$ (51,068)</b> | <b>(5)</b> | <b>55,824</b> | <b>5</b> |
|      | <b>Basic earnings (deficits) per share (expressed in New Taiwan dollars) (note (q))</b> |                    |            |               |          |
| 9750 | Basic earnings (deficits) per share   | <b>\$ (0.78)</b>   |            | <b>1.04</b>   |          |
| 9850 | Diluted earnings (deficits) per share   | <b>\$ (0.78)</b>   |            | <b>0.97</b>   |          |

See accompanying notes to consolidated financial statements.



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

**Consolidated Statements of Changes in Equity**  
**For the years ended December 31, 2023 and 2022**  
(Expressed in Thousands of New Taiwan Dollars)

**Equity attributable to owners of the parent company**

|  | Common stock      | Capital surplus | Legal reserve | Retained earnings |                                  | Total         | Exchange differences on translation of foreign financial statements | Total equity attributable to owners of the Company | Non-controlling interests | Total equity   |
|--|-------------------|-----------------|---------------|-------------------|----------------------------------|---------------|---|--|---------------------------|----------------|
|  |                   |                 |               | Special reserve   | Unappropriated retained earnings |               |   |  |                           |                |
| <b>Balance at January 1, 2022</b>                    | \$ 286,250        | 75,279          | 84            | 5,617             | 24,691                           | 30,392        | (33,295)  | 358,626  | 10,555                    | 369,181        |
| Appropriation and distribution of retained earnings: |                   |                 |               |                   |                                  |               |   |  |                           |                |
| Special reserve                                      | -                 | -               | -             | 24,691            | (24,691)                         | -             | -   | -  | -                         | -              |
| Net profit (loss) for the year                       | -                 | -               | -             | -                 | 31,232                           | 31,232        | -   | 31,232   | (4,235)                   | 26,997         |
| Other comprehensive income (loss) for the year       | -                 | -               | -             | -                 | -                                | -             | 27,866  | 27,866   | 961                       | 28,827         |
| Total comprehensive income (loss) for the year       | -                 | -               | -             | -                 | 31,232                           | 31,232        | 27,866  | 59,098   | (3,274)                   | 55,824         |
| Conversion of convertible bonds                      | 92                | 98              | -             | -                 | -                                | -             | -   | 190  | -                         | 190            |
| Changes in ownership interests in subsidiaries       | -                 | 1,075           | -             | -                 | -                                | -             | -   | 1,075  | (1,075)                   | -              |
| Balance at December 31, 2022                         | 286,342           | 76,452          | 84            | 30,308            | 31,232                           | 61,624        | (5,429)   | 418,989  | 6,206                     | 425,195        |
| Appropriation and distribution of retained earnings: |                   |                 |               |                   |                                  |               |   |  |                           |                |
| Reversal of special reserve                          | -                 | -               | -             | (24,879)          | 24,879                           | -             | -   | -  | -                         | -              |
| Cash dividends on ordinary share                     | -                 | -               | -             | -                 | (2,864)                          | (2,864)       | -   | (2,864)  | -                         | (2,864)        |
| Stock dividends on ordinary share                    | 14,317            | -               | -             | -                 | (14,317)                         | (14,317)      | -   | -  | -                         | -              |
| Equity component from convertible bonds issued       | -                 | 8,658           | -             | -                 | -                                | -             | -   | 8,658  | -                         | 8,658          |
| Net loss for the year                                | -                 | -               | -             | -                 | (23,774)                         | (23,774)      | -   | (23,774)   | (2,419)                   | (26,193)       |
| Other comprehensive income (loss) for the year       | -                 | -               | -             | -                 | -                                | -             | (24,651)  | (24,651)   | (224)                     | (24,875)       |
| Total comprehensive income (loss) for the year       | -                 | -               | -             | -                 | (23,774)                         | (23,774)      | (24,651)  | (48,425)   | (2,643)                   | (51,068)       |
| Capital increased by cash                            | 41,660            | 8,105           | -             | -                 | -                                | -             | -   | 49,765   | -                         | 49,765         |
| Share-based payment transactions                     | -                 | 1,499           | -             | -                 | -                                | -             | -   | 1,499  | -                         | 1,499          |
| <b>Balance at December 31, 2023</b>                  | <b>\$ 342,319</b> | <b>94,714</b>   | <b>84</b>     | <b>5,429</b>      | <b>15,156</b>                    | <b>20,669</b> | <b>(30,080)</b>   | <b>427,622</b>                                     | <b>3,563</b>              | <b>431,185</b> |

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Cash Flows  
For the years ended December 31, 2023 and 2022  
(Expressed in Thousands of New Taiwan Dollars)

|  | 2023              | 2022             |
|--|-------------------|------------------|
| <b>Cash flows from (used in) operating activities:</b>                           |                   |                  |
| Profit (loss) before income tax  | \$ (33,237)       | 48,244           |
| <b>Adjustments:</b>  |                   |                  |
| <b>Adjustments to reconcile profit:</b>  |                   |                  |
| Depreciation expense   | 36,185            | 36,257           |
| Amortization expense   | 24                | 44               |
| Expected credit loss (reversal of expected credit loss)                          | 188               | (591)            |
| Net loss on financial assets or liabilities at fair value through profit or loss | 8,136             | 12,807           |
| Interest expense   | 10,279            | 11,187           |
| Interest income  | (1,204)           | (524)            |
| Share-based payments transaction   | 1,499             | -                |
| Loss (gain) on disposal of property, plant and equipment                         | (130)             | 13               |
| Reclassification prepayments for equipment to expenses                           | 1,140             | -                |
| Gain on lease modifications  | (106)             | -                |
| <b>Total adjustments to reconcile profit</b>                                     | <b>56,011</b>     | <b>59,193</b>    |
| <b>Changes in operating assets and liabilities:</b>                              |                   |                  |
| <b>Changes in operating assets:</b>  |                   |                  |
| Financial assets at fair value through profit or loss                            | 602               | 472              |
| Accounts receivable  | (33,239)          | (12,166)         |
| Other receivables  | 375               | 998              |
| Inventories  | 33,734            | 109,693          |
| Prepayments  | (3,908)           | 5,958            |
| Other current assets   | 2,408             | (3,145)          |
| <b>Total changes in operating assets</b>   | <b>(28)</b>       | <b>101,810</b>   |
| <b>Changes in operating liabilities:</b>   |                   |                  |
| Financial liabilities at fair value through profit or loss                       | (6,729)           | (11,209)         |
| Contract liabilities   | (4,348)           | (5,648)          |
| Accounts payable   | 47,424            | (40,044)         |
| Accounts payable to related parties  | -                 | (21,596)         |
| Other payables   | 9,315             | (11,040)         |
| Other current liabilities  | 2,515             | (593)            |
| <b>Total changes in operating liabilities</b>                                    | <b>48,177</b>     | <b>(90,130)</b>  |
| <b>Total changes in operating assets and liabilities</b>                         | <b>48,149</b>     | <b>11,680</b>    |
| <b>Total adjustments</b>   | <b>104,160</b>    | <b>70,873</b>    |
| Cash inflow generated from operations  | 70,923            | 119,117          |
| Interest received  | 1,236             | 524              |
| Interest paid  | (6,714)           | (8,052)          |
| Income taxes paid  | (13,571)          | (18,620)         |
| <b>Net cash flows from operating activities</b>                                  | <b>51,874</b>     | <b>92,969</b>    |
| <b>Cash flows from (used in) investing activities:</b>                           |                   |                  |
| Acquisition of property, plant and equipment                                     | (11,253)          | (22,000)         |
| Proceeds from disposal of property, plant and equipment                          | 535               | 669              |
| Decrease (increase) in refundable deposits                                       | 3,834             | (4,374)          |
| Acquisition of intangible assets   | (124)             | -                |
| Decrease in other current financial assets                                       | -                 | 7,275            |
| Decrease in prepayments for equipment  | 828               | -                |
| <b>Net cash flows used in investing activities</b>                               | <b>(6,180)</b>    | <b>(18,430)</b>  |
| <b>Cash flows from (used in) financing activities:</b>                           |                   |                  |
| Increase (decrease) in short-term loans  | 5,733             | (71,881)         |
| Proceeds from issuance of convertible bonds                                      | 116,680           | -                |
| Repayments of bonds  | (119,889)         | (4,800)          |
| Proceeds from long-term loans  | 3,515             | 2,087            |
| Repayments of long-term loans  | (20,002)          | (25,843)         |
| Payment of lease liabilities   | (24,013)          | (22,768)         |
| Decrease in other non-current liabilities  | (495)             | (95)             |
| Cash dividends paid  | (2,864)           | -                |
| Capital increase by cash   | 49,765            | -                |
| <b>Net cash flows from (used in) financing activities</b>                        | <b>8,430</b>      | <b>(123,300)</b> |
| <b>Effect of exchange rate changes on cash and cash equivalents</b>              | <b>(17,330)</b>   | <b>22,314</b>    |
| <b>Net increase (decrease) in cash and cash equivalents</b>                      | <b>36,794</b>     | <b>(26,447)</b>  |
| <b>Cash and cash equivalents at beginning of period</b>                          | <b>172,927</b>    | <b>199,374</b>   |
| <b>Cash and cash equivalents at end of period</b>                                | <b>\$ 209,721</b> | <b>172,927</b>   |

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, 2023 and 2022**

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

**(1) Company history**

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

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

The consolidated financial statements were authorized for issue by the Board of Directors on March 15, 2024.

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

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

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2023:

- Amendments to IAS 1 "Disclosure of Accounting Policies"
- Amendments to IAS 8 "Definition of Accounting Estimates"
- Amendments to IAS 12 "Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction"

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from May 23, 2023:

- Amendments to IAS 12 "International Tax Reforms - Pillar Two Model Rules"

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

The group assessed that the adoption of the following new amendments, effective for the annual period beginning on January 1, 2024, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"
- Amendments to IAS 1 "Non-current Liabilities with Contractual Maturities"
- Amendments to IAS 7 and IFRS 7 "Supplier Financing Arrangements"

(Continued)

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

- Amendments to IFRS 16 “Lease Liabilities in Sale and Leaseback Transactions”

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

The Group does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts” and Amendments to IFRS 17
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information “
- Amendments to IAS 21 “Lack of Exchangeability”

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

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

- (a) Statement of compliance

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

- (b) Basis of preparation

- (i) Basis of measurement

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

- (ii) Functional and presentation currency

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

- (c) Basis of consolidation

- (i) Principles of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and its subsidiaries.

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

(Continued)

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

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

(ii) List of subsidiaries in the consolidated financial statements

| Name of investor | Name of subsidiary                 | Principal activity   | Shareholding      |                   | Note |
|------------------|------------------------------------|--|-------------------|-------------------|------|
|                  |                                    |  | December 31, 2023 | December 31, 2022 |      |
| The Company      | Techcential Sdn. Bhd. (TC)         | Furniture manufacturing and sales                                    | 100.00%           | 100.00%           |      |
| The Company      | TC Home Sdn. Bhd. (TCH)            | Furniture manufacturing and sales                                    | 100.00%           | 100.00%           |      |
| The Company      | EHL Cabinetry Sdn. Bhd. (EHL)      | Kitchen cabinet manufacturing and sales                              | 89.20%            | 89.20%            |      |
| TC               | ESK Biomass Sdn. Bhd. (ESKB)       | Wood pellet manufacturing and sales, leasing machinery and equipment | 100.00%           | 100.00%           |      |
| TCH              | TC Home Corporation (TCH(US))      | Management Consultant  | 100.00%           | 100.00%           |      |
| ESKB             | ESK Wood Products Sdn. Bhd. (ESKW) | Rubber Wood processing and sales                                     | 100.00%           | 100.00%           |      |

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

(d) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into 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 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 the acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

(Continued)

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

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 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 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.

(Continued)

## TEHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(g) Financial instruments

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

(i) Financial assets

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

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

1) Financial assets measured at amortized cost

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

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

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

2) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost described above (e.g., held for trading and fair value through profit or loss financial assets managed and evaluated on a fair value basis) are measured at FVTPL, including derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset, that meets the requirements to be measured at amortized cost or fair value through other comprehensive income (FVOCI), as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

3) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, financial assets at amortized costs, accounts receivable, other receivables, other financial assets and refundable deposits).

(Continued)

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

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

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

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

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

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

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

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

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

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

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

(Continued)



## TECHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Group individually assesses for 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 to comply with the Group's procedures for recovery of amounts due.

#### 4) Derecognition of financial assets

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

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

#### (ii) Financial liabilities and equity instruments

##### 1) Classification of debt or equity

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

##### 2) Equity instrument

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

##### 3) Compound financial instruments

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

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

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

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

(Continued)

## TECHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

#### 4) Financial liabilities

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

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

#### 5) Derecognition of financial liabilities

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

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

#### 6) Offsetting of financial assets and liabilities

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

#### (iii) Derivative financial instruments

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

Derivatives are initially measured at fair value. After 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. When there's fixed production expense being unallocated due to low production capacity and idle equipment, it should be recognized as the cost of goods sold during the period that it occurs.

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

(Continued)

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

(i) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent cost

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

(iii) Depreciation

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

Land is not depreciated.

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

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

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

(j) Lease

At the 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.

(i) 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.

(Continued)

## TEHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

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

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

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

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

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

(Continued)

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

As a practical expedient, the Group elects not to assess whether all rent concessions that meet all the following conditions are lease modifications or not:

- the rent concessions occurring as a direct consequence of the COVID-19 pandemic;
- the change in lease payments that resulted in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments that affects only those payments originally due on, or before, June 30, 2022; and
- there is no substantive change in other terms and conditions of the lease.

In accordance with the practical expedient, the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

(ii) As a lessor

For transactions where the Group acts as a lessor, the lease contracts are classified as either finance leases or operating leases based on whether substantially all risks and rewards incidental to the ownership of the leased asset are transferred to the lessee on the lease commencement date. If so, it is classified as a finance lease; otherwise, it is classified as an operating lease. In making this assessment, the Group considers specific indicators, including whether the lease term covers a major part of the economic life of the underlying asset.

(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.

(Continued)

**TECHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES****Notes to the Consolidated Financial Statements****(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 into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units (CGUs).

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

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

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

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

**(m) Recognition of Revenue**

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or 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. Therefore, the group does not adjust the time value of money in transaction prices.

**(n) Government grants and government assistance**

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

(Continued)

## TEHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(o) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

(ii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(p) 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.

The Group determines that interest or penalties related to income taxes (including uncertain tax treatments) do not meet the definition of income taxes. Therefore, they are accounted for in accordance with IAS 37.

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 is 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 (1) affects neither accounting nor taxable profits (losses) at the time of the transaction; (2) do not incur equal temporary differences that are taxable or deductible.
- (ii) Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group can control the timing of the reversal of the temporary differences and, probably, they will not reverse in the foreseeable future; and
- (iii) Taxable temporary differences arising on the initial recognition of goodwill.

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

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

(Continued)

## TEHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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 that 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.

(q) 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.

(r) Earnings per share

The Group discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. The basic earnings per share are calculated as the profit attributable to the ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding. The new issuance of shares due to capitalization of earnings or capital surplus is adjusted retrospectively. The adjustment is also made retrospectively when the date of capitalization of earnings or capital surplus falls before the issuance date of the financial statement. The diluted earnings per share are calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, such as convertible bonds and employee compensation.

(s) Operating segment

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

(Continued)



## TECHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

**(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 a significant effect on the amounts recognized in the consolidated financial statements.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows:

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

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

(a) Cash and cash equivalents

|                              | <b>December 31,<br/>2023</b> | <b>December 31,<br/>2022</b> |
|------------------------------|------------------------------|------------------------------|
| Cash                         | \$ 508                       | 509                          |
| Demand and checking deposits | 209,213                      | 172,418                      |
| Cash and cash equivalents    | <b>\$ 209,721</b>            | <b>172,927</b>               |

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

(b) Financial assets and liabilities

(i) Financial assets at fair value through profit or loss – current and non-current

The Group uses derivative financial instruments to hedge certain foreign exchange risks 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, 2023 and 2022.

(Continued)

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

Foreign currency options contracts:

|                                 | <b>December 31, 2023</b>     |                 |                       |  | <b>Fair value of assets</b> |
|---------------------------------|------------------------------|-----------------|-----------------------|--|-----------------------------|
|                                 | <b>Amount (in thousands)</b> | <b>Currency</b> | <b>Maturity dates</b> |  |                             |
| Foreign currency options bought | USD 1,100                    | USD to MYR      | 2024.1.10~2024.3.19   |  | <u><u>\$ 942</u></u>        |

Forward exchange contracts:

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

Details on derivative financial liability generated due to the issuance of convertible bonds by the Group were as follows:

|  | <b>December 31, 2023</b> | <b>December 31, 2022</b> |
|--|--------------------------|--------------------------|
| Derivate financial liability                   |                          |                          |
| Corporate bonds payable – call and put options | <u><u>\$ (1,572)</u></u> | <u><u>(1,641)</u></u>    |
| Current  | \$ -                     | (1,641)                  |
| Non-current                                    | (1,572)                  | -                        |
| Total  | <u><u>\$ (1,572)</u></u> | <u><u>(1,641)</u></u>    |

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

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

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

|                          | <b>December 31, 2023</b> | <b>December 31, 2022</b> |
|--------------------------|--------------------------|--------------------------|
| Restricted time deposits | <u><u>\$ 3,825</u></u>   | <u><u>3,969</u></u>      |

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

- 1) For credit risk, please refer to note 6(u).
- 2) As of December 31, 2023 and 2022, the financial assets at amortized costs of the Group had been pledged as collateral for its long-term and short-term borrowings. Please refer to note 8.

(Continued)

## TECHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(c) Accounts receivable

|                      | December 31,<br>2023 | December 31,<br>2022 |
|----------------------|----------------------|----------------------|
| Accounts receivable  | \$ 114,678           | 81,632               |
| Less: loss allowance | (4,305)              | (4,310)              |
|                      | <b>\$ 110,373</b>    | <b>77,322</b>        |

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables on December 31, 2023 and 2022. To measure the expected credit losses, accounts receivable has been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward-looking information, including macroeconomics and relevant industry information.

The Group's analyses on the expected credit loss of its accounts receivable from the operating segment of its furniture (bedding and kitchen cabinets included) manufacturing and sales, as of December 31, 2023 and 2022 were as follows:

|                    | December 31, 2023        |                                      |                             |
|--------------------|--------------------------|--------------------------------------|-----------------------------|
|                    | Gross carrying<br>amount | Weighted<br>average loss<br>rate (%) | Loss allowance<br>provision |
| Not yet due        | \$ 57,919                | 0.01                                 | 6                           |
| Past due 1~30 days | 8,140                    | 0.09                                 | 7                           |
| Over 91 days       | 984                      | 100                                  | 984                         |
|                    | <b>\$ 67,043</b>         |                                      | <b>997</b>                  |

The above accounts receivable amount does not include the total accounts receivable of \$20,300 thousand from a sales customer of the group. Due to the unstable assessment of the recovery situation, it is not included in the provision for expected credit losses of the group. A provision for losses has been made in the amount of \$452 thousand, and credit insurance has been obtained. The aforementioned accounts receivable of \$20,300 thousand were fully collected after the period, and the group assessed that there were no significant credit losses.

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

(Continued)

## TECHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

The Group's analyses on the expected credit loss of its accounts receivable from the operating segment of its rubber wood processing and sales, as of December 31, 2023 and 2022 were as follow:

|                       | <b>December 31, 2023</b>         |   |                                     |
|-----------------------|----------------------------------|---|-------------------------------------|
|                       | <b>Gross carrying<br/>amount</b> | <b>Weighted<br/>average loss<br/>rate (%)</b> | <b>Loss allowance<br/>provision</b> |
| Not yet due           | \$ 11,292                        | 0.18  | 20                                  |
| Past due 1~30 days    | 6,229                            | 0.48  | 30                                  |
| Past due 31~60 days   | 4,242                            | 1.23  | 52                                  |
| Past due 61~90 days   | 1,529                            | 2.88  | 44                                  |
| Past due 91~120 days  | 837                              | 4.66  | 39                                  |
| Past due 151~180 days | 225                              | 13.33   | 30                                  |
|                       | <b>\$ 24,354</b>                 |   | <b>215</b>                          |
|                       |                                  |   |                                     |
|                       | <b>December 31, 2022</b>         |   |                                     |
|                       | <b>Gross carrying<br/>amount</b> | <b>Weighted<br/>average loss<br/>rate (%)</b> | <b>Loss allowance<br/>provision</b> |
| Not yet due           | \$ 4,088                         | 0.22  | 9                                   |
| Past due 1~30 days    | 659                              | 0.60  | 4                                   |
| Past due 31~60 days   | 941                              | 1.52  | 14                                  |
| Past due 61~90 days   | 898                              | 3.59  | 32                                  |
| Past due 181~210 days | 341                              | 24.93   | 85                                  |
| Over 210 days         | 214                              | 100.00  | 214                                 |
|                       | <b>\$ 7,141</b>                  |   | <b>358</b>                          |

The Group's analyses on the expected credit loss of its accounts receivable from the operating segment of its wood pellet manufacturing and sales, as of December 31, 2023 and 2022 were as follow:

|                     | <b>December 31, 2023</b>         |   |                                     |
|---------------------|----------------------------------|---|-------------------------------------|
|                     | <b>Gross carrying<br/>amount</b> | <b>Weighted<br/>average loss<br/>rate (%)</b> | <b>Loss allowance<br/>provision</b> |
| Not yet due         | \$ 103                           | 1.94  | 2                                   |
| Past due 1~30 days  | 131                              | 4.58  | 6                                   |
| Past due 31~60 days | 121                              | 5.79  | 7                                   |
| Over 365 days       | 2,626                            | 100.00  | 2,626                               |
|                     | <b>\$ 2,981</b>                  |   | <b>2,641</b>                        |
|                     |                                  |   |                                     |
|                     | <b>December 31, 2022</b>         |   |                                     |
|                     | <b>Gross carrying<br/>amount</b> | <b>Weighted<br/>average loss<br/>rate (%)</b> | <b>Loss allowance<br/>provision</b> |
| Over 91 days        | \$ 2,774                         | 100.00  | 2,774                               |

(Continued)

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

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

|  | <u>2023</u>            | <u>2022</u>         |
|--|------------------------|---------------------|
| Balance as of January 1                      | \$ 4,310               | 4,667               |
| Impairment losses recognized (reversal gain) | 188                    | (591)               |
| Foreign exchange gain (loss)                 | (193)                  | 234                 |
| Balance as of December 31                    | <u><b>\$ 4,305</b></u> | <u><b>4,310</b></u> |

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

(d) Other receivables

|                   | <u>December 31,<br/>2023</u> | <u>December 31,<br/>2022</u> |
|-------------------|------------------------------|------------------------------|
| Other receivables | <u><b>\$ 93</b></u>          | <u><b>500</b></u>            |

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

(e) Inventories

|                     | <u>December 31, 2023</u> |                               |                                  |
|---------------------|--------------------------|-------------------------------|----------------------------------|
|                     | <u>Cost</u>              | <u>Allowance for<br/>loss</u> | <u>Net receivables<br/>value</u> |
| Raw materials       | \$ 79,859                | 7,745                         | 72,114                           |
| Work in process     | 52,802                   | 2,016                         | 50,786                           |
| Semi-finished goods | 29,320                   | 11,405                        | 17,915                           |
| Finished goods      | 63,054                   | 12,420                        | 50,634                           |
|                     | <u><b>\$ 225,035</b></u> | <u><b>33,586</b></u>          | <u><b>191,449</b></u>            |
|                     | <u>December 31, 2022</u> |                               |                                  |
|                     | <u>Cost</u>              | <u>Allowance for<br/>loss</u> | <u>Net receivables<br/>value</u> |
| Raw materials       | \$ 63,323                | 10,789                        | 52,534                           |
| Work in process     | 26,452                   | 928                           | 25,524                           |
| Semi-finished goods | 70,074                   | 19,029                        | 51,045                           |
| Finished goods      | 113,436                  | 17,356                        | 96,080                           |
|                     | <u><b>\$ 273,285</b></u> | <u><b>48,102</b></u>          | <u><b>225,183</b></u>            |

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

|                                     | <u>2023</u>             | <u>2022</u>          |
|-------------------------------------|-------------------------|----------------------|
| Balance as of January 1             | \$ 48,102               | 23,420               |
| Losses recognized (reversal gain)   | (12,658)                | 22,609               |
| Foreign currency translation effect | (1,858)                 | 2,073                |
| Balance as of December 31           | <u><b>\$ 33,586</b></u> | <u><b>48,102</b></u> |

(Continued)

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

For the years ended December 31, 2023 and 2022, in addition to the costs of goods sold, the following loss and revenue were included in the Group's operating costs:

|   | <u>2023</u>       | <u>2022</u>   |
|---|-------------------|---------------|
| Provision for inventory devaluation and obsolescence<br>(reversal gain) | \$ (12,658)       | 22,609        |
| Revenue from sale of scraps   | (492)             | (609)         |
| Loss on inventory write-off   | 2,654             | 68            |
| Unallocated manufacturing costs   | 2,821             | 5,217         |
| Physical count variance   | 491               | 29            |
|   | <u>\$ (7,184)</u> | <u>27,314</u> |

As of December 31, 2023 and 2022, 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, 2023 and 2022, were as follows:

|                                     | <u>Land</u>      | <u>Buildings<br/>and<br/>construction</u> | <u>Machinery and<br/>equipment</u> | <u>Transportation<br/>Equipment</u> | <u>Office<br/>Equipment</u> | <u>Other<br/>equipment</u> | <u>Construction in<br/>progress and<br/>equipment<br/>to be inspected</u> | <u>Total</u>   |
|-------------------------------------|------------------|---|------------------------------------|-------------------------------------|-----------------------------|----------------------------|---|----------------|
| Cost or deemed cost:                |                  |   |                                    |                                     |                             |                            |   |                |
| Balance on January 1, 2023          | \$ 17,473        | 84,747                                    | 94,399                             | 34,817                              | 10,633                      | 21,441                     | 20,185  | 283,695        |
| Additions                           | -                | 5,748                                     | -                                  | 4,240                               | 1,183                       | 1,559                      | 1,094   | 13,824         |
| Disposal                            | -                | -   | (726)                              | (2,317)                             | (923)                       | (12)                       | -   | (3,978)        |
| Reclassification (note)             | -                | 12,846                                    | 9,648                              | 1,600                               | -                           | -                          | (19,485)  | 4,609          |
| Foreign currency translation effect | (766)            | (4,084)                                   | (4,315)                            | (1,596)                             | (471)                       | (970)                      | (521)   | (12,723)       |
| Balance at December 31, 2023        | <u>\$ 16,707</u> | <u>99,257</u>                             | <u>99,006</u>                      | <u>36,744</u>                       | <u>10,422</u>               | <u>22,018</u>              | <u>1,273</u>  | <u>285,427</u> |
| Balance at January 1, 2022          | \$ 16,566        | 79,539                                    | 81,177                             | 25,283                              | 10,066                      | 18,127                     | 7,949   | 238,707        |
| Additions                           | -                | 901                                       | 4,191                              | 60                                  | 316                         | 1,235                      | 11,402  | 18,105         |
| Disposal                            | -                | (74)                                      | (1,905)                            | (73)                                | (300)                       | -                          | -   | (2,352)        |
| Reclassification (note)             | -                | -   | 6,198                              | 7,888                               | -                           | 1,009                      | -   | 15,095         |
| Foreign currency translation effect | 907              | 4,381                                     | 4,738                              | 1,659                               | 551                         | 1,070                      | 834   | 14,140         |
| Balance at December 31, 2022        | <u>\$ 17,473</u> | <u>84,747</u>                             | <u>94,399</u>                      | <u>34,817</u>                       | <u>10,633</u>               | <u>21,441</u>              | <u>20,185</u>   | <u>283,695</u> |
| Depreciation and impairments loss:  |                  |   |                                    |                                     |                             |                            |   |                |
| Balance at January 1, 2023          | \$ -             | 40,796                                    | 50,933                             | 27,078                              | 9,422                       | 16,998                     | -   | 145,227        |
| Depreciation                        | -                | 2,431                                     | 6,207                              | 3,488                               | 949                         | 3,255                      | -   | 16,330         |
| Disposal                            | -                | -   | (332)                              | (2,317)                             | (916)                       | (8)                        | -   | (3,573)        |
| Reclassification (note)             | -                | -   | 984                                | 1,120                               | -                           | -                          | -   | 2,104          |
| Foreign currency translation effect | -                | (1,837)                                   | (2,369)                            | (1,232)                             | (414)                       | (809)                      | -   | (6,661)        |
| Balance at December 31, 2023        | <u>\$ -</u>      | <u>41,390</u>                             | <u>55,423</u>                      | <u>28,137</u>                       | <u>9,041</u>                | <u>19,436</u>              | <u>-</u>  | <u>153,427</u> |
| Balance at January 1, 2022          | \$ -             | 36,457                                    | 39,206                             | 15,598                              | 8,036                       | 11,445                     | -   | 110,742        |
| Depreciation                        | -                | 2,287                                     | 5,850                              | 2,946                               | 1,158                       | 3,751                      | -   | 15,992         |
| Disposal                            | -                | (22)                                      | (1,382)                            | (23)                                | (243)                       | -                          | -   | (1,670)        |
| Reclassification (note)             | -                | -   | 4,790                              | 7,344                               | -                           | 1,009                      | -   | 13,143         |
| Foreign currency translation effect | -                | 2,074                                     | 2,469                              | 1,213                               | 471                         | 793                        | -   | 7,020          |
| Balance at December 31, 2022        | <u>\$ -</u>      | <u>40,796</u>                             | <u>50,933</u>                      | <u>27,078</u>                       | <u>9,422</u>                | <u>16,998</u>              | <u>-</u>  | <u>145,227</u> |
| Carrying amounts:                   |                  |   |                                    |                                     |                             |                            |   |                |
| Balance at December 31, 2023        | <u>\$ 16,707</u> | <u>57,867</u>                             | <u>43,583</u>                      | <u>8,607</u>                        | <u>1,381</u>                | <u>2,582</u>               | <u>1,273</u>  | <u>132,000</u> |
| Balance at December 31, 2022        | <u>\$ 17,473</u> | <u>43,951</u>                             | <u>43,466</u>                      | <u>7,739</u>                        | <u>1,211</u>                | <u>4,443</u>               | <u>20,185</u>   | <u>138,468</u> |

Note: Transferred from right-of-use assets.

There were no significant impairment charges or reversals for the group's property, plant, and equipment as of December 31, 2023 and 2022.

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

(Continued)

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

(g) Right-of-use assets

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

|   | <u>Land</u>   | <u>Buildings</u> | <u>Machinery<br/>and<br/>equipment</u> | <u>Transportation<br/>Equipment</u> | <u>Other<br/>equipment</u> | <u>Total</u>   |
|---|---------------|------------------|--|-------------------------------------|----------------------------|----------------|
| Cost:   |               |                  |  |                                     |                            |                |
| Balance at January 1, 2023                      | \$ 140        | 62,301           | 66,530                                 | 4,011                               | -                          | 132,982        |
| Additions                                       | -             | 5,993            | -                                      | -                                   | -                          | 5,993          |
| Disposals (end of contract)                     | -             | (12,573)         | -                                      | -                                   | -                          | (12,573)       |
| Reclassified to property, plant and equipment   | -             | -                | (3,009)                                | (1,600)                             | -                          | (4,609)        |
| Foreign currency translation effect             | (6)           | (2,602)          | (2,857)                                | (144)                               | -                          | (5,609)        |
| Balance at December 31, 2023                    | <b>\$ 134</b> | <b>53,119</b>    | <b>60,664</b>                          | <b>2,267</b>                        | <b>-</b>                   | <b>116,184</b> |
| Balance at January 1, 2022                      | \$ 134        | 36,194           | 69,161                                 | 11,543                              | 990                        | 118,022        |
| Additions                                       | 135           | 23,538           | -                                      | -                                   | -                          | 23,673         |
| Disposals (end of contract)                     | (136)         | (227)            | -                                      | -                                   | -                          | (363)          |
| Reclassified to property, plant and equipment   | -             | -                | (6,198)                                | (7,888)                             | (1,009)                    | (15,095)       |
| Foreign currency translation effect             | 7             | 2,796            | 3,567                                  | 356                                 | 19                         | 6,745          |
| Balance at December 31, 2022                    | <b>\$ 140</b> | <b>62,301</b>    | <b>66,530</b>                          | <b>4,011</b>                        | <b>-</b>                   | <b>132,982</b> |
| Accumulated depreciation and impairment losses: |               |                  |  |                                     |                            |                |
| Balance at January 1, 2023                      | \$ 16         | 30,102           | 18,513                                 | 2,513                               | -                          | 51,144         |
| Depreciation                                    | 46            | 13,038           | 6,175                                  | 596                                 | -                          | 19,855         |
| Reclassified to property, plant and equipment   | -             | -                | (984)                                  | (1,120)                             | -                          | (2,104)        |
| Disposals (end of contract)                     | -             | (6,339)          | -                                      | -                                   | -                          | (6,339)        |
| Foreign currency translation effect             | (2)           | (1,452)          | (914)                                  | (100)                               | -                          | (2,468)        |
| Balance at December 31, 2023                    | <b>\$ 60</b>  | <b>35,349</b>    | <b>22,790</b>                          | <b>1,889</b>                        | <b>-</b>                   | <b>60,088</b>  |
| Balance at January 1, 2022                      | \$ 104        | 16,253           | 15,931                                 | 8,580                               | 990                        | 41,858         |
| Depreciation                                    | 45            | 12,749           | 6,442                                  | 1,029                               | -                          | 20,265         |
| Disposals (end of contract)                     | (136)         | (227)            | -                                      | -                                   | -                          | (363)          |
| Reclassified to property, plant and equipment   | -             | -                | (4,790)                                | (7,344)                             | (1,009)                    | (13,143)       |
| Foreign currency translation effect             | 3             | 1,327            | 930                                    | 248                                 | 19                         | 2,527          |
| Balance at December 31, 2022                    | <b>\$ 16</b>  | <b>30,102</b>    | <b>18,513</b>                          | <b>2,513</b>                        | <b>-</b>                   | <b>51,144</b>  |
| Carrying amount:                                |               |                  |  |                                     |                            |                |
| Balance at December 31, 2023                    | <b>\$ 74</b>  | <b>17,770</b>    | <b>37,874</b>                          | <b>378</b>                          | <b>-</b>                   | <b>56,096</b>  |
| Balance at December 31, 2022                    | <b>\$ 124</b> | <b>32,199</b>    | <b>48,017</b>                          | <b>1,498</b>                        | <b>-</b>                   | <b>81,838</b>  |

(Continued)

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

(h) Intangible assets

The cost, amortization and impairment of the intangible assets of the Group for the years ended December 31, 2023 and 2022, were as follows:

|                                     | <b>Computers and<br/>Software</b> |
|-------------------------------------|-----------------------------------|
| Cost:                               |                                   |
| Balance at January 1, 2023          | \$ 701                            |
| Additions                           | 124                               |
| Disposals                           | (49)                              |
| Foreign currency translation effect | (32)                              |
| Balance at December 31, 2023        | <b><u>\$ 744</u></b>              |
| Balance at January 1, 2022          | \$ 665                            |
| Foreign currency translation effect | 36                                |
| Balance at December 31, 2022        | <b><u>\$ 701</u></b>              |
| Amortization:                       |                                   |
| Balance at January 1, 2023          | \$ 701                            |
| Amortization                        | 24                                |
| Disposals                           | (49)                              |
| Foreign currency translation effect | (30)                              |
| Balance at December 31, 2023        | <b><u>\$ 646</u></b>              |
| Balance at January 1, 2022          | \$ 622                            |
| Amortization                        | 44                                |
| Foreign currency translation effect | 35                                |
| Balance at December 31, 2022        | <b><u>\$ 701</u></b>              |
| Carrying amount:                    |                                   |
| Balance at December 31, 2023        | <b><u>\$ 98</u></b>               |
| Balance at December 31, 2022        | <b><u>\$ -</u></b>                |

(i) Short-term loans

|                    | <b>December 31,<br/>2023</b> | <b>December 31,<br/>2022</b> |
|--------------------|------------------------------|------------------------------|
| Secured bank loans | <b><u>\$ 48,366</u></b>      | <b><u>42,633</u></b>         |
| Unused credit line | <b><u>\$ 63,148</u></b>      | <b><u>246,516</u></b>        |
| Interest rate (%)  | <b><u>3.92~4.09</u></b>      | <b><u>3.67~5.80</u></b>      |

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

(Continued)



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

(j) Lease liabilities

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

|             | <u>December 31,</u><br><u>2023</u> | <u>December 31,</u><br><u>2022</u> |
|-------------|------------------------------------|------------------------------------|
| Current     | \$ 23,766                          | 25,825                             |
| Non-current | 17,295                             | 42,090                             |
| Total       | <u>\$ 41,061</u>                   | <u>67,915</u>                      |

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

The amounts recognized in profit or loss were as follows:

|  | <u>2023</u>     | <u>2022</u>  |
|--|-----------------|--------------|
| Interest on lease liabilities          | <u>\$ 3,054</u> | <u>3,933</u> |
| Expenses relating to short-term leases | <u>\$ 372</u>   | <u>1,052</u> |

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

|  | <u>2023</u>        | <u>2022</u>     |
|--|--------------------|-----------------|
| Total cash flows from operating activities | \$ (3,426)         | (4,985)         |
| Total cash flows from investing activities | (24,013)           | (22,768)        |
| Total cash outflow for leases              | <u>\$ (27,439)</u> | <u>(27,753)</u> |

(i) Real estate leases

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

(ii) Other leases

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

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

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

(Continued)

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

## (k) Long-term loans

The details were as follows:

| <b>December 31, 2023</b>                    |                 |                              |                      |                  |
|---|-----------------|------------------------------|----------------------|------------------|
|   | <b>Currency</b> | <b>Interest<br/>rate (%)</b> | <b>Maturity date</b> | <b>Amount</b>    |
| Secured loans                               | MYR             | 2.46~6.56                    | 2026.2.15~2029.2.1   | \$ 16,307        |
| Secured loans from lease<br>finance company | MYR             | 3.60                         | 2026.9.2             | 2,047            |
| Secured loans from lease<br>finance company | USD             | 4.73~5.46                    | 2024.5.25            | 7,386            |
| Subtotal                                    |                 |                              |                      | 25,740           |
| Less: current portion                       |                 |                              |                      | 12,307           |
| Total                                       |                 |                              |                      | <b>\$ 13,433</b> |
| Unused credit line                          |                 |                              |                      | <b>\$ -</b>      |

| <b>December 31, 2022</b>                    |                 |                              |                      |                  |
|---|-----------------|------------------------------|----------------------|------------------|
|   | <b>Currency</b> | <b>Interest<br/>rate (%)</b> | <b>Maturity date</b> | <b>Amount</b>    |
| Secured loans                               | MYR             | 3.20~6.48                    | 2023.2.1~2029.2.1    | \$ 17,146        |
| Secured loans from lease<br>finance company | MYR             | 3.60                         | 2026.9.2             | 2,827            |
| Secured loans from lease<br>finance company | USD             | 3.04                         | 2024.5.25            | 22,906           |
| Subtotal                                    |                 |                              |                      | 42,879           |
| Less: current portion                       |                 |                              |                      | 19,587           |
| Total                                       |                 |                              |                      | <b>\$ 23,292</b> |
| Unused credit line                          |                 |                              |                      | <b>\$ -</b>      |

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

(Continued)

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

## (1) Corporate bonds payable

|  | <b>December 31, 2023</b>                         |  |                |
|--|--|--|----------------|
|  | <b>Second<br/>unsecured<br/>convertible bond</b> | <b>Third<br/>unsecured<br/>convertible<br/>bond</b>  | <b>Total</b>   |
| Total amount of convertible bonds                    | \$ 120,000                                       | 120,000  | 240,000        |
| Less: Discount on convertible bond issuance          | 6,127  | 10,416   | 16,543         |
| Underwriting expense                                 | 3,212  | 3,032  | 6,244          |
| Discounted present value of bond payable when issued | 110,661  | 106,552  | 217,213        |
| Cumulative amortization of discount on bonds payable | 6,136  | 716  | 6,852          |
| Reversal of discount upon exercising put option      | 3,178  | -  | 3,178          |
| Less: Cumulative amount of put option exercised      | 118,700  | -  | 118,700        |
| Cumulative converted amount                          | 200  | -  | 200            |
| Ending balance of bonds payable                      | <b>\$ 1,075</b>                                  | <b>107,268</b>                                       | <b>108,343</b> |
|  | <b>December 31, 2022</b>                         |  |                |
|  | <b>First unsecured<br/>convertible bond</b>      | <b>Second<br/>unsecured<br/>convertible<br/>bond</b> | <b>Total</b>   |
| Total amount of convertible bonds                    | \$ 202,000                                       | 120,000  | 322,000        |
| Less: Discount on convertible bond issuance          | 9,660  | 6,127  | 15,787         |
| Underwriting expense                                 | 5,126  | 3,212  | 8,338          |
| Discounted present value of bond payable when issued | 187,214  | 110,661  | 297,875        |
| Cumulative amortization of discount on bonds payable | 9,814  | 3,451  | 13,265         |
| Reversal of discount upon exercising put option      | 4,924  | 12   | 4,936          |
| Less: Cumulative amount of put option exercised      | 197,152  | -  | 197,152        |
| Cumulative converted amount                          | -  | 200  | 200            |
| Cumulative redeemed amount                           | 4,800  | -  | 4,800          |
| Ending balance of bonds payable                      | <b>\$ -</b>                                      | <b>113,924</b>                                       | <b>113,924</b> |

(Continued)

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

On July 26, 2023 (ex-dividend date), the conversion price of the second unsecured convertible bonds of the Group was \$20.60 per share.

The Company issued its second unsecured convertible bond amounting to \$121,578 thousand on November 11, 2021, with the approval of the FSC on its application on October 18, 2021. The Group issued its convertible bonds in accordance with IAS 39, which requires the Company to recognize the liability and equity components of convertible bonds separately as follows:

|  | <b>Second<br/>unsecured<br/>convertible bond</b> |
|--|--|
| Discounted present value under effective interest rate method          | \$ 113,873                                       |
| Embedded derivative financial instruments (put option and call option) | 613  |
| Equity component (conversion option)                                   | <u>7,092</u>                                     |
|  | <b><u>\$ 121,578</u></b>                         |

The Company issued its third unsecured convertible bond amounting to \$120,000 thousand on September 20, 2023, with the approval of the FSC on its application on August 28, 2023. The Group issued its convertible bonds in accordance with regulations, which require the Company to recognize the liability and equity components of convertible bonds separately as follows:

|  | <b>Third unsecured<br/>convertible bond</b> |
|--|---|
| Discounted present value using the effective interest rate method      | \$ 109,584                                  |
| Embedded derivative financial instruments (put option and call option) | 1,512                                       |
| Equity component (conversion option)                                   | <u>8,904</u>                                |
|  | <b><u>\$ 120,000</u></b>                    |

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

Second unsecured convertible bonds

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

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

- 4) Conversion period:

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

(Continued)

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

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

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

6) Bondholders' put option:

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

7) Conversion price and adjustment:

The conversion price at the issuance date was \$22.80 (dollars) per share. If there is any increase in the Company's common stock (including but not limited to cash injection by public offering or private offering, capital increase from retained earnings or capital surplus, issuance of new shares for consolidation purposes or as the consideration payable by the Company for its acquisition of another company's shares, stock split, or cash injection by participating in the issuance of overseas depository receipts) except for increases in shares from conversion of securities in which a stock conversion right or stock warrant was embedded or from issuance of new shares as employees' bonus, the Company shall calculate and adjust the conversion price based on the formula stated in the conversion arrangement before publishing an announcement through the TPEX. The adjustment shall be made at the ex-rights date when issuing new shares. However, the adjustment will be made at the date when the new share subscriptions are fully collected if the issuance of new shares involves share subscription collection. If the issue price of new shares changes after the ex-rights date for issuing new shares, the conversion price should be adjusted based on the revised issue price by using the formula stated in the conversion arrangement. If such a 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.

Third unsecured convertible bonds

- 1) Coupon rate: 0%
- 2) Issue period: 5 years (September 20, 2023 to September 20, 2028)
- 3) Repayment term:

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

(Continued)

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

## 4) Conversion period:

Beginning from three months after the issuance date (December 21, 2023) until maturity (September 20, 2028), the bondholders may convert the bonds into common stock according to the conversion arrangement.

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

Beginning from three months after the issuance date (December 21, 2023) until 40 days before maturity (August 12, 2028), 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 (September 20, 2026 and September 20, 2027), with an exercise price of 101.51% and 102.02% (which is 0.5% annual yield rate of the put option) of the face value of the bonds. Upon receiving the sell-back request, the Company shall pay the amount to the bondholders by cheque or electronic transfer within 5 working days of the put date.

## 7) Conversion price and adjustment:

The conversion price at the issuance date was \$14.80 (dollars) per share. If there is any increase in the Company's common stock (including but not limited to cash injection by public offering or private offering, capital increase from retained earnings or capital surplus, issuance of new shares for consolidation purposes or as the consideration payable by the Company for its acquisition of another company's shares, stock split, or cash injection by participating in the issuance of overseas depository receipts) except for increases in shares from conversion of securities in which a stock conversion right or stock warrant was embedded or from issuance of new shares as employees' bonus, the Company shall calculate and adjust the conversion price based on the formula stated in the conversion arrangement before publishing an announcement through the TPEX. The adjustment shall be made at the ex-rights date when issuing new shares. However, the adjustment will be made at the date when the new share subscriptions are fully collected if the issuance of new shares involves share subscription collection. If the issue price of new shares changes after the ex-rights date for issuing new shares, the conversion price should be adjusted based on the revised issue price by using the formula stated in the conversion arrangement. If such recalculated conversion price is lower than that announced to the public through the TPEX before the ex-rights date for issuing new shares, the Company should re-announce the adjustment of the conversion price through the TPEX.

(Continued)

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

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

|                              | 2023                              |                                  |              | 2022                              |       |
|------------------------------|-----------------------------------|----------------------------------|--------------|-----------------------------------|-------|
|                              | Second unsecured convertible bond | Third unsecured convertible bond | Total        | Second unsecured convertible bond | Total |
| Balance as of January 1      | \$ 1,641                          | -                                | 1,641        | 864                               |       |
| Add: Addition in this period | -                                 | 1,512                            | 1,512        | -                                 |       |
| Add: Valuation loss          | 2,741                             | 102                              | 2,816        | 779                               |       |
| Less: Underwriting Expenses  | -                                 | (42)                             | (42)         | -                                 |       |
| Less: Put option exercised   | (4,355)                           | -                                | (4,355)      | -                                 |       |
| Less: Conversion             | -                                 | -                                | -            | (2)                               |       |
| Balance as of December 31    | <u>\$ -</u>                       | <u>1,572</u>                     | <u>1,572</u> | <u>1,641</u>                      |       |

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

|                              | 2023                              |                                  |              | 2022                             |                                   |              |
|------------------------------|-----------------------------------|----------------------------------|--------------|----------------------------------|-----------------------------------|--------------|
|                              | Second unsecured convertible bond | Third unsecured convertible bond | Total        | First unsecured convertible bond | Second unsecured convertible bond | Total        |
| Balance as of January 1      | \$ 6,881                          | -                                | 6,881        | 214                              | 6,892                             | 7,106        |
| Add: Addition in this period | -                                 | 8,904                            | 8,904        | -                                | -                                 | -            |
| Less: Underwriting Expenses  | -                                 | (246)                            | (246)        | -                                | -                                 | -            |
| Less: Conversion             | -                                 | -                                | -            | -                                | (11)                              | (11)         |
| Less: Put option exercised   | (6,818)                           | -                                | (6,818)      | -                                | -                                 | -            |
| Less: Redemption             | -                                 | -                                | -            | (214)                            | -                                 | (214)        |
| Balance as of December 31    | <u>\$ 63</u>                      | <u>8,658</u>                     | <u>8,721</u> | <u>-</u>                         | <u>6,881</u>                      | <u>6,881</u> |

The second unsecured convertible bondholders are entitled to exercise the put option and request the Group to pay the full amount at the agreed price beginning from the second anniversary after the issuance date (November 11, 2023). The Group reclassified the above convertible bonds to current liabilities on December 31, 2022.

(m) Employee benefits

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

(Continued)

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

The pension expenses from defined contribution plans of 2023 and 2022, were paid to the subsidiaries' local government organizations, the details are as follows:

|                    | <u>2023</u>            | <u>2022</u>         |
|--------------------|------------------------|---------------------|
| Operating costs    | \$ 1,494               | 1,889               |
| Operating expenses | <u>4,693</u>           | <u>4,884</u>        |
|                    | <u><b>\$ 6,187</b></u> | <u><b>6,773</b></u> |

(n) Income taxes

(i) The components of income tax in the years 2023 and 2022 were as follows:

|   | <u>2023</u>              | <u>2022</u>          |
|---|--------------------------|----------------------|
| Current tax expense (benefit)                     |                          |                      |
| Current period                                    | \$ 1,004                 | 26,614               |
| Adjustment for prior periods                      | <u>(4,339)</u>           | <u>4,828</u>         |
|   | <u>(3,335)</u>           | <u>31,442</u>        |
| Deferred tax benefit                              |                          |                      |
| Origination and reversal of temporary differences | <u>(3,709)</u>           | <u>(10,195)</u>      |
| Income tax expense (benefit)                      | <u><b>\$ (7,044)</b></u> | <u><b>21,247</b></u> |

Reconciliation of income tax expense (benefit) and profit before tax for 2023 and 2022 was as follows:

|   | <u>2023</u>               | <u>2022</u>          |
|---|---------------------------|----------------------|
| Profit (loss) before income tax                                       | <u><b>\$ (33,237)</b></u> | <u><b>48,244</b></u> |
| Income tax calculated by a statutory tax rate applied by subsidiaries | \$ (3,594)                | 15,353               |
| Adjustment according to tax act                                       | 853                       | 745                  |
| Under (over) provision in prior periods                               | (4,339)                   | 4,828                |
| Current-year losses for which no deferred tax asset was recognized    | 36                        | 321                  |
| Total   | <u><b>\$ (7,044)</b></u>  | <u><b>21,247</b></u> |

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

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

|                                  | <u>December 31,<br/>2023</u> | <u>December 31,<br/>2022</u> |
|----------------------------------|------------------------------|------------------------------|
| Deductible temporary differences | \$ 25,200                    | 25,466                       |
| Tax losses                       | <u>7,830</u>                 | <u>8,643</u>                 |
|                                  | <u><b>\$ 33,030</b></u>      | <u><b>34,109</b></u>         |

(Continued)



## TECHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

According to Malaysia Finance Bill, which was released in November 2021, the net losses before 2018, as assessed by the tax authorities, are allowed to be offset against the taxable income before the income is taxed. The last deductible year is set for 2028. Starting in 2019, the net losses are to be offset against any future taxable income over a period of ten years for local tax purposes. Such items are not recognized as deferred tax assets since the Group is not likely to have sufficient taxable income in the future to utilize the temporary differences.

The Group's estimated unused loss carry-forwards up to December 31, 2023, were as follows:

| Year of loss | Unused amount          | Year of expiry |
|--------------|------------------------|----------------|
| ESKB:        |                        |                |
| 2019         | \$ 2,319               | 2029           |
| 2020         | 3,751                  | 2030           |
| 2021         | 1,380                  | 2031           |
| 2022         | 335                    | 2032           |
| EHL:         |                        |                |
| 2022         | 45                     | 2032           |
|              | <b><u>\$ 7,830</u></b> |                |

#### 2) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2023 and 2022 were as follows:

Deferred tax assets:

|  | Provision of<br>doubtful debts | Provision of<br>inventory<br>Obsolescence | Tax loss<br>carryforward | Property<br>Plant and<br>Equipment<br>useful life | Other               | Total                |
|--|--------------------------------|---|--------------------------|---|---------------------|----------------------|
| <b>Balance at January 1, 2023</b>      | \$ 369                         | 11,537                                    | 9,250                    | 5,918   | 2,968               | 30,042               |
| Recognized in profit or loss           | 48                             | (3,038)                                   | 4,225                    | 2,648   | 5,192               | 9,075                |
| Foreign currency translation<br>effect | (17)                           | (445)                                     | (490)                    | (312)   | (234)               | (1,498)              |
| <b>Balance at December 31, 2023</b>    | <b><u>\$ 400</u></b>           | <b><u>8,054</u></b>                       | <b><u>12,985</u></b>     | <b><u>8,254</u></b>                               | <b><u>7,926</u></b> | <b><u>37,619</u></b> |
| <b>Balance at January 1, 2022</b>      | \$ 530                         | 5,620                                     | 5,174                    | 3,128   | 2,626               | 17,078               |
| Recognized in profit or loss           | (183)                          | 5,419                                     | 3,665                    | 2,530   | 192                 | 11,623               |
| Foreign currency translation<br>effect | 22                             | 498                                       | 411                      | 260   | 150                 | 1,341                |
| <b>Balance at December 31, 2022</b>    | <b><u>\$ 369</u></b>           | <b><u>11,537</u></b>                      | <b><u>9,250</u></b>      | <b><u>5,918</u></b>                               | <b><u>2,968</u></b> | <b><u>30,042</u></b> |

(Continued)

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

Deferred tax liabilities:

|                                     | <b>Property Plant<br/>and Equipment<br/>useful life</b> | <b>Other</b>   | <b>Total</b>   |
|-------------------------------------|---|----------------|----------------|
| <b>Balance at January 1, 2023</b>   | \$ (1,173)  | (1,516)        | (2,689)        |
| Recognized in profit or loss        | (738)   | (4,628)        | (5,366)        |
| Foreign currency translation effect | 67  | 158            | 225            |
| <b>Balance at December 31, 2023</b> | <b>\$ (1,844)</b>                                       | <b>(5,986)</b> | <b>(7,830)</b> |
| <b>Balance at January 1, 2022</b>   | \$ (863)  | (284)          | (1,147)        |
| Recognized in profit or loss        | (252)   | (1,176)        | (1,428)        |
| Foreign currency translation effect | (58)  | (56)           | (114)          |
| <b>Balance at December 31, 2022</b> | <b>\$ (1,173)</b>                                       | <b>(1,516)</b> | <b>(2,689)</b> |

(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 returns 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's total income, deducted by costs, losses, tax expenses, and other non-taxable items as regulated in relevant tax regulations.
- b) The tax rate for both 2023 and 2022 was 24%. If the subsidiary meets the criteria, it would then be eligible for specific tax preferences.

2) United States

According to the Federal tax regulations and North Carolina tax regulations, the Federal tax rates for both 2023 and 2022 were 21%. The tax rate of North Carolina State for both years 2023 and 2022 was 2.5%.

The Group's subsidiaries have declared their income tax through the year 2022 to their local tax agencies.

(o) Share capital and other equity

As of December 31, 2023 and 2022, the total value of authorized ordinary shares each amounted to \$500,000 thousand, with a par value of \$10 per share; and the total ordinary shares issued were 34,232 thousand and 28,634 thousand, respectively. All payments have been received as of the reporting date.

(Continued)

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

Reconciliations of shares outstanding in 2023 and 2022 were as follows:

|                                     | Unit: thousand shares |               |
|-------------------------------------|-----------------------|---------------|
|                                     | <b>2023</b>           | <b>2022</b>   |
| Balance on January 1                | 28,634                | 28,625        |
| Issued for cash                     | 4,166                 | -             |
| Capitalization of retained earnings | 1,432                 | -             |
| Conversion of convertible bonds     | -                     | 9             |
| Balance at December 31              | <b>34,232</b>         | <b>28,634</b> |

(i) Issuance of ordinary shares

On July 21, 2012, the company passed the resolution of the board of directors to increase capital by issuing 4,166,000 new shares with a par value of \$10 per share at an issue price of \$12 per share in cash. The total proceeds amounted to \$49,992 thousand and the premium on the issuance of shares, after deducting the cost of \$227 thousand and share capital of \$41,660 thousand amounting to \$8,105 thousand was recorded as capital reserve.

On August 28, 2023, the Company received the approval letter with Ruling No.1120351441 from the Financial Supervisory Commission for this capital increase, with the base date set on October 1, 2023. All issued shares were paid up upon issuance and the relevant statutory registration procedures have since been completed.

A resolution was passed during the shareholders' meeting held on June 21, 2023 to issue 1,431,711 new shares through capitalization of retained earnings amounting to \$14,317 thousand, with the base date set on July 26, 2023.

(ii) Capital surplus

The balance of capital surplus was as follows:

|  | <b>December 31,<br/>2023</b> | <b>December 31,<br/>2022</b> |
|--|------------------------------|------------------------------|
| Premium on issuance of shares                    | \$ 62,609                    | 54,504                       |
| Recognition of changes in equity of subsidiaries | 3,196                        | 3,196                        |
| Share-based payment                              | 4,454                        | 2,955                        |
| Issuance of convertible bonds – stock option     | 8,721                        | 6,881                        |
| Stock option of convertible bonds – expired      | 15,734                       | 8,916                        |
|  | <b>\$ 94,714</b>             | <b>76,452</b>                |

(Continued)

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

(iii) Retained earnings

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

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

1) Special reserve

In accordance with the regulation issued by the FSC, the Company shall set aside a special reserve before earnings distribution, and equal to the net balance of other deductions in shareholders' equity in the current period from net income in the current period and prior to unappropriated retained earnings. The special reserve set aside based on the deductions in shareholders' equity that resulted from prior periods cannot be distributed to shareholders. The Company can distribute the special reserve with an amount not exceeding that of the reversal of such deductions.

2) Earnings distribution

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

On June 21, 2023, the shareholders' meeting resolved to appropriate the 2022 earnings.

These earnings were appropriated as follows:

|  | <b>2022</b>      |
|--|------------------|
| Dividends distributed to ordinary shareholders |                  |
| Cash   | \$ 2,864         |
| Shares   | 14,317           |
| Total  | <b>\$ 17,181</b> |

(Continued)

**TEHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

On March 15, 2024, the company proposed at the board meeting not to distribute dividends for the 2023.

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

(p) Share-based payment

The Group's share-based payment transaction for 2023 was as follows:

|                          |  |
|--------------------------|--|
|                          | <b>New shares reserved for employee subscription</b> |
|                          | <hr/>  |
| Grant date               | September 18, 2023                                   |
| Number of shares granted | 624,900  |
| Contract term (year)     | 0.1562   |
| Recipients               | All employees  |
| Vesting conditions       | Immediately vested                                   |

(i) Determining the fair value of instruments granted

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

|                             |  |
|-----------------------------|--|
|                             | <b>New shares reserved for employee subscription</b> |
|                             | <hr/>  |
| Fair value at grant date    | 2.40   |
| Exercise price              | 12.00  |
| Duration (years)            | 0.1562   |
| Expected dividend (%)       | -  |
| Risk-free interest rate (%) | 1.16   |

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

|                                    |                         |                  |
|------------------------------------|-------------------------|------------------|
|                                    | <b>2023</b>             |                  |
|                                    | <b>Weighted</b>         |                  |
|                                    | <b>average exercise</b> | <b>Number of</b> |
|                                    | <b>price</b>            | <b>options</b>   |
|                                    | <hr/>                   | <hr/>            |
| Outstanding at January 1           | \$ -                    | -                |
| Granted during the year (number)   | 12.00                   | 624,900          |
| Exercised during the year (number) | 12.00                   | <u>(624,900)</u> |
| Outstanding at December 31         | -                       | <u>-</u>         |
| Exercisable at December 31         | -                       | <u>-</u>         |

(Continued)

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

(iii) Employee expenses

The cash injection for share-based payment to the Group's employees resulted in the expense of \$1,499 thousand recognized in 2023.

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

(q) Earnings (deficits) per share

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

|   | <u>2023</u>        | <u>2022</u>   |
|---|--------------------|---------------|
| Basic earnings (deficits) per share:  |                    |               |
| Net profit (loss) attributable to owners of partner                               | <u>\$ (23,774)</u> | <u>31,232</u> |
| Weighted average number of common shares (thousand shares)                        | <u>30,625</u>      | <u>30,061</u> |
| Basic earnings (deficits) per share (New Taiwan dollars)                          | <u>\$ (0.78)</u>   | <u>1.04</u>   |
| Diluted earnings (deficits) per share:  |                    |               |
| Net profit (loss) attributable to owners of partner                               | \$ (23,774)        | 31,232        |
| Potential dilutive effect on common stock   |                    |               |
| Loss on remeasurements of embedded derivative instruments                         | -                  | 779           |
| Expected reduction in interest expense due to bond conversion                     | -                  | 3,097         |
| Net profit (loss) attributable to owners of a partner for calculating diluted EPS | <u>\$ (23,774)</u> | <u>35,108</u> |
| Weighted average number of common shares (thousand shares)                        | 30,625             | 30,061        |
| Potential dilutive effect on common stock   |                    |               |
| Influence of employee stock remuneration  | -                  | 236           |
| Conversion of convertible bonds   | -                  | 5,818         |
| Weighted-average number of common shares outstanding – diluted                    | <u>30,625</u>      | <u>36,115</u> |
| Diluted earnings (deficits) per share (New Taiwan dollars)                        | <u>\$ (0.78)</u>   | <u>0.97</u>   |

For the year ended December 31, 2023, the potential common shares outstanding were not disclosed as they had an anti-dilutive effect.

(Continued)

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

## (r) Revenue from contracts with customers

## (i) Disaggregation of revenue

|   | 2023              |                 |                 |                  | Total            |
|---|-------------------|-----------------|-----------------|------------------|------------------|
|   | Department<br>A   | Department<br>B | Department<br>C | Department<br>D  |                  |
| Primary geographical markets            |                   |                 |                 |                  |                  |
| United States                           | \$ 841,174        | 69,190          | -               | -                | 910,364          |
| Malaysia                                | 5,492             | 3,121           | 56,330          | 1,280            | 66,223           |
| China                                   | 16,631            | -               | -               | -                | 16,631           |
| Other                                   | 16,580            | -               | -               | -                | 16,580           |
|   | <b>\$ 879,877</b> | <b>72,311</b>   | <b>56,330</b>   | <b>1,280</b>     | <b>1,009,798</b> |
| Major products/services lines           |                   |                 |                 |                  |                  |
| Bedding manufacturing and sales         | \$ 883,070        | -               | -               | -                | 883,070          |
| Kitchen cabinet manufacturing and sales | -                 | 73,243          | -               | -                | 73,243           |
| Rubberwood processing and sales         | -                 | -               | 56,553          | -                | 56,553           |
| Rental income                           | -                 | -               | -               | 1,307            | 1,307            |
| Less: Sales returns and discount        | 3,193             | 932             | 223             | 27               | 4,321            |
| Net sales                               | <b>\$ 879,877</b> | <b>72,311</b>   | <b>56,330</b>   | <b>1,280</b>     | <b>1,009,798</b> |
| 2022                                    |                   |                 |                 |                  |                  |
|   | Department<br>A   | Department<br>B | Department<br>C | Total            |                  |
| Primary geographical markets            |                   |                 |                 |                  |                  |
| United States                           | \$ 756,742        | 254,229         | -               | 1,010,971        |                  |
| Malaysia                                | 17,942            | 9,713           | 54,905          | 82,560           |                  |
| Other                                   | 60,884            | -               | -               | 60,884           |                  |
|   | <b>\$ 835,568</b> | <b>263,942</b>  | <b>54,905</b>   | <b>1,154,415</b> |                  |
| Major products/services lines           |                   |                 |                 |                  |                  |
| Bedding manufacturing and sales         | \$ 840,929        | -               | -               | 840,929          |                  |
| Kitchen cabinet manufacturing and sales | -                 | 265,063         | -               | 265,063          |                  |
| Rubberwood machining and sales          | -                 | -               | 55,025          | 55,025           |                  |
| Less: Sales returns and discount        | 5,361             | 1,121           | 120             | 6,602            |                  |
| Net sales                               | <b>\$ 835,568</b> | <b>263,942</b>  | <b>54,905</b>   | <b>1,154,415</b> |                  |

## (ii) Remaining balances of contract

|                      | December 31,<br>2023 | December 31,<br>2022 | January 1, 2022 |
|----------------------|----------------------|----------------------|-----------------|
| Accounts receivables | \$ 114,678           | 81,632               | 69,232          |
| Less: Loss allowance | 4,305                | 4,310                | 4,667           |
| Total                | <b>\$ 110,373</b>    | <b>77,322</b>        | <b>64,565</b>   |
| Contract liabilities | <b>\$ 2,049</b>      | <b>6,397</b>         | <b>12,045</b>   |

The amount of revenue recognized for the years ended December 31, 2023 and 2022 that was included in the contract liability balance at the beginning of the period were \$6,114 thousand and \$11,647 thousand, respectively.

(Continued)

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

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

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

(s) Employee and directors' 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.

The Company incurred losses in 2023, no remunerations were accrued for 2023. For the year ended December 31, 2022, the Company's remunerations to its employees, as well as directors and supervisors, amounted to \$3,230 thousand and \$141 thousand, respectively. The estimated amounts mentioned above were calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's Articles. These remunerations were expensed under operating costs or operating expenses in current years. If there are any subsequent adjustments to the actual remuneration amounts, the adjustment will be regarded as changes in accounting estimates and will be reflected in profit or loss in the following year. The amounts, as stated in the consolidated financial statements, are identical to those of the actual distribution for 2023 and 2022. Related information would be available at the Market Observation Post System.

(t) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

|                 | <u>2023</u>     | <u>2022</u> |
|-----------------|-----------------|-------------|
| Interest income | <u>\$ 1,204</u> | <u>524</u>  |

(ii) Other income

The details of other income were as follows:

|                               | <u>2023</u>     | <u>2022</u>   |
|-------------------------------|-----------------|---------------|
| Settlement of insurance claim | \$ 2,543        | 29,012        |
| Government grants             | 249             | 1,144         |
| Others                        | 974             | 1,046         |
| Total                         | <u>\$ 3,766</u> | <u>31,202</u> |

(Continued)



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

(iii) Other gains and losses

The details of other gains and losses were as follows:

|   | <u>2023</u>       | <u>2022</u>     |
|---|-------------------|-----------------|
| Gains (losses) on disposals of property, plant and equipment                  | \$ 130            | (13)            |
| Gains on lease modification   | 106               | -               |
| Gains on foreign exchange   | 8,006             | 1,029           |
| Losses on financial assets (liabilities) at fair value through profit or loss | (8,136)           | (12,807)        |
| Others  | <u>(2,394)</u>    | <u>(1,173)</u>  |
| Total   | <u>\$ (2,288)</u> | <u>(12,964)</u> |

(iv) Finance costs

The details of finance costs were as follows:

|                   | <u>2023</u>        | <u>2022</u>     |
|-------------------|--------------------|-----------------|
| Interest expense: |                    |                 |
| Bank loans        | \$ (3,824)         | (4,157)         |
| Lease liabilities | (3,054)            | (3,933)         |
| Convertible bonds | <u>(3,401)</u>     | <u>(3,097)</u>  |
| Total             | <u>\$ (10,279)</u> | <u>(11,187)</u> |

(u) Financial instruments

(i) Credit risk

1) Credit risk exposure

The book value of financial assets represents the maximum risk exposure.

2) Concentration of credit risk

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, the management also considers the statistical information on the Group's customer base, including the default risk of the industry and country in which customers operate. These factors may influence credit risk, particularly in the current deteriorating economic circumstances. The Group's accounts receivable is concentrated on three main customers, which accounted for 73% and 76% of the total amount of accounts receivable as of December 31, 2023 and 2022. As of December 31, 2023 and 2022, the Group's accounts receivable concentrated on three main customers were \$80,897 thousand and \$58,933 thousand, respectively.

(Continued)

## TEHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

3) Credit risk of accounts receivable and financial assets measured at amortized cost

Please refer to note 6(c) for information on the 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, other receivables and refundable deposits are determined to have low credit risk, therefore, they are measured using the 12-month ECL allowance method.

(ii) Liquidity risk

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

|  | Amount            | Contractual<br>cash flows | Less than 1<br>year | 2~5 years      | Over 5<br>years |
|--|-------------------|---------------------------|---------------------|----------------|-----------------|
| <b>December 31, 2023</b>   |                   |                           |                     |                |                 |
| Non derivative financial liabilities                                       |                   |                           |                     |                |                 |
| Short-term loans   | \$ 48,366         | 48,658                    | 48,658              | -              | -               |
| Accounts payable   | 81,271            | 81,271                    | 81,271              | -              | -               |
| Other payables   | 40,397            | 40,397                    | 40,397              | -              | -               |
| Long-term loans  | 25,740            | 27,244                    | 13,287              | 13,779         | 178             |
| Lease liabilities  | 41,061            | 43,435                    | 25,563              | 17,872         | -               |
| Convertible bonds payable<br>(include derivative<br>financial liabilities) | 109,915           | 123,535                   | 1,111               | 122,424        | -               |
|  | <b>\$ 346,750</b> | <b>364,540</b>            | <b>210,287</b>      | <b>154,075</b> | <b>178</b>      |
| <b>December 31, 2022</b>   |                   |                           |                     |                |                 |
| Non derivative financial liabilities                                       |                   |                           |                     |                |                 |
| Short-term loans   | \$ 42,633         | 45,124                    | 45,124              | -              | -               |
| Accounts payable   | 33,847            | 33,847                    | 33,847              | -              | -               |
| Other payables   | 28,347            | 28,347                    | 28,347              | -              | -               |
| Long-term loans  | 42,879            | 46,105                    | 21,117              | 23,216         | 1,772           |
| Lease liabilities  | 67,915            | 73,440                    | 29,042              | 44,398         | -               |
| Convertible bonds payable<br>(include derivative<br>financial liabilities) | 115,565           | 120,000                   | 120,000             | -              | -               |
|  | <b>\$ 331,186</b> | <b>346,863</b>            | <b>277,477</b>      | <b>67,614</b>  | <b>1,772</b>    |

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

(Continued)

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

(iii) Currency risk

1) Currency risk exposure

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

|                              | December 31, 2023                        |                  |         | December 31, 2022                        |                  |         |
|------------------------------|--|------------------|---------|--|------------------|---------|
|                              | Foreign<br>currency<br>(in<br>thousands) | Exchange<br>rate | Amount  | Foreign<br>currency<br>(in<br>thousands) | Exchange<br>rate | Amount  |
| <u>Financial assets</u>      |  |                  |         |  |                  |         |
| <u>Monetary items</u>        |  |                  |         |  |                  |         |
| USD                          | \$ 7,004                                 | 30.74            | 215,316 | 5,864                                    | 30.75            | 180,341 |
| <u>Financial liabilities</u> |  |                  |         |  |                  |         |
| <u>Monetary items</u>        |  |                  |         |  |                  |         |
| USD                          | 389                                      | 30.74            | 11,963  | 1,242                                    | 30.75            | 38,198  |

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, 2023 and 2022, would have decreased (increased) the net profit before tax for the years ended December 31, 2023 and 2022 by \$508 thousand and \$355 thousand, respectively.

3) Foreign exchange gain and loss on monetary items

Due to the different types of functional currency of the Group, the Group discloses its exchange gains and losses of monetary items aggregately. The Company's exchange gain, including realized and unrealized, were \$8,006 thousand and \$1,029 thousand for the years ended December 31, 2023 and 2022, respectively.

(iv) Interest rate analysis

The Group's financial liabilities and the restricted time deposits interest rate exposure was due to interest rate fluctuation.

If the interest rate had increased/decreased by 1%, the Group's net income before taxation would have decreased/increased by \$703 thousand and \$815 thousand for the years ended December 31, 2023 and 2022.

(Continued)

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

(v) Fair value of financial instruments

1) Categories and fair value of financial instruments

The Group's financial assets at fair value through profit or loss are measured at fair value regularly. 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 is not measured at fair value, but represents a reasonable approximation of their fair value, or lease liabilities, as disclosure for such instruments is not required), are as follows:

|   | December 31, 2023 |            |              |          |              |
|---|-------------------|------------|--------------|----------|--------------|
|   | Amount            | Fair value |              |          | Total        |
|   |                   | Level 1    | Level 2      | Level 3  |              |
| Financial assets measured of fair value through profit or loss      |                   |            |              |          |              |
| Derivative financial assets   | \$ 942            | -          | 942          | -        | 942          |
| Financial assets measured at amortized cost                         |                   |            |              |          |              |
| Cash and cash equivalents   | 209,721           | -          | -            | -        | -            |
| Financial assets at amortized cost                                  | 3,825             | -          | -            | -        | -            |
| Accounts receivables  | 110,373           | -          | -            | -        | -            |
| Other receivables   | 93                | -          | -            | -        | -            |
| Refundable deposits   | 17,910            | -          | -            | -        | -            |
| Subtotal  | 341,922           | -          | -            | -        | -            |
| Total   | <b>\$ 342,864</b> | <b>-</b>   | <b>942</b>   | <b>-</b> | <b>942</b>   |
| Financial liabilities measured of fair value through profit or loss |                   |            |              |          |              |
| Derivative financial liabilities                                    | \$ 1,572          | -          | 1,572        | -        | 1,572        |
| Financial liabilities measured at amortized cost                    |                   |            |              |          |              |
| Short-term loans  | 48,366            | -          | -            | -        | -            |
| Accounts payable  | 81,271            | -          | -            | -        | -            |
| Other payables  | 40,397            | -          | -            | -        | -            |
| Long-term loans   | 25,740            | -          | -            | -        | -            |
| Lease liabilities   | 41,061            | -          | -            | -        | -            |
| Convertible bonds payable   | 108,343           | -          | -            | -        | -            |
| Subtotal  | 345,178           | -          | -            | -        | -            |
| Total   | <b>\$ 346,750</b> | <b>-</b>   | <b>1,572</b> | <b>-</b> | <b>1,572</b> |

(Continued)

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

|   | December 31, 2022 |            |              |          |              |
|---|-------------------|------------|--------------|----------|--------------|
|   | Amount            | Fair value |              |          | Total        |
|   |                   | Level 1    | Level 2      | Level 3  |              |
| Financial assets measured of fair value through profit or loss      |                   |            |              |          |              |
| Derivative financial assets   | \$ 135            | -          | 135          | -        | 135          |
| Financial assets measured at amortized cost                         |                   |            |              |          |              |
| Cash and cash equivalents   | 172,927           | -          | -            | -        | -            |
| Financial assets at amortized cost                                  | 3,969             | -          | -            | -        | -            |
| Accounts receivables  | 77,322            | -          | -            | -        | -            |
| Other receivables   | 500               | -          | -            | -        | -            |
| Refundable deposits   | 21,744            | -          | -            | -        | -            |
| Subtotal  | 276,462           | -          | -            | -        | -            |
| Total   | <b>\$ 276,597</b> | <b>-</b>   | <b>135</b>   | <b>-</b> | <b>135</b>   |
| Financial liabilities measured of fair value through profit or loss |                   |            |              |          |              |
| Derivative financial liabilities                                    | \$ 1,641          | -          | 1,641        | -        | 1,641        |
| Financial liabilities measured at amortized cost                    |                   |            |              |          |              |
| Short-term loans  | 42,633            | -          | -            | -        | -            |
| Accounts payable  | 33,847            | -          | -            | -        | -            |
| Other payables  | 28,347            | -          | -            | -        | -            |
| Long-term loans   | 42,879            | -          | -            | -        | -            |
| Lease liabilities   | 67,915            | -          | -            | -        | -            |
| Convertible bonds payable   | 113,924           | -          | -            | -        | -            |
| Subtotal  | 329,545           | -          | -            | -        | -            |
| Total   | <b>\$ 331,186</b> | <b>-</b>   | <b>1,641</b> | <b>-</b> | <b>1,641</b> |

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 the bank, accounts receivable and payable (including related parties), other receivables and payables, financial assets at amortized cost, other financial assets, refundable deposits, and short-term loans.
- ii) The fair value of convertible bonds is estimated using a valuation model, but the fair value of convertible bonds is not necessarily equal to future cash outflow.
- iii) The fair value of long-term loans and lease liabilities is estimated using the present value of future cash flows discounted by the interest rates the Group may obtain for similar loans and leases payable. However, the fair value of long-term loans is estimated by using its book value because most of it has floating rates. Lease liabilities are calculated based on the fixed rate agreed in the lease contract or incremental borrowing rate.

(Continued)

## TEHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

#### b) Derivative financial instruments

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

#### (v) Financial risk management

##### (i) Overview

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

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

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

##### (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 of any derivative financial instruments of speculation.

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

##### (iii) Credit risk

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

##### 1) Accounts receivable and other receivables

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

(Continued)

## TEHCENTIAL INTERNATIONAL LIMITED AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

#### 2) Investments

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

#### 3) Guarantees

For information on guarantees as of December 31, 2023, please refer to note 13.

#### (iv) Liquidity risk

Based on the management forecast about monitored working capital demand, the Group maintains sufficient funds to fulfill operational requirements and retains adequate unused credit lines to avoid violation of related terms and conditions. The forecast is in consideration of finance projects and compliance with the terms of loan agreements.

Loans and borrowings from the banks form an important source of liquidity for the Group. As of December 31, 2023 and 2022, the Group's unused credit line amounted to \$63,148 thousand and \$246,516 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 to manage market risks. All such transactions are carried out within the scope of the Group's internal control policy.

#### 1) Currency risk

The Group is exposed to currency risk on sales, purchases, and borrowings that are denominated in a currency other than the respective functional currencies of the Group's entities, primarily the USD and MYR. According to Malaysian regulations announced in December 2016, at any point in time, if any foreign exchange transactions occur, 75% of the foreign currency must be exchanged for MYR. The regulation does not have a significant impact on the Group.

To manage its future transactions and realize currency risk on assets and liabilities, the management of the Group adopts 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 rate fluctuation and sets a stop loss point to lower its currency risk.

#### 2) Interest rate risk

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

(Continued)

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

(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.

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:

|                      | <b>December 31,<br/>2023</b> | <b>December 31,<br/>2022</b> |
|----------------------|------------------------------|------------------------------|
| Total liabilities    | <b>\$ 363,400</b>            | <b>353,134</b>               |
| Total equity         | <b>\$ 431,185</b>            | <b>425,195</b>               |
| Debt-to-equity ratio | <b>84.28%</b>                | <b>83.05%</b>                |

(x) Non-cash financing activities

For the years ended December 31, 2023 and 2022 the Group's non-cash investing and financing activities were derived from the acquisition of machinery and equipment and right-of-use asset through leasing. Please refer to note 6(j) for related information.

Reconciliation of liabilities from financing activities of the Company in 2023 and 2022 were as follows:

|                                   | Non-cash changes  |                 |                             |  |                      |                       |                             |                       | December<br>31, 2023 |
|-----------------------------------|-------------------|-----------------|-----------------------------|--|----------------------|-----------------------|-----------------------------|-----------------------|----------------------|
|                                   | January 1, 2023   | Cash flows      | Acquisition of<br>contracts | Expiration and<br>cancellation of<br>contracts | Issuance of<br>bonds | Repayment<br>of bonds | Amortization<br>of discount | Translation<br>effect |                      |
| Long-term loans                   | \$ 42,879         | (16,487)        | -                           | -  | -                    | -                     | -                           | (652)                 | 25,740               |
| Short-term loans                  | 42,633            | 5,733           | -                           | -  | -                    | -                     | -                           | -                     | 48,366               |
| Lease liabilities                 | 67,915            | (24,013)        | 5,993                       | (6,340)  | -                    | -                     | -                           | (2,494)               | 41,061               |
| Convertible bonds payable         | 113,924           | (3,209)         | -                           | -  | (10,128)             | 4,355                 | 3,401                       | -                     | 108,343              |
| Total liabilities from activities | <b>\$ 267,351</b> | <b>(37,976)</b> | <b>5,993</b>                | <b>(6,340)</b>                                 | <b>(10,128)</b>      | <b>4,355</b>          | <b>3,401</b>                | <b>(3,146)</b>        | <b>223,510</b>       |

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

(Continued)



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

**(7) Related-party transactions**

(a) Names and relationships with related parties

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

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

(b) Significant transactions with related parties

(i) Purchase and operating costs

Purchase and commission-related parties for processing

|                       | <u>2023</u>   | <u>2022</u>   |
|-----------------------|---------------|---------------|
| Other related parties | <u>\$ 442</u> | <u>45,487</u> |

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

(ii) Payables

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

| <u>Account</u> | <u>Relationship</u>   | <u>December 31,<br/>2023</u> | <u>December 31,<br/>2022</u> |
|----------------|-----------------------|------------------------------|------------------------------|
| Other payables | Other related parties | <u>-</u>                     | <u>123</u>                   |

(Continued)

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

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

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

| Relationship          | 2023           |                           | 2022           |                           |
|-----------------------|----------------|---------------------------|----------------|---------------------------|
|                       | Disposal price | Gain (loss) from disposal | Disposal price | Gain (loss) from disposal |
| Other related parties | \$ -           | -                         | 48             | -                         |

The Group sold office equipment and transportation equipment to other related parties in June and August 2022 with a total amount of \$48 thousand. The proceeds were received on December 31, 2022. There were no property transactions in 2023.

(iv) Guarantee

For the years ended December 31, 2023 and 2022, Eng Say Kaw, Eng Kai Pin, Eng Kai Jie, Eng Kai Jian, Yee Foo Chong, Tey Pek Kiang and Lim Swee Soon are the joint guarantors providing credit guarantees to the Group for forward transactions, loans and leases.

(c) Management personnel compensation

Key management personnel compensation comprised:

|                              | 2023             | 2022          |
|------------------------------|------------------|---------------|
| Short-term employee benefits | \$ 18,348        | 19,451        |
| Post-employment benefits     | 1,671            | 2,048         |
|                              | <b>\$ 20,019</b> | <b>21,499</b> |

For the years ended December 31, 2023 and 2022, the costs of motor vehicles offered for management use by the Group were \$19,875 thousand (MYR 2,909 thousand) and \$20,570 thousand (MYR 3,039 thousand), respectively.

**(8) Pledged assets:**

| Pledged assets                                   | Object                         | December 31, 2023 | December 31, 2022 |
|--|--------------------------------|-------------------|-------------------|
| Financial assets at amortized cost – non-current |                                |                   |                   |
| Restricted time deposit                          | Long-term and short-term loans | \$ 3,825          | 3,969             |
| Property, plant and equipment:                   |                                |                   |                   |
| Land   | Long-term and short-term loans | 16,707            | 17,473            |
| Building and constructions                       | Long-term and short-term loans | 48,098            | 35,495            |
| Machinery and equipment                          | Long-term loans                | 11,371            | 13,564            |
| Transportation equipment                         | Long-term loans                | 3,479             | -                 |
| Total  |                                | <b>\$ 83,480</b>  | <b>70,501</b>     |

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

**(10) Losses due to major disasters: None**

**(11) Subsequent events: None**

(Continued)

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

**(12) Other:**

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

| Function<br>Account     | 2023           |                    |         | 2022           |                    |         |
|-------------------------|----------------|--------------------|---------|----------------|--------------------|---------|
|                         | Operating cost | Operating expenses | Total   | Operating cost | Operating expenses | Total   |
| Personnel costs         |                |                    |         |                |                    |         |
| Salaries                | 123,637        | 42,996             | 166,633 | 103,444        | 43,472             | 146,916 |
| Health insurance        | 1,542          | 472                | 2,014   | 1,233          | 415                | 1,648   |
| Pension                 | 1,494          | 4,693              | 6,187   | 1,889          | 4,884              | 6,773   |
| Other personnel expense | 1,175          | 556                | 1,731   | 1,213          | 568                | 1,781   |
| Depreciation            | 32,666         | 3,519              | 36,185  | 32,516         | 3,741              | 36,257  |
| Amortization            | -              | 24                 | 24      | -              | 44                 | 44      |

**(13) Other disclosures:**

## (a) Information on significant transactions:

The following was 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, 2023:

## (i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

| Number | Name of lender | Name of borrower | Account name      | Related party | Maximum balance of financing to other parties during the period | Ending balance       | Actual usage amount during the period (note 3) | Range of interest rates during the period | Purposes of fund financing for the borrower (note 1) | Transaction amount for business between two parties | Reasons for short-term financing | Allowance for bad debt (note 3) | Collateral |       | Individual funding loan limits (note 2) | Maximum limit of fund financing (note 2) |
|--------|----------------|------------------|-------------------|---------------|---|----------------------|--|---|--|---|----------------------------------|---------------------------------|------------|-------|---|--|
|        |                |                  |                   |               |   |                      |  |   |  |   |                                  |                                 | Item       | Value |   |  |
| 1      | TC             | The Company      | Other receivables | Yes           | 56,932<br>(MYR8,500)  | 20,094<br>(MYR3,000) | 8,707<br>(MYR1,300)                            | 4.0                                       | 2  | -   | Operating capital                | -                               | -          | -     | 1,507,794                               | 1,507,794                                |
| 1      | TC             | TCH              | Other receivables | Yes           | 3,684<br>(MYR550)   | 3,684<br>(MYR550)    | 3,684<br>(MYR550)                              | 2.7                                       | 2  | -   | Operating capital                | 3,684                           | -          | -     | 1,507,794                               | 1,507,794                                |
| 1      | TC             | EHL              | Other receivables | Yes           | 40,187<br>(MYR6,000)  | 40,187<br>(MYR6,000) | 40,187<br>(MYR6,000)                           | 4.0                                       | 2  | -   | Operating capital                | -                               | -          | -     | 150,779                                 | 201,039                                  |
| 1      | TC             | ESKB             | Other receivables | Yes           | 6,698<br>(MYR1,000)   | 4,354<br>(MYR650)    | 4,354<br>(MYR650)                              | 4.0                                       | 2  | -   | Operating capital                | -                               | -          | -     | 1,507,794                               | 1,507,794                                |

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

- business-related.
- short-term financing

Note 2: According to TC's policy on loans granted for others, the maximum aggregate amount of loans granted and individual loans granted by TC shall not exceed 40% and 30%, respectively. For entities in which the Company, directly or indirectly, owned more than 100% of their shares, the amount available for financing shall not exceed 300% of the net worth of the lending Company.

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

Note 4: Calculated with the year-end exchange rate (MYR:NTD = 1:6.6979).

## (ii) Guarantees and endorsements for other parties:

| No. | Name of guarantor | Counter-party of guarantee and endorsement |  | Limitation on amount of guarantees and endorsements for a specific enterprise (note 2) | Maximum balance for guarantees and endorsements during the period (note 3) | Balance of guarantees and endorsements as of reporting date (note 3) | Actual usage amount during the period | Property pledged for guarantees and endorsements (Amount) | Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements | Maximum amount for guarantees and endorsements (note 2) | Guarantee provided by parent company | Guarantee provided by subsidiaries | Guarantee for companies in China area |
|-----|-------------------|--|--|--|--|--|---------------------------------------|---|---|---|--------------------------------------|------------------------------------|---------------------------------------|
|     |                   | Name                                       | Relationship with the Company (note 1) |  |  |  |                                       |   |   |   |                                      |                                    |                                       |
| 1   | TC                | EHL  | 3                                      | 201,039  | 97,300<br>(MYR14,527)  | 97,300<br>(MYR14,527)  | 60,395<br>(MYR9,017)                  | -   | 19.36%  | 251,300   | N                                    | N                                  | N                                     |
| 1   | TC                | ESKB                                       | 1                                      | 201,039  | 2,793<br>(MYR417)  | 2,793<br>(MYR417)  | 2,793<br>(MYR417)                     | -   | 0.56%   | 251,300   | N                                    | N                                  | N                                     |
| 1   | TC                | ESKW                                       | 1                                      | 201,039  | 35,465<br>(USD500;<br>MYR3,000)  | 35,465<br>(USD500;<br>MYR3,000)                                      | 18,901<br>(USD2,822)                  | -   | 7.06%   | 251,300   | N                                    | N                                  | N                                     |

Note 1: The relationship between guarantor and guarantee is as follows:

- A subsidiary whose common stock is more than 50% owned by the guarantors.
- For entities in which the Company, directly or indirectly, owned more than 90% of their shares.
- For entities that do business with the Company.

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

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

Note 3: Calculated with year-end exchange rate was (USD: NTD = 1:30.7434; MYR: NTD = 1:6.6979).

(Continued)

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

- (iii) Securities held as of December 31, 2023 (excluding investment in subsidiaries, associates and joint ventures): None.
- (iv) Individual securities acquired or disposed of with accumulated amounts exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (v) Acquisition of individual real estate with an amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (vi) Disposal of individual real estate with an amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: None.
- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: None.
- (ix) Information regarding trading in derivative financial instruments: Please refer to notes 6(b) and 6(l).
- (x) Business relationships and significant intercompany transactions:

| No.<br>(Note 1) | Name of company | Name of counter-party | Nature of relationship<br>(Note 2) | Intercompany transactions |        |  |  |
|-----------------|-----------------|-----------------------|------------------------------------|---------------------------|--------|--|--|
|                 |                 |                       |                                    | Account name              | Amount | Trading terms  | Percentage of the consolidated net revenue or total assets |
| 1               | TC              | The Company           | 3                                  | Other receivables         | 8,773  | Loans and payment on behalf by TC, no available comparisons. The mutual negotiable terms and conditions. | 1.10%  |
| 1               | TC              | EHL                   | 2                                  | Other receivables         | 40,518 | Loans, no available comparisons. The mutual negotiable terms and conditions.                             | 5.10%  |
| 1               | EHL             | TC                    | 2                                  | Revenue                   | 18,262 | The Price was calculated by the mutual negotiable prices.  | 1.81%  |

Note 1: the numbering is as follows

1. 0 represents the parent company.
2. 1 and thereafter subsidiary companies.

Note 2: the nature of the relationship is as follows

1. Parent company to subsidiary company
2. Subsidiary company to subsidiary company
3. Subsidiary company to parent company

Note 3: other receivables include loans, receivable interest, and payments made on behalf.

Note 4: 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 5: 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, 2023:

| Name of investor | Name of investee | Location      | Main businesses and products   | Original investment amount |                   | Balance as of December 31, 2023 |                         |                                | Net income (losses) of investee (Note 1) | Share of profits/losses of investee (Notes 1 and 2) | Note              |
|------------------|------------------|---------------|--|----------------------------|-------------------|---------------------------------|-------------------------|--------------------------------|--|---|-------------------|
|                  |                  |               |  | December 31, 2023          | December 31, 2022 | Shares (thousands)              | Percentage of ownership | Carrying value (Notes 1 and 2) |  |   |                   |
| The Company      | TC               | Malaysia      | Furniture manufacturing and sales                                    | 77,137                     | 77,137            | 10,000,000                      | 100.00%                 | 502,597                        | 12,466                                   | 12,466  | Subsidiary        |
| The Company      | TCH              | Malaysia      | Furniture manufacturing and sales                                    | 13,842                     | 13,842            | 2,000,000                       | 100.00%                 | 702                            | (74)                                     | (74)  | Subsidiary        |
| The Company      | EHL              | Malaysia      | Kitchen cabinet manufacturing and sales                              | 105,008                    | 105,008           | 32,211,111                      | 89.20%                  | 29,429                         | (22,398)                                 | (19,979)  | Subsidiary        |
| TC               | ESKB             | Malaysia      | Wood pellet manufacturing and sales, leasing machinery and equipment | 56,884                     | 56,884            | 8,000,012                       | 100.00%                 | 29,537                         | 964                                      | 964   | Sub-subsubsidiary |
| TCH              | TCH(US)          | United States | Management Consultant  | 3                          | 3                 | 100                             | 100.00%                 | 774                            | (4)                                      | (4)   | Sub-subsubsidiary |
| ESKB             | ESKW             | Malaysia      | Rubberwood processing and sales                                      | 22,512                     | 22,512            | 3,000,000                       | 100.00%                 | 29,981                         | 1,113                                    | 1,113   | Sub-subsubsidiary |

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

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

(Continued)

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

(c) Information on investment in mainland China: None

(d) Major shareholders:

Unit: share

| Shareholder's Name               | Shareholding | Shares     | Percentage |
|----------------------------------|--------------|------------|------------|
| Eng Synergy Management Sdn. Bhd. |              | 11,700,000 | 34.17%     |
| Surging Success Sdn. Bhd.        |              | 2,285,000  | 6.67%      |
| Eng Say Kaw                      |              | 2,205,109  | 6.44%      |
| Only Inspiration Sdn. Bhd.       |              | 1,737,000  | 5.07%      |

Note: (1) The information on major shareholders, which is provided by the Taiwan Depository & Clearing Corporation, summarized the shareholders who held over 5% of the total non-physical common stocks and preferred stocks (including treasury stocks) on the last business date of each quarter. The registered non-physical stocks may be different from the capital stocks disclosed in the financial statement due to different calculations basis.

(2) If the aforementioned data contained shares that were kept in trust by the shareholders, the data disclosed will be deemed as the settlor's separate account for the fund set by the trustee. As for the shareholder who reports its share equity as an insider and whose shareholding ratio is greater than 10% in accordance with the Securities and Exchange Act, its shares should include its self-owned shares and trusted shares, as well as the shares of the individuals who have the power to decide how to allocate the trust assets. For the information on reported share equity of the insider, please refer to the Market Observation Post System.

(3) The shareholding ratio is calculated by unconditionally rounding it down to two decimal places.

**(14) Segment information:**

(a) General information

The Group's reportable segments are A, B, C, and D. Segment A is involved in the manufacturing and sale of bedroom furniture, segment B in the manufacturing and sale of kitchen cabinets, segment C in the manufacturing and sale of rubber wood, and segment D, starting in 2023, has shifted its primary operating activities from wood pellet manufacturing and sales to leasing.

(b) Information about reportable segments and their measurement and reconciliations

The Group uses the internal management report, which 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.

(Continued)

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

The Group's operating segment information and reconciliation are as follows:

|                                   | <b>2023</b>       |                  |                  |                  |                                     |                  |
|-----------------------------------|-------------------|------------------|------------------|------------------|-------------------------------------|------------------|
|                                   | <b>Segment A</b>  | <b>Segment B</b> | <b>Segment C</b> | <b>Segment D</b> | <b>Adjustments and eliminations</b> | <b>Total</b>     |
| Revenue                           |                   |                  |                  |                  |                                     |                  |
| Revenue from external customers   | \$ 879,877        | 72,311           | 56,330           | 1,280            | -                                   | 1,009,798        |
| Intersegment revenues             | -                 | 18,262           | 14,886           | -                | (33,148)                            | -                |
| Interest revenue                  | 4,286             | 45               | -                | -                | (3,127)                             | 1,204            |
| Total revenue                     | <u>\$ 884,163</u> | <u>90,618</u>    | <u>71,216</u>    | <u>1,280</u>     | <u>(36,275)</u>                     | <u>1,011,002</u> |
| Interest Expense                  | <u>\$ 8,471</u>   | <u>4,347</u>     | <u>375</u>       | <u>211</u>       | <u>(3,125)</u>                      | <u>10,279</u>    |
| Depreciation and Amortization     | <u>\$ 18,687</u>  | <u>15,820</u>    | <u>696</u>       | <u>1,006</u>     | <u>-</u>                            | <u>36,209</u>    |
| Reportable segment profit or loss | <u>\$ (5,470)</u> | <u>(29,741)</u>  | <u>2,122</u>     | <u>(148)</u>     | <u>-</u>                            | <u>(33,237)</u>  |
|                                   | <b>2022</b>       |                  |                  |                  |                                     |                  |
|                                   | <b>Segment A</b>  | <b>Segment B</b> | <b>Segment C</b> | <b>Segment D</b> | <b>Adjustments and eliminations</b> | <b>Total</b>     |
| Revenue                           |                   |                  |                  |                  |                                     |                  |
| Revenue from external customers   | \$ 835,568        | 263,942          | 54,905           | -                | -                                   | 1,154,415        |
| Intersegment revenues             | 289               | 509              | 5,924            | -                | (6,722)                             | -                |
| Interest revenue                  | 2,626             | 50               | -                | -                | (2,152)                             | 524              |
| Total revenue                     | <u>\$ 838,483</u> | <u>264,501</u>   | <u>60,829</u>    | <u>-</u>         | <u>(8,874)</u>                      | <u>1,154,939</u> |
| Interest Expense                  | <u>\$ 7,794</u>   | <u>4,994</u>     | <u>312</u>       | <u>241</u>       | <u>(2,154)</u>                      | <u>11,187</u>    |
| Depreciation and Amortization     | <u>\$ 17,789</u>  | <u>17,107</u>    | <u>394</u>       | <u>1,011</u>     | <u>-</u>                            | <u>36,301</u>    |
| Reportable segment profit or loss | <u>\$ 74,295</u>  | <u>(27,501)</u>  | <u>2,780</u>     | <u>(1,330)</u>   | <u>-</u>                            | <u>48,244</u>    |

(c) Product and service information

Revenue from external customers of the Group was as follows:

| <b>Products and Services</b>            | <b>2023</b>         | <b>2022</b>      |
|---|---------------------|------------------|
| Furniture manufacturing and sales       | \$ 879,877          | 835,568          |
| Kitchen cabinet manufacturing and sales | 72,311              | 263,942          |
| Rubberwood processing and sales         | 56,330              | 54,905           |
| Rental income                           | 1,280               | -                |
| Total                                   | <u>\$ 1,009,798</u> | <u>1,154,415</u> |

(Continued)

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

(d) Geographic information

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

Export sales

| <u>Region</u> | <u>2023</u>         | <u>2022</u>      |
|---------------|---------------------|------------------|
| United States | \$ 910,364          | 1,010,971        |
| Malaysia      | 66,223              | 82,560           |
| Other         | 33,211              | 60,884           |
| Total         | <u>\$ 1,009,798</u> | <u>1,154,415</u> |

Non-current Assets

| <u>Region</u> | <u>December 31,<br/>2023</u> | <u>December 31,<br/>2022</u> |
|---------------|------------------------------|------------------------------|
| Malaysia      | <u>\$ 188,647</u>            | <u>222,797</u>               |

Non-current assets include property, plant and equipment, right-or-use assets, intangible assets, and prepayment for equipment, not including financial assets measured at amortized cost, deferred tax assets and refundable deposits.

(e) Information on major customers whose revenue exceeded 10% of the Group's operating revenue was as follows:

|            | <u>2023</u>       | <u>2022</u>    |
|------------|-------------------|----------------|
| Customer C | \$ 297,379        | 165,706        |
| Customer A | 210,750           | 267,941        |
| Customer D | 171,306           | -              |
| Customer B | -                 | 254,229        |
| Total      | <u>\$ 679,435</u> | <u>687,876</u> |

Note: Any single customer whose annual consolidated revenue does not exceed 10% will not be disclosed.

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



**Person-In-Charge : Eng Synergy Management Sdn. Bhd.**  
**Representative : Eng Kai Pin**

