Stock code: 3067

Phonic Corporation
2021 Annual Report

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<u>Notice to readers</u>

This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

1. Spokesman、Representative Spokesman Position’Contact phone number and email box：

(1) Spokesman：

Name：LIN,SHIH-CHUN

Position：Senior Manager

Contact phone：(02) 2659-2166

Email box:alvinlin@phonic.com

(2) Representative Spokesman：

Name：SHEN,PI-CHI

Position：Special Assistant

Contact phone：(02) 8768-2628

Email box: ericshen@phonic.com

2. Corporation、Branch、Address and telephone number of the factory：

Corporation

Address：9F., No. 59, Dongxing Rd., Xinyi Dist., Taipei City 110, Taiwan (R.O.C.)

Contact phone：(02)8768-2628

Branch Company：None.

factory：None.

3. Name, address, website and telephone number of the share registrar：

Name：Yuanta Financial Holding Group,Ltd

Address：B1, No. 210, Sec. 3, Chengde Rd., Datong Dist., Taipei City 103, Taiwan (R.O.C.)

Website：http://www.yuanta.com.tw

Contact phone：(02)2586-5859

4. Recent Financial Reporting Visa Accountant Name, Firm Name, Address, Website and Contact phone：

The Accountant：WANG, JIA SIANG、JHUO, CHING CHYUAN

Firm name：Crowe (TW) CPAs

Address：10F., No. 369, Fuxing N. Rd., Songshan Dist., Taipei City 105, Taiwan (R.O.C.)

Website：http://www. crowe.tw

Contact phone：(02) 6606-0288

5. The name of the trading place where the overseas securities are listed for trading and the way to inquire about the overseas securities information：Not applicable

6. Website：http://www.phonic.com

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I. Letter to Shareholders

Dear Shareholders：

First of all, I would like to thank all shareholders for taking the time to participate in the shareholders' meeting of 2022. Thanks to the shareholders for their love and support.

The 2021 annual operating status and this year's outlook report are as follows:

1. Previous year Operating results

A. Business plan implementation results

The 2021 consolidated operating revenue is NT$58,414 thousand, the total non-operating income and expenses is NT$124,957 thousand, the totals of consolidated operating costs and expenses are NT$84,091 thousand, the consolidated profit before tax is NT$99,280 thousand; Net income is NT$94,102 thousand, and EPS is NT$4.71.

B. Budget implementation

The company did not publish financial forecasts for 2021 and therefore does not apply.

C. Financial revenue and expenditure:

Unit：NT$ thousands

Item	2020	2021
Cash inflow (outflow) generated from operating activities	(6,823)	3,881
Cash inflow (outflow) generated from investing activities	(1,549)	161,196
Cash inflow (outflow) generated from financing activities	13,447	28,095

D. Analysis of profitability:

Item	2020	2021
Return on total asset（％）	(12.72)	38.14
Return on equity （％）	(14.47)	45.87
Operating margin ratio to paid-in capital (%)	(9.56)	(12.84)
Pre-Tax Income as a percentage of paid-in capital (%)	(8.02)	49.64
Net profit margin（％）	(40.40)	161.09
Earnings per share (NTD）	(1.16)	4.71

E. Research and development status

(1) Continue to develop audio and video equipment for engineering.
(2) Continue to develop digital professional audio.
(3) Optimizing audio and video equipment for engineering.
(4) Develop differentiated small audio-visual products for the general consumer.

2. Summary of this year's Business Plan

1. Management policy:

(1) Consolidate the existing export market and actively develop new customer sources to increase sales
(2) In response to the needs of personal audio and video in the post-epidemic era, we will enhance the innovative application of speakers to develop new products with potential.
(3) Increase the turnover and profit margin of Phonic's own brand products, and increase the shipment of high value-added products to promote profit growth.

2. Expected sales volume and its basis:

The company does not need to announce financial forecasts for 2022, so there is no expected sales volume.

3. Important production and marketing policies.

(1) Invest in brand marketing and product differentiation to enhance brand status and increase sales
(2) Develop products with high technical threshold and high unit price to increase revenue and profit.
(3) Strengthen the flexibility and efficiency of business development and production processes.
(4) Strengthen the ability and flexibility of supply chain management.

3. Development Strategy

Although the company's own brand products have been sold in mainstream channels around the world, we are still seeking innovation and progress in technology, extending our technical knowledge to other fields of professional audio, looking for new products with high niche potential, and maintaining brand competitiveness.

Today, the global entertainment equipment market is full of uncertainties due to the impact of the COVID-19 pandemic. People's entertainment behavior will also change after COVID-19 pandemic. In addition to strengthening business development and increasing sales orders for the professional audio business to consolidate the existing domestic and export markets, the company will also develop new products that are closer to consumers' general daily entertainment needs in response to personal audio and video needs, and increase product content to enhance business opportunities.

4. The Impact of the External Competitive Environment, Regulatory Environment, and Macroeconomic Conditions

The safety requirements for engineering audio-visual equipment are relatively strict, but the company's long-term accumulated expertise and technology can still handle. And because professional audio has gradually moved towards digitalization, the company will also be committed to product research and development, process improvement. Improvement and expansion of marketing channels to meet market demand for product quality, cost, delivery time and service.

In the future, the company will also continue to design and develop products for various innovative applications and new products related to digital audio in response to the advent of the digital audio-visual age, and will continue to take into account the principles of safe operation and stable growth to have all shareholders support.

Sincerely yours,

Chairman: Tan, Hong-Xiang Manager: Wang, Min-Lie Account: Lin, Shih-Cyun

II. Company Profile

1. Date of Incorporation: November 22，1973

2. Company History：

(1) Important chronicle：

1973	The company was registered in Wenchang Street, Taipei City, with a capital of NT$1,000,000.
1976	Increased capital to NT$5,000,000.
1982	Increased capital to NT$10,000,000.
1986	Had technology transfer and OEM cooperation with YAMAHA.
1988	Purchased the plant of Xinghua Road, Guishan Industrial Zone, Taoyuan and increased the capital to NT$30,000,000.
1989	Expansion of the plant to purchase 5,600 pings of Haihu Industrial Zone and increased the capital to NT$100,000,000.
1990	Increased capital to NT$150,000,000.
1992	Approved stocks to fill the office development line.
1995	Purchased the office building of Dongxing Road, Taipei City. Establish professional audio of PHONIC's own brand.
2000	Processing earnings and Capital surplus Transfer capital. Capital increased to NT$176,000,000.
2001	Applying earrings to capital increase.Capital increased to NT$203,615,000.
2002	Applying earrings to capital increase.Capital increased to NT$236,066,000.
2003	Applying earrings to capital increase.Capital increased to NT$252,660,000.Company's stock has been officially listed in the OTC market on oct.
2004	Applying earrings to capital increase.Capital increased to NT$290,252,000.
2015	Started a new brand of Asystems global marketing layout.
2020	The major shareholders transferred their equity to Taiwan Powder Technologies Co., Ltd. It directly and indirectly obtained more than 50% of the total issued voting shares and control rights of the company.
2021	The company carried out capital reduction for deficit compensation. Paid-in capital after capital reduction is NT$200,000,000.

(2) The most recent fiscal year as well as the current fiscal year up to the date of publication of the annual report ,the company carry on merger and acquisition activities or strategic investments or corporate reorganization: None.

(3) A major quantity of shares belonging to directors, supervisors, or shareholders holding greater than 10% stake in the company is transferred or otherwise changes hands:

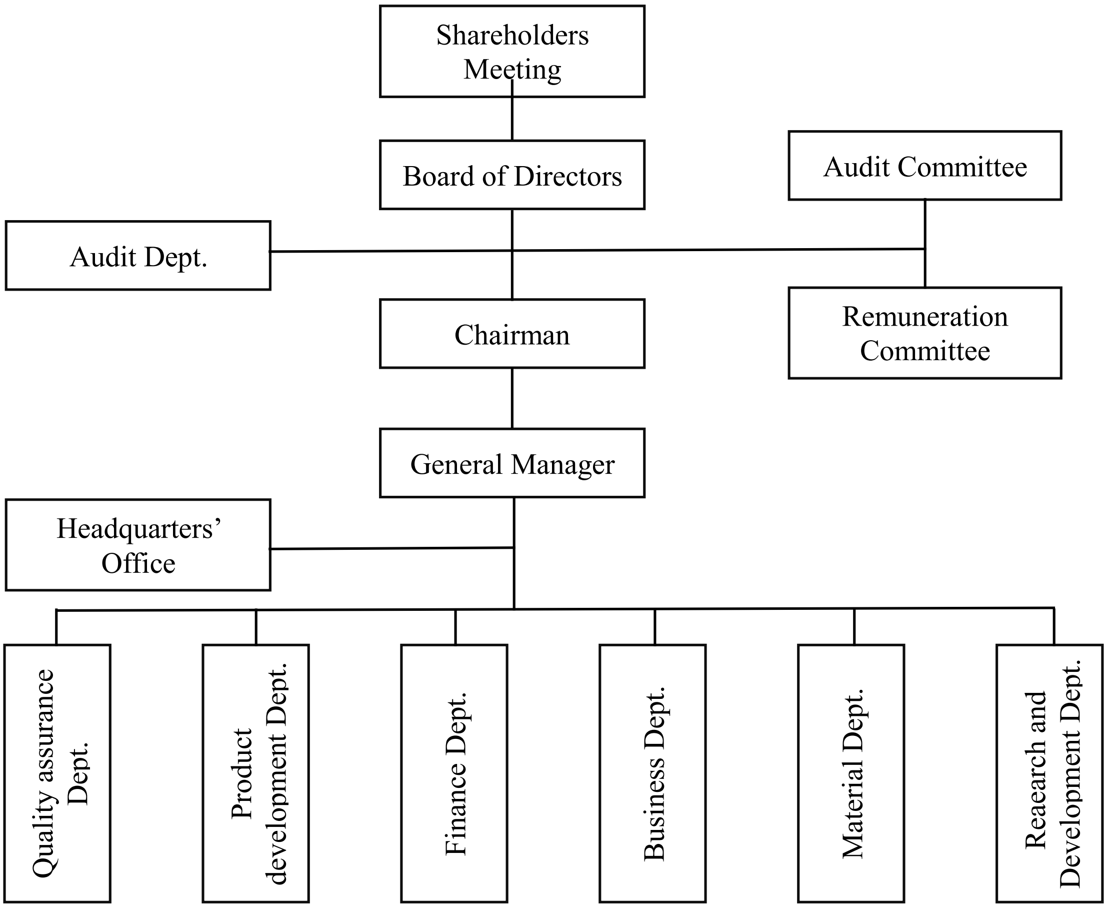
The major shareholders transferred their equity to Taiwan Powder Technologies Co., Ltd. It directly and indirectly obtained more than 50% of the total issued voting shares and control rights of the company.

(4) Changes in operating rights, major changes in operating methods or business content, and other important matters that can affect shareholders' equity and their impact on the company: Not applicable

III. Corporate Governance Report

1. Organization

A. Organization structure



B. Operating services of all major departments

Department	Work
Headquarters' Office	Handle MIS, personnel, general affairs and undertake orders from General Manger.
Audit Dept.	Plan and perform audits and tracking improvements for internal control operations.
Quality assurance Dept.	Promote the company's quality assurance and safety regulations implementation and management technology settings, inspections, and improve product quality to achieve quality assurance.
Business Dept.	Development and market research of product business; improvement of customer service, relationship maintenance and satisfaction; estimation and analysis of customer credit status; preparation and execution of domestic and international exhibiting matters; company product packaging, catalogue, advertising and web design.
Reaearch and Development Dept.	Research and development of product design and improvement operations according to market demand; introduction of product transfer operations before mass production.
Product development Dept.	New product definition, development and shape design.
Finance Dept.	Manage the company's financial planning, fund scheduling management, cashier management, accounting, taxation, cost control and business analysis.
Material Dept.	Responsible for the procurement and storage management of raw materials and equipment.

2. Directors、Supervisor、President、Vice President、Director、Department and department heads

A. Directors data

Apr. 18, 2022

Title	Nationality or place of registration	Name	Gender	Election (on) date	Term	Initial elected date	Shareholdings when elected		Current shareholdings		Current shareholdings of spouse, minor children		Shares held by the person under others' names		Main Experience and Education	Current position at the Company and other company	Other officer, director or supervisor having relations as spouses or relatives within the second degree of kinship.			Remarks
							Number of shares	Share holding ratio	Number of shares	Share holding ratio	Number of shares	Share holding ratio	Number of shares	Share holding ratio			Position	Name	Relationshp	
Chairman	Republic of China	Kangjian Investment Co., Ltd. Representative: Tan Hongxiang	Male 60-70	2020.06.10 *2021.02.24	3	2002.10.20 *2020.12.25	10,934,811 *0	37.67 *0	(Note 5) 11,636,315 *0	58.18 *0	0	0	0	0	1.General Manager of Chunyu Electronics (Suzhou) Co., Ltd. 2. General Manager of Guangpu Electronics Suzhou Co., Ltd. 3.Fu-jen Catholic University-Dept. of Economics 4.General Manager of Taiwan Powder Technologies Co., Ltd.	1.Chairman of Top Powder Technologies Co., Ltd.	None	None	None	
Chairman (Note 2)	Republicof China	Kangjian Investment Co., Ltd. Representative: Wang ,Min-Lie	Male 70-80	2020.06.10 *2021.02.24	3	2002.10.20 *1976.09.29	10,934,811 *3,274,611	37.67 *11.28	(Note 5) 11,636,315 *1,151,832	58.18 *5.76	138,221	0.69	235,000	1.18	1 Policy Advisor to Taiwan Electricaal and Electronic Manufacturers' Association. 2. Oklahoma City University Institute	1. General Manager of Phonic Corporation 2. Chairman of Apartners Investment Corporation. 3. Chairman of GooGoo Investment Ltd.Chairman	None	None	None	
Director	Republic of China	Kangjian Investment Co., Ltd. Representative: Zhou Jingwen	Male 50-60	2020.06.10 *2021.02.24	3	2002.10.20 *2020.12.25	10,934,811 *0	37.67 *0	(Note 5) 11,636,315 *0	58.18 *0	0	0	0	0	Wharton School of the University of Pennsylvania MBA	1. Chairman of Taiwan Powder Technologies Co., Ltd. 2.Chairman of Kangjian Investment Co., Ltd. 3. Director of TAI-LING BIOTECH INC.Director	None	None	None	
Director	Republic of China	Kangjian Investment Co., Ltd. Representative: Pan Bocang (Note 3)	Male 40-50	2020.06.10 *2021.02.24	3	2002.10.20 *2020.12.25	10,934,811 *0	37.67 *0	(Note 5) 11,636,315 *0	58.18 *0	0	0	0	0	1.Senior Manager of Well Protector Co., Ltd. 2. Assistant Manager of Ezconn Corporation 3.Macquarie University Accounting & Law	1. Chairman of TEIS INTERNATIONAL LIMITED 2.Supervisor of Taiwan Powder Technologies Co., Ltd.	None	None	None	
Director	Republic of China	Kangjian Investment Co. Ltd. Representative: Hsieh Zuwei	Male 60-70	2020.06.10 *2021.02.24	3	2002.10.20 *2021.02.24	10,934,811 *0	37.67 *0	(Note 5) 11,636,315 *0	58.18 *0	0	0	0	0	1. CFO of Motech Industries, Inc. 2. CFO of Spirox Corporation 3. CFO of Premier Technology Co ., LTD 4. NCCU Dept. of Statistics	1.Advisor of Motech Industries, Inc 2.Director of Taiwan Powder Technologies Co., Ltd. 3. Director of INKISM INTERNATIONAL CO., LTD 4. Supervisor of TAI-LING BIOTECH INC.	None	None	None	
Independent Director	Republic of China	Lin,Ying-Zhe	Male 60-70	2021.02.24	3	2014.06.17	0	0	0	0	0	0	0	0	1.CoS of Marketech International Corp. 2. Counselor of Financial Supervisory Commission 3. NCCU Dept. of Public Finance Graduate Schools	Advisor of Topco Scientific Co., Ltd.	None	None	None	
Independent Director	Republic of China	Chen,Ming-Zhu (Note 4)	Female 50-60	2020.06.10	3	2017.06.19	0	0	0	0	0	0	0	0	1.Manager of Xinghui Pharmaceutical Industry Co., Ltd. 2. NCCU Dept. of Sociology	None	None	None	None	
Independent Director	Republic of China	Xie Rusheng (Note 4)	Male 50-60	2020.06.10	3	2020.06.10	0	0	0	0	0	0	0	0	1.General Manager of Longchen Paper & Packaging Co., Ltd. 2. Chairman of Resourceful Healthcare Inc. 3.Business Administration, NTU	Chairman of United Medical Biotechnology Co., Ltd	None	None	None	
Independent Director	Republic of China	Chiu, Li-Mei	Female 50-60	2021.02.24	3	2021.02.24	0	0	0	0	0	0	0	0	1. Senior Manager of POU CHEN Corp.	True Yuan CPA Firm, Partner.	None	None	None	

Title	Nationality or place of registration	Name	Gender	Election (on) date	Term	Initial elected date	Shareholdings when elected		Current shareholdings		Current shareholdings of spouse, minor children		Shares held by the person under others' names		Main Experience and Education	Current position at the Company and other company	Other officer, director or supervisor having relations as spouses or relatives within the second degree of kinship.			Remarks
							Number of shares	Share holding ratio	Number of shares	Share holding ratio	Number of shares	Share holding ratio	Number of shares	Share holding ratio			Position	Name	Relationshp	
															2. Senior Manager of Motech Industries, Inc. 3. Senior Manager of KPMG					
Independent Director	Republic of China	Yao, Shunyan	Male 40-50	2021.02.24	3	2021.02.24	0	0	0	0	0	0	0	0	1.Supervisor of Entire Technology Co., Ltd. 2.Advisor of The Boston Consulting Group. 3.Project Manager of TSMC 4.IMD Bussiness School MBA	1.Director of Entire Technology Co., Ltd. 2.Director of The CID Group.	None	None	None	

* Legal person shareholders should list the names of legal person shareholders and their representatives separately (if they are representatives of legal person shareholders, the names of legal person shareholders should be indicated), and the following table 1 should be filled in.

Note 1: The company was re-elected the board of directors at the expiration of the term of directors on Jun. 10, 2020. Then the company was fully re-elected in advance on Feb. 24, 2021 due to due to the company was changed the control rights.

Note 2: Kangjian Investment Co., Ltd. representative Wang Minlie discharged as chairman on Feb. 24, 2021.

Note 3: Kangjian Investment Co., Ltd. representatives Pan Bocang was elected on Dec. 25, 2020 and discharged on Feb. 24, 2021.

Note 4: Independent director, Chen,Ming-Zhu and Xie Rusheng was elected on Jun. 10, 2020 and discharged on Feb. 24, 2021.

Note 5:The company carried out capital reduction for deficit compensation in 2021, and the current shares is number after capital reduction.

Table 1: Major shareholder of the Act holder

May. 12, 2022

Act person share name	Major shareholder of the Act holder
Kangjian Investment Co., Ltd.	Taiwan Powder Technologies Co., Ltd. (100%)

Table 2: The major shareholder of Table I is the Act's main shareholder

May. 12, 2022

Act person share name	Major shareholder of the Act holder
Taiwan Powder Technologies Co., Ltd.	YUANTAI TPT HOLDINGS LIMITED, B.V.I. (20.85%) Siyu Investment Co., Ltd.(8.84%) HPM Labs Co., LTD. (3.98%) Zou Jingwen (2.81%) Chen Qin (2.26%) Lu Yongzhong (2.13%) Yoshimura Investment Co., Ltd. (1.92%) Chen Moli (1.92%) Pan Shengli (1.69%) Wang Zaiying (1.52%)

Directors' Professional Qualifications and Independent Directors' Independence Status

Criteria / Name	Professional Qualification and Experience (Note 1)	Independent Directors' Independence Status	Number of Other Taiwanese Public Companies Concurrently Serving as an Independent Director
Tan,Hongxiang	Has work experience in the areas of commerce, law, finance or accounting or otherwise necessary for the business of the company. Main experience and education : 1.General Manager of Chunyu Electronics (Suzhou) Co., Ltd. 2. General Manager of Guangpu Electronics Suzhou Co., Ltd. 3.Fu-jen Catholic University- Dept. of Economics	There is no marital or is within the second degree of kinship relationship between or among the Directors.	0
Wang,Min-Lie	Has work experience in the areas of commerce, law, finance or accounting or otherwise necessary for the business of the company. Main experience and education : 1 Policy Advisor to Taiwan Electricaal and Electronic Manufacturers' Association. 2. Oklahoma City University Institute		0
Zhou,Jingwen	Has work experience in the areas of commerce, law, finance or accounting or otherwise necessary for the business of the company. Main Experience and Education : Wharton School of the University of Pennsylvania MBA		0
Hsieh,Zuwei	Has work experience in the areas of commerce, law, finance or accounting or otherwise necessary for the business of the company. Main experience and education : 1. Senior Manager of Well Protector Co., Ltd. 2. CFO of Spirox Corporation 3. Assistant Manager of Ezconn Corporation 4. NCCU Dept. of Statistics		0
Chiu,Li-Mei (Independent Director)	Has work experience in the areas of commerce, law, finance or accounting or otherwise necessary for the business of the company. A certified public accountant who has passed a national examination and been awarded a certificate in a profession necessary for the business of the company. Main experience and education : 1.CFO of Motech Industries, Inc. 2. CFO of Spirox Corporation 3.CFO of Premier Technology Co ., LTD	1. None of him- or herself, his or her spouse, or relatives within the second degree of kinship serve as a director, supervisor or employee of the company or the company related companies. 2. None of him- or herself, his or her spouse, or relatives within the second degree of kinship (or in the name of others) hold shares in the company. 3. Does not serve as a director, supervisor or employee of a company with a specific relationship with the company. 4. There has been no remuneration for providing business, legal, financial, accounting and other services to the company or its related companies in the last 2 years.	0
Lin,Ying-Zhe (Independent Director)	Has work experience in the areas of commerce, law, finance or accounting or otherwise necessary for the business of the company. Main Experience and Education : 1.CoS of Marketech International Corp. 2. Counselor of Financial Supervisory Commission 3. NCCU Dept. of Public Finance Graduate Schools		0
Yao,Shunyan (Independent Director)	Has work experience in the areas of commerce, law, finance or accounting or otherwise necessary for the business of the company. Main Experience and Education : 1.Supervisor of Entire Technology Co., Ltd. 2.Advisor of The Boston Consulting Group. 3.Project Manager of TSMC 4.IMD Bussiness School MBA		1

Note 1: None of the Directors has been in or is under any circumstances stated in Article 30 of the Company Law.

Board Diversity and Independence

The members of the Board of Directors are nominated via rigorous selection processes. It not only considers background diversity, professional competence and experience, but also attaches great importance to his/her personal reputation on ethics and leadership. Presently, the seven members of the Board of Directors ,including a female board member ,represent diversified perspectives, including a complementary mix of skills, experiences, and backgrounds. The three Independent Directors constitute 43% of the Board, and there is no marital or is within the second degree of kinship relationship between or among the Directors.

Title	Chairman	Director	Director	Director	Independent Director	Independent Director	Independent Director
Name	Tan,Hongxiang	Wang,Min-Lie	Zhou,Jingwen	Hsieh,Zuwei	Chiu,Li-Mei	Lin,Ying-Zhe	Yao,Shunyan
Gender	Male	Male	Male	Male	Female	Male	Male
Age	60-70	70-80	50-60	60-70	50-60	60-70	40-50
Employed by Phonic		V					
Professional Knowledge and Expertise							
Business	V	V	V	V	V	V	V
Technology	V	V	V	V		V	V
Finance/Accounting				V	V		V
Legal						V	
Skills and Experience							
Leadership Skill	V	V	V	V	V	V	V
Strategic Decision-making	V	V	V	V	V	V	V
Industry Experience	V	V	V	V	V	V	V
Financial	V	V	V	V	V		
Operating and Manufacturing	V	V	V				
Business Development	V	V	V	V	V	V	V
Environmental Sustainability	V	V	V	V	V	V	V
Social Engagement	V	V	V	V	V	V	V

B. President, Deputy President, Director, department and branch director data

Apr 18,2022

Title	Nationality	Mame	Gender	Election (on) date	Holding shares		Spouse, minor children holding shares		Use shares in the name of others		Main (study) calendar	Currently serving as a member of Other Company	Manager with a relationship of spouse or two parents		
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Position	Name	Guanxi
General Manage	R.O.C.	Wang, Min-Lie	Male	1973.11.22	1,151,832	5.76	138,221	0.69	235,000	1.18	1 Policy Advisor to Taiwan Electricaal and Electronic Manufacturers' Association. 2. Oklahoma City University Institute	1. Chairman of Apartners Investment Corporatio 2. Chairman of GooGoo Investment Ltd.Chairma	None	None	None
Business Dept. Manager	R.O.C	Lin, Han-Rui	Male	2005.07.25	1,378	0.01	0	0	0	0	1.HighPoint Technology Inc.Sales Manager 2.University of the Pacific, MBA	None	None	None	None
Material Dept. Deputy Manager	R.O.C	Jhang, Siou-Fong	Female	2020.3.21	0	0	0	0	0	0	1. Litianxing Aviation Accounting 2. Chongyou Business College Commercial Document Section	None	None	None	None
Audit	R.O.C	Ding, Ming-Fen	Female	2019.3.25	0	0	0	0	0	0	1. Department of Economics, Fu Jen Catholic University	None	None	None	None
Quality Assurance Dept. Special Assistant	R.O.C	Shen, Pi-Chi	Male	2009.09.15	0	0	0	0	0	0	1. Jianxing Industrial and Commercial College Electronic Engineering	None	None	None	None
Finance Dept. Senior Manager	R.O.C	Lin, Shih-Chun	Male	2021.02.19	0	0	0	0	0	0	1.Taiwan Star Telecome Co.,Ltd. Business Analysis Dept. Manager. 2.Asia Pacific Telecome Co.,Ltd. Finance Dept. Manager. 3.Manager of KPMG 4.Soochow University Accounting Department.	None	None	None	None

3. Remuneration for directors, Supervisor, President and Deputy President in the most recent year

A.Remuneration to general and independent directors (collective disclosure by name and range of remuneration):

NT Dollar

Position	Name	Directorsc ompensation								A、B、 C、D The ratio of the four totals to the net profit after tax		Part-time employees receive relevant compensation								A、B、C、D、E、F、GThe ratio of the total amount of seven items to the net profit after tax		There is a donation from the subsidiary to the foreign investment business compensation
		Payoffs (A)		Retirement pension (B)		Directors Consideration (C)		Business executionexpenses(D)				Salary, bonus and special expenses (E)		Retirement pension (F)		Employee consideration (G) (Not 6：)						
																Our company		All companies in the financial report				
		Our company	All companies in the financial report	Our company	All companies in the financial report	Our company	All companies in the financial report	Our company	All companies in the financial report	Our company	All companies in the financial report	Our company	All companies in the financial report	Our company	All companies in the financial report	Cash amount	Stock amount	Cash amount	Stock amount	Our company	All companies in the financial report	
Chairman	Tan,Hongxiang	0	0	0	0	0	0	20,000	20,000	0.02	0.02	0	0	0	0	0	0	0	0	0.02	0.02	None
Director	Wang , Min-Lie	0	0	0	0	0	0	4,000	4,000	0.00	0.00	379,820	379,820	0	0	0	0	0	0	0.41	0.41	None
Director	Zhou Jingwen	0	0	0	0	0	0	10,000	10,000	0.01	0.01	0	0	0	0	0	0	0	0	0.01	0.01	None
Director	Hsieh,Zuwei	0	0	0	0	0	0	16,000	16,000	0.02	0.02	0	0	0	0	0	0	0	0	0.02	0.02	None
Independent Director	Chiu, Li- Mei	300,000	300,000	0	0	0	0	16,000	16,000	0.34	0.34	0	0	0	0	0	0	0	0	0.34	0.34	None
Independent Director	Lin,Ying-Zhe	360,000	360,000	0	0	0	0	14,000	14,000	0.40	0.40	0	0	0	0	0	0	0	0	0.40	0.40	None
Independent Director	Yao,Shunyan	300,000	300,000	0	0	0	0	16,000	16,000	0.34	0.34	0	0	0	0	0	0	0	0	0.34	0.34	None
Independent Director	Chen, Ming-Zhu	21,200	21,200	0	0	0	0	4,000	4,000	0.03	0.03	0	0	0	0	0	0	0	0	0.03	0.03	None

1. Please state the policy, system, standard and structure of the remuneration payment for independent directors, and state the relevance to the amount of remuneration based on the responsibilities, risks, investment time and other factors: according to Article 28 of the company's articles of association, No profit was made for the year, so no director's remuneration was paid.
2. Except as disclosed in the above table, the remuneration received by the directors of the company for providing services to all companies in the financial report (such as serving as a consultant for non-employees, etc.) in the most recent year: None.

B.Remuneration to supervisor (collective disclosure by name and range of remuneration): Not Applicable

C.Remuneration to President and Vice President (collective disclosure by name and range of remuneration):

NT Dollar

Position	Name	Salary (A)		Retirement pension (B)		Bonuses and special fees, etc. (C)		Employee consideration (D)				The ratio of the total amount of A, B, C and D to the net profit after tax （%）		Remuneration from invested businesses other than the subsidiaries
		Our company	All companies in the financial report	Our company	All companies in the financial report	Our company	All companies in the financial report	Our company		All companies in the financial report		Our company	All companies in the financial report	
								Cash amount	Stock amount	Cash amount	Stock amount			
General Manager	Wang , Min-Lie	379,820	379,820	0	0	0	0	0	0	0	0	0.40	0.40	0

* Regardless of position, where the position is equivalent to President, Vice President (eg, president, CEO, director, etc.), should be disclosed.

D.The remuneration of the top five remuneration executives of listed over-the-counter companies (individual disclosure of name and remuneration method)

NT$ thousands

Position	Name	Salary (A)		Retirement pension (B)		Bonus and Special expenses(C)		Employee compensation amount (D)				The ratio of the total amount of A, B, C and D to the net profit after tax (%)		Receive remuneration from non-subsidiary reinvestment business or parent company
		Our company	All companies in the financial report	Our company	All companies in the financial report	Our company	All companies in the financial report	Our company		All companies in the financial report		Our company	All companies in the financial report	
								Cash amount	Stock amount	Cash amount	Stock amount			
General manager	Wang , Min-Lie	380	380	0	0	0	0	0	0	0	0	0.40	0.40	0
Finance Dept . Deputy Manager	Lin, Shih-Chun	1,439	1,439	0	0	0	0	0	0	0	0	1.53	1.53	0
Business Dept. Manager	Lin, Han-Rui	1,456	1,456	0	0	0	0	0	0	0	0	1.55	1.55	0

∗ The content of the remuneration disclosed in this table is different from the income concept of the income tax law, so the purpose of this table is for information disclosure, not for taxation purposes.

E. Managers entitled to employee compensation and the amount entitled : The 2021 compensation to employees and remuneration to Directors were planned by the company at amounts of NT$616,483(two percent of the balance) and NT$308,241(one percent of the balance), respectively. The distribution is to be made in the form of cash. The detailed distribution plan is subject to the resolution of the Remuneration Committee and the Board of Directors.

F. Separately compare and describe the total remuneration paid to the Directors, Supervisors,General Managers and Vice Presidents of the Company in the last two fiscal years as apercentage of the net income after tax of the individual financial reports by the Company andby all companies in the consolidated statements, and analyze and describe the policies,standards and combination of remuneration payment, the procedures for determiningremuneration, and its linkage to operating performance and future risk exposure.

The company's policy of the remuneration of directors, supervisors, general managers and deputy general managers is based on the scope of responsibility of the position within the company and the contribution to the company's operating goals; In addition to performance, it also refers to the individual's contribution to the company's performance.

Analysis of the total remuneration, as a percentage of net income after tax, paid to directors, President and Vice President in the most recent 2 years:.

Remuneration amount as a percentage of net income after tax	2020	2021
Directors	-9.63%	1.55%
Supervisor	-0.45%	-
President and Vice President	-5.81%	0.40%

4. Corporate governance

A. The Board of Directors:

A total of 10 Board meetings (A) have been convened in 2020 with the Directors' and supervisor attendance shown as follows:

Title	Name	Number of actual attendance (B)	Proxy Attendance	Percentage of actual attendance (%)【B/A】	Note
Chairman	Kangjian Investment Co., Ltd. Representative: Tan, Hong-Xiang	10	0	100%	1. Was elected for director as legal representative person capacity on Dec.28, 2020. 2.Was elected for chairman on Feb. 24, 2021.
Director	Kangjian Investment Co., Ltd. Representative: Wang, Min-Lie	2	5	20%	1. Was elected for director as legal representative person capacity on Jun. 10, 2020. 2.Was discharged chairman on Feb. 24, 2021 but still serves as director
Director	Kangjian Investment Co., Ltd. Representative: Zhou, Jing-Wen	5	5	50%	Re-elected on Feb. 24, 2021.
Director	Kangjian Investment Co., Ltd. Representative: Hsieh, Zu-Wei	8	0	100%	Re-elected on Feb. 24, 2021. (Required attendance: 8 times)
Director	Kangjian Investment Co., Ltd. Representative: Pan, Bocang	0	2	0%	Discharged on Feb. 24, 2021. (Required attendance: 2 times)
Independent Director	Chiu, Li- Mei	8	0	100%	Eelected on Feb. 24, 2021. (Required attendance: 8 times)
Independent Director	Lin, Ying-Zhe	7	3	70%	Re-elected on Feb. 24, 2021.
Independent Director	Yao, Shun-Yan	8	0	100%	Re-elected on Feb. 24, 2021. (Required attendance: 8 times)
Independent Director	Chen, Ming-Zhu	2	0	100%	Discharged on Feb. 24, 2021. (Required attendance: 2 times)
Independent Director	Xie, Ru-Sheng	1	0	50%	Discharged on Feb. 24, 2021. (Required attendance: 2 times)

Note: The company established an audit committee in lieu of a supervisor on Jun. 10, 2020.

Other items that shall be recorded：

1. For board of directors meetings that meet any of the following descriptions, state the date, session, the discussed agenda, independent directors' opinions and how the company has responded to such opinions: please refer to pages 18.
   (1) Conditions described in Article 14-3 of the Securities and Exchange Act.
   (2) In addition to the above-mentioned matters, any other documented or recorded opposition or qualified opinions made by Independent Directors against Board of Directors' resolutions.
2. In case a director recused himself/herself due to a conflict of interest, the minutes shall clearly state the name of the director, contents of the proposal, reason for not voting and voting process: none.
3. A company listed on the Taiwan Stock Exchange (TWSE) or the Taipei Exchange (TPEx) shall disclose the cycles, periods, scope, method, contents and other matters of the self-evaluation by the board members of themselves (or peers), and state the implementation status of the board members' evaluation: please refer to Ⅲ.Corporate Governance Report 4.Corporate governance B.Implementation status of board evaluation (pages 17).
4. Goals for enhancing the functions of the Board of Directors (such as establishing an Audit Committee or increasing information transparency) for the current fiscal year and the most recent fiscal year as well as assessments of the actions implemented:
   (1) Two functional committees, the Audit Committee and the Remuneration Committee, have been established under the Board of Directors and formed by all Independent Directors. Each committee regularly reports to the Board to assist the Board in fulfilling its supervisory functionsThe company will carefully evaluate the feasibility of setting up an audit committee.

The Company discloses relevant information in accordance with legal regulations and has implemented a spokesperson system to timely and adequately disclose various material information in order to protect shareholders' rights.

Implementation of the evaluation by the board of directors:

Evaluation Cycle	Period of Evaluation	Scope	Evaluation Method	Evaluation Content
Annually	Period of the 2021 annual board performance evaluation: from Jan. 1, 2021 to Dec. 31, 2021.	The scope of the 2021 Evaluation covers the evaluation of the Board of Directors, individual board members and functional committees (including the Audit Committee and the Remuneration Committee).	The evaluation method for the 2021 performance adopts internal evaluation of the board and self-evaluation by the board members of themselves.	Evaluation contents for the 2021 performance include: (1)Performance evaluation of the Board of Directors: five aspects including participation in the operation of the Company, the quality of the Board of Directors' decision making, composition and structure of the Board of Directors, election and continuing education of the Directors and internal control. (2)Performance evaluation of the individual board members: six aspects including alignment of the goals and missions of the Company, awareness of the duties of a Director, participation in the operation of the Company, management of internal relationship and communication, the Director's professionalism and continuing education and internal control. (3) Performance evaluation of the functional committee: five aspects including participation in the operation of the Company, awareness of the duties of the functional committee, improvement of quality of decisions made by the functional committee, makeup of the functional committee and election of its members and internal control.

B. Functionality of the Audit Committee：

a. To implement the corporate governance, the company established an audit committee in lieu of a supervisor in accordance with the provisions of the Securities and Exchange Law since June 2020.

b. A total of 6 audit committee meetings (A) have been convened in 2021 with the Independent Directors' attendance shown as follows:：

Title	Name	Number of actual attendance (B)	Proxy Attendance	Percentage of actual attendance (%)【B/A】	Note
Independent Director	Chiu, Li- Mei	6	0	100%	
Independent Director	Lin, Ying-Zhe	4	2	66.67%	
Independent Director	Yao, Shun-Yan	6	0	100%	

Other items that shall be recorded:
1. Other items that shall be recorded:
(1) Conditions described in Article 14-3 of the Securities and Exchange Act:

Date	Agenda	Audit Committee Resolution Results	The Company's response to the opinion of the Audit Committee
2021.03.15	(1) Audit plan implementation status in Q4, 2020. (2) Proposal of the Company's 2020 Statement of Internal Control System. (3) Proposal of the Company's 2020 Financial Reports and Business Report. (4) Proposal of the Company's 2020 Deficit Compentaion. (5) Proposal of appointment of Treasurer, Accountant and Spokesperson. (6) Proposal of 2021 Annual Financial Statements Certified Accountant Appointment	Unanimously approved by all members present in the meeting.	Unanimously approved by all directors present in the meeting.
2021.04.23	(1) Proposal of Capital Reduction for deficit compensation. (2) Proposal of purchase of real estate.	Unanimously approved by all members present in the meeting.	Unanimously approved by all directors present in the meeting.
2021.05.11	(1) Audit plan implementation status in Q1, 2021. (2) Proposal of the Company's Q1 2021 Financial Reports. (3) Proposal of appointment of the Company's Corporate Governance Officer	Unanimously approved by all members present in the meeting.	Unanimously approved by all directors present in the meeting.
2021.08.10	(1) Audit plan implementation status in Q2, 2021. (2) Proposal of the Company's Q2 2021 Financial Reports (3) Proposal of sale of office real estate on Dongxing Road, Taipei City.	Unanimously approved by all members present in the meeting.	Unanimously approved by all directors present in the meeting.
2021.08.19	(1) Proposal of sale of office real estate on Dongxing Road, Taipei City to a related party.	Unanimously approved by all members present in the meeting.	Unanimously approved by all directors present in the meeting.
2021.11.10	(1) Proposal of the Company's Q3 2021 Financial Reports. (2) Audit plan implementation status in Q3, 2021. (3) Proposal of the Company's 2022 Internal Audit Plan.	Unanimously approved by all members present in the meeting.	Unanimously approved by all directors present in the meeting.

(2) In addition to the above-mentioned matters, any other documented or recorded opposition or qualified opinions madeby Independent Directors against Board of Directors' resolutions: None.
2. In case an independent director recused himself/herself due to a conflict of interest, the minutes shall clearly state the name of the independent director, contents of the proposal, reason for not voting and voting process: None.
3. Communication between the Independent Director and the internal audit supervisor and CPAs:
(1) In addition to delivering audit reports to independent director for review every month, the audit department reportsthe implementation status of audit to the Audit Committee and Board of Directors every quarter.
(2) When the Audit Committee holds a meeting, CPAs shall be invited to the meeting if matters with regard to the financial statements of the Company or the CPA's audit and certification will be discussed. The CPAs shall report the financial status of the Company, internal control audit result and key audit matters to the independent directors. Both shall communicate with each other with regard to financial statements, CPA's audit reports or whether revision of laws or regulations affects the accounts; such meeting may be held, if necessary, when any significant event occurs.
(3) Below is a summary of the communications between the Independent Directors and Internal Audit Manager, as well as between Independent Directors and Internal Audit Manager in 2020 and up to the date of publication of the annual report:

Date	Agenda	Audit Committee Resolution Results
2021.03.15 2st Session 1st Meeting	(1) Audit plan implementation status in Q4, 2020. (2) Proposal of the Company's 2020 Statement of Internal Control System.	No comments
2021.05.11 2st Session 3rd Meeting	(1) Audit plan implementation status in Q1, 2021.	No comments
2021.08.10 2nd Session 4th Meeting	(1) Audit plan implementation status in Q2, 2021. (2) Proposal of the Company's Q2 2021 Financial Reports	No comments
2021.11.10 2nd Session 6th Meeting	(1) Audit plan implementation status in Q3, 2021. (2) Proposal of the Company's 2022 Internal Audit Plan.	No comments

2022.03.25 2nd Session 8th Meeting	(1) Audit plan implementation status in Q4, 2021. (2) Proposal of the Company's 2021 Statement of Internal Control System.	No comments

(4) Below is a summary of the communications between the Independent Directors and Internal Audit Manager, as well as between Independent Directors and the CPAs in 2020 and up to the date of publication of the annual report:

Date	Agenda	Audit Committee Resolution Results
2021.03.15 2st Session 1st Meeting	(1) Proposal of the Company's 2020 Financial Reports and Business Report. (2) Proposal of the Company's 2020 Deficit Makeup Statem	No comments
2021.05.11 2st Session 3rd Meeting	(1) Proposal of the Company's Q1 2021 Financial Reports.	No comments
2021.08.10 2nd Session 4th Meeting	(1) Proposal of the Company's Q2 2021 Financial Reports	No comments
2021.11.10 2nd Session 6th Meeting	(1) Proposal of the Company's Q3 2021 Financial Reports	No comments
2022.03.25 2nd Session 8th Meeting	(1) Proposal of the Company's 2021 Financial Reports and Business Report. (2) Proposal of the Company's 2021 Earnings Distribution Statem	No comments

C. The situation of corporate governance operation and its differences with the company's practice rules for listing on the company.

Assessment criteria	Current practice (Note)			Deviation and causes of deviation from Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary description	
1. Does the company stipulate and expose the Code of Practice for Corporate Governance based on the Code of Practice for Corporate Governance in Listed Companies?	V		Our company has not yet established a Code of Corporate Governance in accordance with the Code of Practice for Corporate Governance on the Listed List, but the Our company has actually implemented its relevant regulations in accordance with the spirit of corporate governance. In the future, Our company will discuss the Code of Corporate Governance with the Act Order.	Not significant difference
2. Company shareholding structure and shareholders Equit				
（1） Does the company have an internal operating procedure to deal with shareholder recommendations, doubts, disputes and litigation matters, and implement it according to procedures?	V		The company has a stock affairs window that can be responsible for accepting shareholder suggestions. If there is a dispute, it will be assigned to a full-time legal counsel.	Not significant difference
（2） Does the company have a list of the ultimate controllers of the major shareholders and major shareholders of the actual control company	V		The Company regularly discloses the list of major shareholders and the ultimate controller of major shareholders according to law.	Not significant difference
（3） Does the company establish, implement, and manage risk management and firewall mechanisms between related companies?	V		The assets and financial management rights and responsibilities between the company and related companies are quite clear, and they are regulated in accordance with relevant measures .	Not significant difference
（4） Does the company have internal regulations that prohibit insiders from using market unpublished information to buy and sell securities?	V		The company has stipulated "management operations to prevent insider transactions" and has indeed informed insiders of the company to strictly follow.	Not significant difference
3. The composition and duties of the directors				
（1） Will directors formulate a diversified approach and implement the membership?	V		The company currently has two independent directors, hiring professionals with expertise and years of experience in finance or business practice to hold the position.	Not significant difference
（2） Does the company voluntarily set up various functional committees besides the Act Payoffs Committee and the Audit Committee?	V		The company has set up a remuneration committee, and other functional committees are set according to the actual needs of the company.	Not significant difference
（3） Does the company set the directors' performance appraisal office Act and its evaluation methods, and conduct performance evaluations every year and regularly?	V		The company has not yet established a board performance evaluation method, but will regularly evaluate the performance of each director based on the attendance of the directors.	Not significant difference
（4） Does the company regularly assess the Dependence of Visa Accountants?	V		The board of directors of the company regularly evaluates the independence of visa accountants every year.	Not significant difference
4. Does the listing company set up a corporate governance special (part-time) unit or personnel responsible for corporate governance related matters (including but not limited to providing directors, Supervisor required to perform business operations, Acting at the directors and meetings of the shareholders meeting) , handling company registration and change registration, making directors and shareholders meeting, etc.)	V		The company has full-time staff to provide directors and supervisors with the necessary information to carry out their business, to handle matters related to the meetings of the board of directors and shareholders 'meeting in accordance with law, to handle company registration and change registration, and to make minutes of the board and shareholders' meetings.	Not significant difference

Assessment criteria	Current practice (Note)			Deviation and causes of deviation from Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary description	
5. .Has the company established a communication channel with stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.), and set up a stakeholder area on the company's website, and properly responded to the important corporate social concerns Responsibility issues?	V		The company and stakeholders, including shareholders, employees, customers, suppliers, and other company stakeholders, maintain smooth communication channels.	Not significant difference
6. Does the company appoint a professional stock agency to handle the affairs of the shareholders' meeting?	V		The shareholding representative institution "Yuanda Bora Securities Group, Ltd." handles issues related to shareholders.	Not significant difference
7. Information disclosure				
(1) Does the company set up a website to expose financial business and corporate governance information?	V		The company has set up a network and regularly updates financial business related information.	Not significant difference
(2) Does the company adopt other methods of information disclosure (such as setting up an English website, designating a special person to collect and disclose company information, implementing the Spokesman system, placing the company website during the legal person briefing, etc.)?	V		In addition to disclosing financial business-related information regularly or irregularly at public information observatories, the company also provides relevant information announcements on the company's website in accordance with regulations.	Not significant difference
(3) Does the company announce and declare the annual financial report within two months after the end of the fiscal year, and announce and declare the first, second, and third quarter financial reports and the monthly operating situation early within the prescribed time limit?		V	The company publishes and declares the annual financial report, the first, second, and third quarter financial reports and the monthly operating situation as early as possible within the prescribed time. (limit.https://mops.twse.com.tw/)	Not significant difference
8. Does the company have other important information that helps to understand the company's governance operations (including but not limited to employee Equity, employee care, investor relations, supplier relationships, stakeholder rights, directors and supervisor training, risk administrative policy And the implementation of risk metrics, the implementation of customer policies, the company's purchase of liability insurance for directors and Supervisors, etc.)	V		1. The company spares no effort to protect the rights and interests of employees, employee care, investor relations, supplier relations, and the rights of interested parties. 2. Continuing Studies of Directors:The company with a positive attitude to encourage directors to participate in refresher courses of professional knowledge. 3. The risk management policy and the implementation of risk measurement: refer to VII-6 “Risk issues should be analytically assessed” section. 4. The implementation of customer policy: The quality policy that our company upholds is to get to the bottom, continuous improvement, full participation, customer-oriented. 5. Liability Insurance for Directors: The Company files liability insurance for all Directors and staff in critical functions in each year. Material contents including the insured amounts and insurance fee rates for the aforementioned liability insurance are submitted to the Board.	Not significant difference

<table>
<tr><th rowspan="2">Assessment criteria</th><th colspan="3">Current practice (Note)</th><th rowspan="2">Deviation and causes of deviation from Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary description</th></tr>
<tr><td colspan="5">9. Please specify the measures adopted by the Company to improve the items listed in the corporate governance review result from Taiwan Stock Exchange's Corporate Governance Center and the improvement plans for items yet to be improved.
The company is devoted to strengthening corporate governance and continuous improvement of unscored projects. The specific recent strengths and measures are as follows:

(1) The company established an audit committee on Jun. 10, 2020.
(2) The company has formulated the Regulations Governing the Performance Evaluation of the Board of Directors and submitted the 2021 annual performance evaluation results to the Board of Directors.
(3) The company has set up a corporate governance supervisor and assigned corporate governance personnel to be responsible for corporate governance-related affairs in 2021.</td></tr>
</table>

(Note):The training status of the directors of the company in accordance with the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEx Listed Companies " is as follows

:

<table>
<tr><th>Identity</th><th>Name</th><th>Organizer</th><th>Course Title</th><th>Hours</th></tr>
<tr><td rowspan="2">Independent Director</td><td rowspan="2">Chiu, Li-Mei</td><td rowspan="2">Accounting Research and Development Foundation</td><td>New Regulations on Remuneration of Directors and Supervisors and Analysis of Corporate Governance Practices</td><td>3.0</td></tr>
<tr><td>The Role and Operational Practice of Independent Directors in Corporate Governance</td><td>3.0</td></tr>
<tr><td rowspan="2">Independent Director</td><td rowspan="2">Yao,Shun-Yan</td><td>Taiwan Corporate Governance Association</td><td>Insider Equity Transactions and Corporate Governance</td><td>3.0</td></tr>
<tr><td>Securities and Futures Institute</td><td>The value of information security in the post-epidemic era and the Sino-US trade war</td><td>3.0</td></tr>
</table>

D. Composition, Duties, and Operations of the Remuneration Committee:

(1) Information on the members of the Remuneration Committee

Identity	Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience	Independence criteria	Also serves as a member of the Payoffs
Independent Director (Convener)	Chiu, Li- Me	Has work experience in the areas of commerce, law, finance or accounting or otherwise necessary for the business of the company. A certified public accountant who has passed a national examination and been awarded a certificate in a profession necessary for the business of the company. Main experience and education : 1. True Yuan CPA Firm, Partner. 2.CFO of Motech Industries, Inc. 3. CFO of Spirox Corporation 4.CFO of Premier Technology Co ., LTD 5.NCCU Dept. of Statistics	1. None of herself, her spouse, or relatives within the second degree of kinship serve as a director, supervisor or employee of the company or the company related companies. 2. None of herself, her spouse, or relatives within the second degree of kinship (or in the name of others) hold shares in the company. 3. Does not serve as a director, supervisor or employee of a company with a specific relationship with the company. 4. There has been no remuneration for providing business, legal, financial, accounting and other services to the company or its related companies in the last 2 years.	—
Independent Director	Lin,Ying-Zhe	Has work experience in the areas of commerce, law, finance or accounting or otherwise necessary for the business of the company. Main Experience and Education : 1.Advisor of Topco Scientific Co., Ltd. 2.CoS of Marketech International Corp. 3. Counselor of Financial Supervisory Commission 4. NCCU Dept. of Public Finance Graduate Schools	1. None of himself, his spouse, or relatives within the second degree of kinship serve as a director, supervisor or employee of the company or the company related companies. 2. None of himself, his spouse, or relatives within the second degree of kinship (or in the name of others) hold shares in the company. 3. Does not serve as a director, supervisor or employee of a company with a specific relationship with the company. 4. There has been no remuneration for providing business, legal, financial, accounting and other services to the company or its related companies in the last 2 years.	—
Independent Director	Yao, Shun-Yan	Has work experience in the areas of commerce, law, finance or accounting or otherwise necessary for the business of the company. Main Experience and Education : 1.Director of Entire Technology Co., Ltd. 2.Supervisor of Entire Technology Co., Ltd. 3.Advisor of The Boston Consulting Group. 4.Project Manager of TSMC 5.IMD Bussiness School MBA	1. None of himself, his spouse, or relatives within the second degree of kinship serve as a director, supervisor or employee of the company or the company related companies. 2. None of himself, his spouse, or relatives within the second degree of kinship (or in the name of others) hold shares in the company. 3. Does not serve as a director, supervisor or employee of a company with a specific relationship with the company. 4. There has been no remuneration for providing business, legal, financial, accounting and other services to the company or its related companies in the last 2 years.	—

(2) Operations of the Remuneration Committee

a. The Remuneration Committee of the Company is comprised of 3 members

b. Current term of office: The 5th committee from March 15, 2021 to Feb 23, 2024; the 2021 Remuneration Committee held 2 meetings (A)：

Title	Name	Number of actual attendance (B)	Proxy Attendance	Percentage of actual attendance (%)【B/A】	Note
Convener	Chiu, Li- Me	2	0	100%	
Committee	Lin,Ying-Zhe	2	0	100%	
Committee	Yao, Shun-Yan	2	0	100%	

Other items that shall be recorded:

1. In the event where the Remuneration Committee's proposal is rejected or amended by the Board of Directors, please describe the date and session of the meeting, details of the agenda, the board's resolution and how the Company deals with the Remuneration Committee's opinions: None.
2. Should any member object or express qualified opinions to the resolution made by the Remuneration Committee, whether on-record or in writing, please describe the date and session of the meeting, details of the agenda, the opinions of all the members and how these opinions are addressed: None.

E. Sustainable Development Implementation Status as Required by the Taiwan Financial Supervisory Commission

Assessment criteria	Current practice: Yes	Current practice: No	Current practice: Summary description	Deviation and causes of deviation from the Listed Companies Sustainable Development Code of Practice
1. Does the Company have a governance structure for sustainability development and a dedicated (or ad-hoc) sustainable development organization with Board of Directors authorization for senior management, which is reviewed by the Board of Directors?		V	Although the company has not set up a full-time (part-time) unit to promote social responsibility, the company will start from its own, and spare no effort in environmental protection and related social responsibility activities.	Not significant difference
2. Does the Company follow materiality principle to conduct risk assessment for environmental, social and corporate governance topics related to company operation, and establish risk management related policy or strategy?		V	The practice of corporate social responsibility is based on the following principles: (1) Implement and promote corporate governance. (2) Develop a sustainable environment. (3) Maintain social welfare. (4) Strengthen corporate social responsibility.	Not significant difference
3. Environmental issues				
（1） Does the company establish an appropriate environmental management system according to its industrial characteristics?	V		The raw materials currently used have met the requirements of the EU Environmental Protection Directive (RoHS).	Not significant difference
（2） Is the company committed to improving the utilization efficiency of various resources and using recycled materials with low impact on environmental load?	V		(1) Follow the relevant environmental regulations, protect the natural environment appropriately, and commit to the goal of environmental sustainability when carrying out business activities. (2) Committed to improving the utilization efficiency of various resources, and using recycled materials with low impact on environmental load, so that the earth's resources can be used continuously.	Not significant difference
（3） Does the company assess the potential risks and opportunities of climate change to the company now and in the future, and take measures to cope with climate-related issues?	V		The purpose of the company's establishment is to promote the development of circular economy, pay considerable attention to issues related to climate change, and encourage the reuse of resources in daily office environment.	Not significant difference
（4） Does the company count greenhouse gas emissions, water consumption and total weight of waste in the past two years, and formulate policies for energy saving and carbon reduction, greenhouse gas reduction,	V		Since greenhouse gases affect the global climate and pose serious challenges to the earth ’s ecology, the company conducts an annual survey of the company ’s carbon emissions based on a part of the industrial supply chain, and selects possible energy saving and carbon reduction targets for improvement and reduces resource	Not significant difference

Assessment criteria	Current practice			Deviation and causes of deviation from the Listed Companies Sustainable Development Code of Practice
	Yes	No	Summary description	
water use reduction or other waste management?	V		consumption. Use, so that the company can contribute to the reduction of greenhouse gases.	
4. Social issues				
(1) Has the company formulated relevant management policies and procedures in accordance with relevant regulations and international human rights conventions?	V		According to the Labor Standards Law and other relevant labor regulations, personnel management rules and employee work rules have been formulated, and employee labor insurance, universal health insurance and pension matters are handled in accordance with relevant regulations.	Not significant difference
(2) Does the company formulate and implement reasonable employee welfare measures (including compensation, vacation and other benefits), and appropriately reflect the operating performance or results in employee compensation?	V		Employee salary and compensation policies are determined based on personal ability, contribution to the company, performance, competitiveness, and consideration of the company's future operational risks. Article 28 of the company's Articles of Association stipulates that if the company makes a profit in the year, no less than 2% shall be provided for employee compensation, and no more than 1% for director and supervisor compensation. Cash distribution is distributed to employees of subordinate companies that meet certain conditions.	Not significant difference
(3) Does the company provide a safe and healthy working environment for employees and regularly implement safety and health education for employees?	V		Provide a safe and healthy work environment for employees, and work to improve the reduction of hazards to employee safety and health to prevent occupational disasters.	Not significant difference
(4) Does the company establish an effective career development training program for employees?	V		The company provides relevant professional education and training to enrich employees' career skills. The company also encourages employees to assess their own interests, skills, values, and goals and communicate their personal career intentions with managers to plan future career plans.	Not significant difference

Assessment criteria	Current practice			Deviation and causes of deviation from the Listed Companies Sustainable Development Code of Practice
	Yes	No	Summary description	
(5) Has the company complied with relevant laws and international standards regarding customer health and safety, customer privacy, marketing and labeling of products and services, and has formulated relevant consumer protection policies and appeal procedures?	V		(1) The company follows the "Consumer Protection Law" and upholds the ethics of product responsibility and marketing, and implements the implementation of consumer rights policies. (2) The company complies with government regulations and relevant industry standards to ensure product and service quality. (3) When marketing and advertising products or services, the company follows government regulations and relevant international standards, and promises to refrain from deception, misleading, fraud, or any other behavior that undermines consumer trust and consumer rights.	Not significant difference
（6） Does the company formulate supplier management policies that require suppliers to follow relevant regulations on environmental protection, occupational safety and health or labor human rights, and their implementation?	V		（1） The company has included "Environmental Safety and Health Status" as one of the inspection items in the supplier field evaluation form. （2） In the contract signed between the company and the supplier, if it is clearly found that there is a violation of social responsibility, or other situations that have a significant adverse impact on society, the company can terminate or terminate the contract.	Not significant difference
5. Does the company refer to internationally-used report preparation standards or guidelines to prepare corporate social responsibility reports and other reports that disclose the company's non-financial information? Did the pre-report report obtain the confidence or assurance opinion of the third-party verification unit?		V	The company has not yet prepared it, and it will do it in time in the future considering international trends and market changes.	Not significant difference
6. If the company has its own corporate social responsibility code in accordance with the "Listed Companies Sustainable Development Code of Practice", please state the difference between its operation and the established code: The company has not yet established a corporate social practice code based on the "Listed Companies Sustainable Development Code of Practice". In fact, the company has implemented its relevant standards in accordance with the spirit of corporate governance. In the future, the company will discuss and cooperate with the law to formulate the "Code of Practice for Corporate Social Responsibility."				

Assessment criteria	Current practice			Deviation and causes of deviation from the Listed Companies Sustainable Development Code of Practice
	Yes	No	Summary description	
7. Other important information that helps to understand the operation of corporate social responsibility: Environmental protection and safety and health: The company masters high service quality, which not only helps customers improve the service life of workpieces and improve processing quality, but also reduces the consumption of earth resources. In order to fulfill the corporate social responsibility and commitment and the goal of sustainable operation, promote environmental protection, and will continue to improve the waste generated by the process and reduce the environmental impact of the company's products, activities, and services to achieve pollution prevention. purpose.				

F. Ethical corporate management practice and deviation and causes of deviation from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies:

Assessment criteria	Current practice (Note)			Deviation and causes of deviation from Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary description	
1. Formulate integrity management policies and plans （1） Has the company formulated the integrity management policy approved by the board of directors, and stated in the regulations and external documents the policies and practices of integrity management, as well as the board and senior management's commitment to actively implement the operation policy? （2） Whether the company has established an assessment mechanism for the risk of dishonesty, regularly analyzes and evaluates business activities with high risks of dishonesty in the business scope, and formulates a plan to prevent dishonesty, and at least covers "listing Preventive measures for the conduct of the second paragraph of Article 7 of the Company's Code of Integrity Management? （3） Does the company clearly specify the operating procedures, behavior guidelines, disciplinary and punishment and appeal system in the plan to prevent dishonesty, and implement it, and regularly review and revise the pre-disclosure plan?		V V V	The company intends to study and formulate the "Code of Integrity Management" and intends to submit it to the board of directors for approval and implementation. At present, the company follows the company law, securities trading law, commercial accounting law, regulations related to listing on the counter, or other commercial acts, as the basis for the implementation of integrity management.	Not significant difference Not significant difference Not significant difference
2. Implement integrity management （1） Does the company evaluate the integrity record of the counterparty and specify the terms of integrity in the contract signed with the counterparty?	V		When the company deals with important documents such as business transactions or when signing contracts with others, it is necessary to sign the relevant authority for review, and to do it after verification by the authoritative decision, to operate business activities with integrity.	Not significant difference

Assessment criteria	Current practice (Note)			Deviation and causes of deviation from Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary description	
（2） Does the company set up a special unit under the board of directors to promote the integrity management of the enterprise, and regularly (at least once a year) report to the board of directors on its integrity management policies and plans to prevent dishonesty and supervise implementation?		V	The Company intends to study and formulate a "Code of Integrity Management" and intends to report to the board of directors for approval and implementation.	Not significant difference
（3） Does the company formulate a policy to prevent conflicts of interest, provide appropriate presentation channels, and implement them?	V		If there are any decisions or transactions with directors, supervisors and managers that may have a conflict of interest, these persons shall not participate in decision-making or voting.	Not significant difference
（4） Whether the company has established an effective accounting system and internal control system for the implementation of integrity management, and the internal audit unit shall draw up the relevant audit plan based on the results of the assessment of the risk of dishonesty, and check the plan against dishonesty Follow the situation, or entrust an accountant to perform the audit?	V		In order to ensure the implementation of integrity management, the company has established an effective accounting system and internal control system, internal audit staff and regularly check the compliance of various systems.	Not significant difference
（5） Does the company regularly conduct internal and external education and training on integrity management?	V		In the daily business of the company, pay attention to the implementation of the principle of integrity by employees. From time to time send relevant promotional materials by email.	Not significant difference
3. Operation of the company's whistleblowing system				
（1） Does the company formulate a specific reporting and reward system, establish a convenient reporting channel, and assign appropriate personnel to accept the complaint?		V	The company has a report line to provide a smooth communication channel.	Not significant difference
（2） Has the company established standard operating procedures for accepting		V	Receiving and reporting matters shall be handled with confidentiality, prudence and careful proof. Although there	Not significant difference

Assessment criteria	Current practice (Note)			Deviation and causes of deviation from Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary description	
reports of investigations, follow-up measures to be taken after the investigation is completed, and relevant confidentiality mechanisms?			are no clear written system matters, all internal matters are handled very carefully.	
（3）Has the company taken measures to protect the whistleblowers from improper disposal due to the whistleblowing?		V	There is no such written system, and planning adjustments are in progress.	Not significant difference
4. Strengthen information disclosure Has the company disclosed on its website and public information observatory the content of its integrity management code and its effectiveness?	V		Integrity is the foundation of the core of the company's corporate culture, and develops four core values of "integrity, differentiation, value, high growth" with integrity. For related information, please refer to the business philosophy of the company's website.	Not significant difference
5. If the company has its own code of integrity management in accordance with the "Code of Integrity Management of Listed OTC Companies", please state the difference between its operation and the established code: For the operation and implementation of the company's integrity management, please refer to this annual report III. 4.Corporate Governance D. The situation of corporate governance operation and its differences with the company's practice rules for listing on the company (Page 20-22)				
6. Other important information that helps to understand the company's integrity management and operation: (such as the company reviewing and revising its integrity management code, etc.) The company promotes the four core values of integrity development. Every employee can see "innovation, differentiation, value, high growth" when the computer is turned on, so that integrity is deeply embedded in the behavior of each employee.				

G. If the company has formulated the corporate governance code and related regulations, it should disclose its inquiry method: It has not been completed, and it will be implemented in accordance with actual needs in the future.

H. Other important information that can enhance the understanding of the operation of the company's governance must be disclosed together: None

I. Implementation status of internal control system

(1) Statement of Internal Controls

Phonic Corporation.
Statement of Internal Controls
date：Mar 25，2022

According to the examination on internal control system done by the Company itself in 2021, we hereby states as follows:

1. The company is sure that the establishment, implementation and maintenance of the internal control system is the responsibility of the company's board of directors and the Manger people. The company has already established this system. Its purpose is to provide reasonable assurance for the achievement of objectives such as the effectiveness and efficiency of operations (including profitability, performance, and asset security, etc.), the reliability of financial reporting, and compliance with relevant laws and regulations.
2. The internal control system has its inherent limitations. No matter how perfect the design is, an effective internal control system can only provide a reasonable guarantee for the achievement of the above three objectives; and, due to changes in the environment and circumstances, the effectiveness of the internal control system May change accordingly. However, the company's internal control system has a self-monitoring mechanism. Once the deficiency is identified, the company will take corrective action.
3. The company judges whether the design and implementation of the internal control system are effective in accordance with the judgment items on the effectiveness of the internal control system specified in the "Principles for Establishing Internal Control Systems for Public Issuance Companies" (hereinafter referred to as "processing standards"). The internal control system judgment items used in the "processing criteria" are based on the process of management control, and the internal control system is divided into five components: (1) control environment, (2) risk assessment and response, (3) control operations, (4) Information and communication, and (5). Supervision. Each component includes several items. For the aforementioned items, please refer to the "Handling Guidelines".
4. The company has adopted the above internal control system to determine the items and check the effectiveness of the design and implementation of the internal control system.
5. Based on the inspection results of the preceding paragraph, the company believes that the company ’s internal control system on December 31, 2021 (including supervision and management of subsidiaries), including knowledge of the effectiveness of the operation and the degree to which efficiency objectives have been achieved, and financial reporting. The design and implementation of reliability and related laws and regulations in compliance with relevant internal control systems are effective, which can reasonably ensure the achievement of the above goals.
6. This statement will become the main content of the company's annual report and public specification, and will be made public. If the contents of the above disclosure are false or concealed, it will involve legal liabilities of Article 20, Article 32, Article 171 and Article 174 of the Securities Exchange Law.
7. The Company hereby declares that this statement had been approved by the Board of Directors on March 25, 2022. Among the 7 attending Directors, no one raised any objection to the contents of this statement.

Phonic Corporation.

Chairman: TAN , HUNG-HSIANG

General Manager:WANG , MIN-LIE

(2) If the entrusted accountant project examines the internal control system, it should disclose the accountant’s review report: None.

J. In the most recent year and as of the date of publication of the annual report, the company and its internal staff were punished according to law. If the company punishes internal staff for violating the internal control system, and the results of the punishment may have a significant impact on shareholders 'equity or securities prices, their content 3. The main lack and improvement: None。

K. Important resolutions of the shareholders 'meeting and the board of directors in the most recent year and up to the date of publication of the annual report：

(1) Shareholders meeting

Date	Important resolution matters	Resolution result
2021.02.24 Interim Shareholders' Meeting	1. Re-Election of Directors. 2. Release to non-competition restrictions for the Company's Directors.	Elected and approved by the shareholders present.
2021.07.20 General Shareholders' Meeting	1. 2020 Business Report and Financial Statements 2. 2020 Deficit Compensation 3. Capital Reduction for deficit compensation. 4. Amendment to the Articles of Incorporation. 5. Reformulate to the Rules of Procedure for Shareholder Meetings. 6. Release to non-competition restrictions for the Company's Directors.	Approved by the shareholders present.

(2) Board of Directors

Date	Important resolution matters	Matters listed in §14-3 of the Securities and Exchange Act	Independent directors' opinions and the company's handling of opinions	Resolution result
2021.01.05	1. Approved to re-elect Directors.		None	1. Unanimously approved by all directors present in the meeting. 2. Project 3 defer to discussing on next meeting.
	2. Approved to release to non-competition restrictions for the Company's Directors.		None	
	3. Proposal of change CPA.	V	None	
	4. Approved the convening of the 2021 first interim shareholders' meeting of the Company .		None	
2021.01.28	1. Approved the nominate candidates for Directors (including independent directors) of the Company.		None	1. Unanimously approved by all directors present in the meeting unless project 2. 2. Project 2 defer to discussing on next meeting.
	2. Proposal of change CPA.	V	None	
2021.02.24	1. Proposal of elect Chairman.		None	Director Tan, Hong-Xiang was elected as the chairman.
2021.03.15	1. Approved the Company's 2020 Statement of Internal Control System	V	None	Unanimously approved by all directors present in the meeting.
	2. Approved the Company's 2020 Business Plan and Financial Reports		None	
	3. Approved the Company's 2020 Deficit Compensation		None	
	4. Approved the accumulated deficit reaches one-half of paid-in capital.		None	
	5. Approved to Amendment to the Company's Articles of Incorporation		None	
	6. Approved the date and place for the Company's 2021 General Shareholders' Meeting		None	
	7. Approved to designate members of the 5th Remuneration Committee of the Company		None	

Date	Important resolution matters	Matters listed in §14-3 of the Securities and Exchange Act	Independent directors' opinions and the company's handling of opinions	Resolution result
	8. Approved to formulation of the Company’s Self-Evaluation or Peer Evaluation of the Board of Directors.		None	
	9. Approved to the appointment of the Company's new Chief Financial Officer and Accounting Officer, the Company's Spokesperson.	V	None	
	10. Approved the proposal of appointment of the Company's CPAs	V	None	
2021.04.23	1. Approved to Capital Reduction for deficit compensation.		None	Unanimously approved by all directors present in the meeting.
	2. Approved to reformulate to the Rules of Procedure for Shareholder Meetings.		None	
	3. Approved to Release to non-competition restrictions for the Company’s Directors.	V	None	
	4. Approved the new proposal of the company's 2021 general shareholders' meeting..		None	
	5. Approved of acquire property.	V	None	
2021.05.11	1. Approved the Company's Q1 2021 Financial Reports.		None	Unanimously approved by all directors present in the meeting.
	2. Approved the appointment of the Company's Corporate Governance Officer		None	
2021.06.30	1. Approved the change of the date and venue of the 2021 General Meeting of Shareholders in response to the impact of Covid-19.		None	Unanimously approved by all directors present in the meeting.
	2. Approved the company application to Yushan Commercial Bank Co., Ltd. for a long-term guaranteed loan of NT$32,800,000.		None	
2021.08.10	1. Approved the Company's Q2 2021 Financial Reports.		None	Unanimously approved by all directors present in the meeting.
	2. Approved the sale of office real estate on Dongxing Road, Taipei City.	V	None	
2021.08.19	1.Approved the sale of office real estate on Dongxing Road, Taipei City to a related party.	V	None	Unanimously approved by all directors present in the meeting.
2021.11.10	1. Approved the Company's Q3 2021 Financial Reports.		None	Unanimously approved by all directors present in the meeting.
	2. Approved the company’s 2021 Audit Plan		None	
	3. Approved the proposal of non-payment of the remunerations to the employees , directors and supervisors in 2020.		None	
	4. Approved the various salary and remuneration projects that the company planned to implement in 2022.		None	
2022.01.07	1. Approved to change CPA due to CPA firm internal job rotation.	V	None	Unanimously approved by all directors present in the meeting.

Date	Important resolution matters	Matters listed in §14-3 of the Securities and Exchange Act	Independent directors' opinions and the company's handling of opinions	Resolution result
2022.03.25	1. Approved the Company's 2021 Statement of Internal Control System	V	None	Unanimously approved by all directors present in the meeting.
	2. Approved the Company's 2021 Business Plan and Financial Reports		None	
	3. Approved the distribution of 2021 compensation to employees and remuneration to Directors.		None	
	4. Approved the Company's 2021 Earnings Distribution		None	
	5. Approved the amendment to the Articles of Incorporation.		None	
	6. Approved the amendment to the Rules of Procedure for Shareholder Meetings.		None	
	7. Approved the reformulate to the Procedures for Asset Acquisition or Disposal	V	None	
	8. Approved the date and place for the Company's 2022 General Shareholders' Meeting.		None	
2022.05.10	1. Approved the Company's Q1 2022 Financial Reports.		None	Unanimously approved by all directors present in the meeting.
	2.Approved the proposal of appointment of the Company's CPAs	V	None	

L. Major content of any dissenting opinion on record or submitted in a written statement by the Directors on material resolutions of the Board of Directors meeting during the past year up to the publication of this Report: None.

M.A summary of resignations and dismissals, during the most recent fiscal year or duringthe current fiscal year up to the date of publication of the annual report, of theCompany's Chairman, General Manager, Heads of Accounting, Finance, Internal Audit,Corporate Governance and R&D:

Title	Name	Date of arrival	Date of dismissal	Reason for resignation or dismissal
Accounting Manger	Chen, Li-Fen	2020.03.20	2021.03.15	Position adjustment

5. Information on CPA Professional fees

Public accountant Firm name	Public accountant Name		Check period	Remark
Crowe (TW) CPAs	PAN, CHIN-SHU	CHOU, PO-JU	2020/10/01-2021/09/30	Crowe (TW) CPAs performed job rotation pursuant to laws and regulations.
	WANG,JIA-SIANG	JHUO, CHING-CHYUAN	2021/10/01-2021/12/31	

Unit：NT Thousand Dollar

Amount Spacing \ Public fee item		Audit public fee	Non-audit public fee	Total
1	Less than two thousand	V	-	V

A. When non-audit fees paid to the certified public accountant, to the accounting firm ofthe certified public accountant and/or to any affiliated enterprise of such accountingfirm are one quarter or more of the audit fees paid thereto, the amounts of both audit and non-audit fees as well as details of non-audit services shall be disclosed: none.

B. When the company changes its accounting firm and the audit fees paid for the fiscalyear in which such change took place are lower than those for the previous fiscal year, the amounts of the audit fees before and after the change and the reasons shall be disclosed: none

C. When the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 10 percent or more, the reduction in the amount of audit fees, reduction percentage, and reason(s) therefor shall be disclosed: none

6. Information on replacement of CPA

A. About the predecessor public accountant:

<table>
<tr><td>Date of replacement</td><td colspan="4">Approved by Board of Directors on Jan 7, 2022</td></tr>
<tr><td>Reason for the replacement and description</td><td colspan="4">Since Crown(TW) CPAs performed job rotation pursuant to laws and regulations, the CPAs of the Company were changed to WANG,JIA-SIANG and JHUO, CHING-CHYUAN from Q4, 2021.</td></tr>
<tr><td rowspan="3">Specifying whether or not it was the certified public accountant that voluntarily ended the engagement or declined further engagement</td><td colspan="2">Party / Fact</td><td>CPA</td><td>Company</td></tr>
<tr><td colspan="2">Voluntarily ended the engagement</td><td>-</td><td>-</td></tr>
<tr><td colspan="2">Declined further (continuing) engagement</td><td>-</td><td>-</td></tr>
<tr><td>Opinion and reason in case of issuing an audit report expressing other than an unqualified opinion during the 2 most recent years</td><td colspan="4">None</td></tr>
<tr><td rowspan="6">Any disagreements with the company</td><td rowspan="4">Yes</td><td></td><td colspan="2">Accounting principles or practices</td></tr>
<tr><td></td><td colspan="2">Financial report disclosure</td></tr>
<tr><td></td><td colspan="2">Auditing scope or procedure</td></tr>
<tr><td></td><td colspan="2">Other</td></tr>
<tr><td>None</td><td colspan="3">V</td></tr>
<tr><td>Description</td><td colspan="3">-</td></tr>
<tr><td>Other items to be disclosed (the information specified in Article 10, Sub-paragraph 6, Item 1-4 to Item 1-7 of the Regulations to be disclosed.)</td><td colspan="4">None</td></tr>
</table>

B. Regarding succession public accountant:

CPA firm	Crowe (TW) CPAs
CPA name	WANG,JIA-SIANG and JHUO, CHING-CHYUAN
Date of engagement	Approved by Board of Directors on Jan 7, 2022
Subjects of consultation and consultation results in case, prior to the formal engagement of the successor certified public accountant, the company consulted the newly engaged accountant regarding the accounting treatment of or application of accounting principles to a specified transaction or the type of audit opinion that might be rendered on the company's financial report	None
Written views of the successor CPA on the disagreement with the former CPA	None

C. The mail from the former CPA regarding the matters specified in Article 10,Subparagraph 5, Item 1 and 2-3 of the Regulations: None

7. Where the company's chairperson, general manager, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its certified public accountant or at an affiliated enterprise of such accounting firm. The name and position of the person, and the period during which the position was held, shall be disclosed: None.

8. Where the counterparty in any such transfer or pledge of equity interests is a related party, disclose the name of the counterparty, the relationship between that party and the company as well as the company's directors, supervisors, managerial officers, and ten-percent shareholders and the

number of shares transferred or pledged:

A. Any change in equity interests of a director, managerial officer or major shareholder:

Title	Name	2021		Up to April 18, 2022	
		Increase (decrease) of held shares	Increase (decrease) of pledged shares	Increase (decrease) of held shares	Increase (decrease) of pledged shares
Major shareholder	Kangjian Investment Co., Ltd.(Note 1)	(5,251,027)	0	0	0
Chairman	Tan, Hong-Xiang	0	0	0	0
Director	Wang, Min-Lie(Note 1)	(519,779)	0	0	0
Director	Zhou Jing-Wen	0	0	0	0
Director	Hsieh Zu-Wei	0	0	0	0
Director	Pan, Bocang(Note 2)	0	0	0	0
Independent Director	Lin,Ying-Zhe	0	0	0	0
Independent Director	Chiu, Li- Mei	0	0	0	0
Independent Director	Yao, Shun-Yan	0	0	0	0
Independent Director	Chen,Ming-Zhu (Note 2)	0	0	0	0
Independent Director	Xie Ru-Sheng (Note 2)(Note 3)	(12,640)	0	(21,360)	0

Not 1：The number of shares held by directors in 2021 is reduced due to the capital reduction in 2021.
Not 2：Discharged on Feb. 24,2021.
Not 3：9,640 of the shares held in 2021 were reduced due to the 2021 capital reduction.

B. Information on equity transfer: None

C. Information on equity pledge: No conditions of equity pledge where the counterparty is a related party.

9. The shareholding ratio of the top ten stockholders, which are related to each other or to the kinship of the spouse, the second parent, etc.

Shareholding ratio of the top ten stockholders, their relationship data

Name	Held by shareholder		Shareholdings of spouse, minor children		Total shares held by the person under others' names		Name and relationship, if among the company's 10 largest shareholders any one is a related party, spouse or a relative within the second degree of kinship of another		Remarks
	Shares	Shareholdings ratio	Shares	Shareholdings ratio	Shares	Shareholdings ratio	Name	Relationship	
Kangjian Investment Co., Ltd.	11,636,315	58.18%	0	0	0	0	None	None	
Kangjian Investment Co., Ltd. representative : Tan, Hong-Xiang	0	0	0	0	0	0	None	None	
Kangjian Investment Co., Ltd. representative : Wang, Min-Lie	1,151,832	5.76%	138,221	0.69%	235,000	1.18%	Rong Yi Investment Co., Ltd.	Related-party	
Kangjian Investment Co., Ltd. representative : Zhou Jing-Wen	0	0	0	0	0	0	None	None	
Kangjian Investment Co., Ltd. representative : Hsieh Zu-Wei	0	0	0	0	0	0	None	None	
Taiwan Powder Technologies Co., Ltd.	1,104,555	5.52%	0	0	0	0	None	None	
Zhuang Li-Wen	547,110	2.74%	0	0	0	0	None	None	
Xu Jun	363,132	1.82%	0	0	0	0	None	None	
Hong Ken-Hall	354,863	1.77%	0	0	0	0	None	None	
Cao Jin-Ling	285,958	1.43%	0	0	0	0	None	None	
Jiang Gong-wen	263,219	1.32%	0	0	0	0	None	None	
Apartners Investment Corporation	235,000	1.18%	0	0	0	0	Wang, Min-Lie	Related-party	
Bai Qi-Hong	229,077	1.15%	0	0	0	0	None	None	

Note : The top ten shareholders counted the number of shares held as of April 18, 2022, the last transfer date of the 2022 general shareholders meeting.

10. The shareholding number of the company, the company's directors, supervisors, managers and the company's directly or indirectly controlled business to the same investment business, and the combined calculation of the shareholding ratio：

Integrated shareholding ratio

Unit: shares; %

Transfer investment (Note)	The company invests		Directors, supervisors, managers and investments that directly or indirectly control the cause		Comprehensive investment	
	Shares	Holding ratio	Shares	Holding ratio	Shares	Holding ratio
Phonic Group, Ltd.	270,912	100%	—	—	270,912	100%
Shenzhen Yiba Electronics Co., Ltd.	—	100%	—	—	—	100%

Note: The company uses the Equity Act investment.

IV. Fund Raising Situation

1. Capital and Share

A. Source of capital stock

(1) Source of capital stock

Unit：NT$ thousands；stock

Month/ year	Issue price	Authorized capital amount		Paid-in capital		Note		
		Shares	Amount	Shares	Amount	Source of capital stock	Property other than cash as capital contribution	Other
Mar. 1973	10	100,000	1,000	100,000	1,000	Capital for registration of incorporation	–	–
Sep. 1976	10	500,000	5,000	500,000	5,000	Capital increase in cash NT$ 4,000 thousands	–	–
Feb. 1982	10	1,000,000	10,000	1,000,000	10,000	Capital increase in cash NT$ 5,000 thousands	–	–
Jan. 1988	10	3,000,000	30,000	3,000,000	30,000	Capital increase in cash NT$ 20,000 thousands	–	–
Sep. 1989	10	10,000,000	100,000	10,000,000	100,000	Capital increase in cash NT$ 70,000 thousands	–	–
Dec. 1990	10	15,000,000	150,000	15,000,000	150,000	Capital increase in cash NT$ 50,000 thousands	–	–
Nov. 2000	–	25,400,000	254,000	17,600,000	176,000	1. Earnings transfer to capital increase NT$ 23,700 thousands 2. Employees' Compensation transfer to capital increase NT$ 489 thousands 3. Capital surplus NT$ 1,811 thousands	–	Note1
Nov. 2001	–	25,400,000	254,000	20,361,500	203,615	1. Earnings transfer to capital increase NT$ 26,400 thousands 2. Employees' Compensation transfer to capital increase NT$ 1,215 thousands	–	Note2
Sep. 2002	–	25,400,000	254,000	23,606,600	236,066	1. Earnings transfer to capital increase NT$ 30,542 thousands 2. Employees' Compensation transfer to capital increase NT$ 1,909 thousands	–	Note3
Aug. 2003	–	25,400,000	254,000	25,266,000	252,660	1. Earnings transfer to capital increase NT$ 14,164 thousands 2. Employees' Compensation transfer to capital increase NT$ 2,430 thousands	–	Note4
Aug. 2004	–	38,000,000	380,000	29,025,240	290,252	1. Earnings transfer to capital increase NT$ 35,372 thousands 2. Employees' Compensation transfer to capital increase NT$ 2,220 thousands	–	Note5
Oct 2021	–	38,000,000	380,000	20,000,000	200,000	Capital Reduction for deficit compensation decrease NT$90,252 thousands.	–	Note6

Note1：Approved by the Ministry of Finance Securities and Futures Administrativ ecommittee Aug. 21, 1999 Taiwan Financial Certificate (1) No. 71552.

Note2：The approval letter from the Ministry of Finance Securities and Futures Administrativ ecommittee will be Aug. 30, 2001 Taiwan Financial Certificate (1), No. 154871.

Note3：The approval letter from the Ministry of Finance Securities and Futures Administrativ ecommittee will be Jul19, 2002 Taiwan Financial Certificate (1), No. 09 10140342.
Note4：Approved by the Ministry of Finance Securities and Futures AdministrativeCommittee, Jul15, 2003 Taiwan Financial Certificate (1), No. 0920131650.
Note5：The certificate of the period of the Judiciary Bureau, Jul19, 2004, Taiwanese Certificate (1), No. 0930132149.
Note6：The approval of the Taipei Exchange Letter No. Securities-TPEx-Supervisory-1100010853 issued on October 7, 2021

(2) Type of shares

Type of shares	Authorized capital			Remarks
	Shares outstanding	Unissued Shares	Total	
Common stock	20,000,000	18,000,000	38,000,000	

Note: Please indicate whether the stock is listed or listed company stock (if it is restricted to market or traders, it should be added).

(3) General information about the reporting system: None

B.Stockholder structure

Shareholding structure

Apr. 18, 2022

Stockholder Structure / Quantity	Government agency	Financial institution	Other Acters	Individual	Foreign institutions and outsiders	Total
Number of people	-	-	66	542	2	610
Number of shares held	-	-	13,043,251	6,955,460	1,289	20,000,000
Shareholding ratio	-	-	65.21	34.78	0.01	100.00

Note: The first listed company (cabinet) company and Xing cabinet company should disclose the proportion of its land-based shareholding; the land-based capital refers to the mainland people, Acters, groups, and other people in mainland China as stipulated in Article 3 of the Investment Promotion Office of the People's Republic of China. An institution or its company that invests in a third region.

C.Share distribution

Share Distribution

Apr. 18, 2022

Shareholder Ownership (Unit: Share)	Number of shareholders	Number of shares held	Shareholding ratio
1 TO 999	402	99,330	0.5
1,000 TO 5,000	93	217,672	1.09
5,001 TO 10,000	37	276,504	1.38
10,001 TO 15,000	14	170,858	0.85
15,001 TO 20,000	7	122,045	0.61
20,001 TO 30,000	12	276,066	1.38
30,001 TO 40,000	5	176,588	0.88
40,001 TO 50,000	8	365,924	1.83
50,001 TO 100,000	14	1,059,824	5.3
100,001 TO 200,000	7	855,185	4.28
200,001 TO 400,000	7	1,940,192	9.7
400,001 TO 600,000	1	547,110	2.74
600,001 TO 800,000	0	-	0
800,001 TO 1,000,000	0	-	0
1,000,001 or above, depending on the actual situation	3	13,892,702	69.46
Total	610	20,000,000	100.00

Preferred shares

Apr. 18, 2022

Shareholding rating	Number of stockholders	Hold Number of shares	Shareholding ratio
Not applicable			
Total			

D. List of major shareholders: List the shareholders with a shareholding ratio of more than 5%. If there are less than ten shareholders, the name, shareholding amount and proportion of the top ten shareholders shall be disclosed.

List of major stockholders

Apr. 18,2022

Share / Name of Substantial Shareholders	Number of shares held	Shareholding ratio
Kangjian Investment Co., Ltd.	11,636,315	58.18%
Wang, Min-Lie	1,151,832	5.76%
Taiwan Powder Technologies Co., Ltd.	1,104,555	5.52%
Zhuang Li-Wen	547,110	2.74%
Xu Jun	363,132	1.82%
Hong Ken-Hall	354,863	1.77%
Cao Jin-Ling	285,958	1.43%
Jiang Gong-wen	263,219	1.32%
Apartners Investment Corporation	235,000	1.18%
Bai Qi-Hong	229,077	1.15%

E. Price per share, net worth, earnings, dividends and related information for the last two years

Price per share, net worth, earnings and dividend information

Year / Contents			2021	2020	Current year ended March31, 2022 (Note 8)
Market price per share (Note 1)	Max.		42.75	49.30	43.00
	Min.		24.50	21.80	34.00
	Average		29.73	30.89	40.46
Net value per share (Note 2)	Before distribution		12.60	7.91	12.58
	After distribution		12.60	7.91	12.58
Earnings per share (basic)	Weighted average number of shares		20,000,000	20,000,000	20,000,000
	Earnings per share (Note 3)		4.71	(1.16)	(0.04)
Dividends per share	cash dividend		—	—	—
	Stock dividends distributio	—	—	—	—
		—	—	—	—
	Accumulated unpaid dividends(Note 4)		—	—	—
ROI Analysis	P/E ratios (Note 5)		6.29	—	—
	P/D ratio (Note 6)		—	—	—
	Cash dividend yield (Note 7)		—	—	—

Note 1：List the highest and lowest market prices of common stocks for each year, and calculate the average market price for each year based on the annual transaction value and volume.

Note 2：Please fill in the number of shares issued at the end of the year and based on the distribution of the stockholder resolution in the following year.

Note 3：If there is a need to retroactively adjust due to circumstances such as Not repaid shares, the adjustments per share should be listed before and after adjustment.

Note 4：Equity securities issuance condition If there is a provision that the undistributed dividends in the current year are accumulated to the annual release of the annuals, the accumulated unpaid dividends for the year ended.

Noet 5：P/E ratios＝Average annual closing price per share／earnings per share 。

Noet 6：P/D ratio＝Average annual closing price per share／per share Stock dividend.

Noet 7：Cash dividend yield = cash dividend per share / average closing price per share for the year.
Note 8：PBR,earnings per share shall include the information of the public accountant's check (audit) in the most recent quarter as of the date of publication of the annual report; the remaining fields shall be filled with the annual data as of the date of publication of the annual report.

F. Company dividend policy and implementation status

(1)The company's dividend policy set by the Articles of Association:

The company's dividends are based on the company law and the company's articles of association, and cooperate with the company's capital planning to achieve a stable business goal. The future dividend payment process, method and amount are as follows:

a. Dividend issuance process

The company's dividend distribution process is stipulated by the company's Act at the end of each Operating Year. The Board of Directors considers the company's profitability and future operational needs, and draws an annual allocation proposal, which will be submitted to the stockholder for recognition.

b. Dividend payment method：

The company's dividend distribution method will be matched with three ways: minings to capital increase, capital surplus to capital increase and cash dividends.

c. Dividend issuance policy：

The company's dividend payment ratio to distribute cash dividends of not less than 20% of the principle than to the stock dividend.

(2)The situation in which the stockholder will propose the proposed dividend distribution：

The Board of Directors recognized the distribution of 2021 earnings on March 25, 2022. After the losses to be covered and the amount NT$ 3,082,412 of legal reserve to be set aside, the Board of Directors considers the capital needs of future operation and development, and will not plan to distribute surplus this year.

G. Effect upon business performance and earnings per share of any stock dividend distribution proposed or adopted at the most recent shareholders' meeting: None

H. Remuneration of employees, directors and supervisors

(1)The percentage or scope of remuneration of employees, directors and supervisors contained in the company's articles of association:

Article 28 of the company's articles of association, if the company makes a profit in the year, no less than 2% should be set aside for employees' compensation, and no more than 1% for directors' and supervisors' compensation, but the company still has accumulated losses The make-up amount should be retained first. If there is a surplus in the annual final account, tax should be paid first to make up for the accumulated losses, and the 10% of the second statutory surplus reserve. And, if necessary, make a special surplus reserve or reserve the surplus as appropriate. If there is still a surplus, the board of directors shall prepare a distribution proposal and submit it to the shareholders ’meeting for resolution.

Employee considerations are available for stock or cash.The supervisor of the board of directors was able to cash in.

The preceding paragraph shall be implemented by the board of directors with a resolution of more than two-thirds of the directors attending and more than half of the directors present agreeing to it, and report to the shareholders' meeting.

(2)The current basis for estimating the amount of compensation for employees, directors and supervisors, the basis for calculating the number of shares for employee compensation for stock distribution, and the accounting treatment when the actual distribution amount is different from the estimated amount:

If the actual distribution amount is different from the estimated number, it will become the cost of the current year and review the estimated method.

(3)The board of directors passed the distribution of compensation:

a. All employees, directors and supervisors are paid in cash or stock. If there is a discrepancy with the annual estimated amount of recognized expenses, the discrepancy, reasons and handling situation should be disclosed:
The 2021 compensation to employees and remuneration to Directors were resolved and approved by the Board of Directors and Remuneration Committee at amounts of NT$616,483(two percent of the balance) and NT$308,241(one percent of the balance), respectively. There is no difference from the estimated amount in the recognition expense year.
b. Distribute the amount of compensation for all employees by stock and account for the proportion of the total net profit after tax and the total compensation of employees for individual or individual financial reports in the current period: the company does not distribute employee compensation for stock.

(4)The actual distribution of the remuneration of employees, directors and supervisors in the previous year (including the number of shares distributed, the amount and the share price), and the difference between the remuneration of the recognized employees, directors and supervisors and the number of differences, reasons and handling situations should be stated:

The company's resolution on June 10th, 2020 is not to provide statutory reserves according to law, and does not distribute directors' and supervisors' remuneration, employee dividends and shareholder dividends. The resolutions of the shareholders' meeting are the same as those proposed by the board of directors.

I. Status of a company repurchasing its own shares: none

2. Information on corporate bond: Not applicable.
3. Information on preferred shares: Not applicable。
4. Information on global depository receipts: Not applicable。
5. Information on employee share warrants: Not applicable。
6. New restricted employee shares: Not applicable。
7. Issuance of new shares in connection with mergers or acquisitions or with acquisitions of shares of other companies: Not applicable。
8. Funds allocation plans and implementation status

A. Program content: Not applicable.

B. Implementation: Not applicable.

The company has not issued or privately marketed securities in the past three years, so there is no relevant information.

V. Operational Overview

1. Business content

Business scope：

a . Main content

CF01011 Medical equipment manufacturing

F108031 Medical equipment wholesale industry

ZZ99999 In addition to the licensing business, you may be allowed to operate a business that is prohibited or restricted by the Act.

F401021 Telecom Control RF Equipment Input Industry

b. Operating Service Operating Proportion

Operating proportion（2021）

Unit：NT$ thousands

Product item	Amount	Business ratio (%)
Mixers	13,032	23
Power Amplifiers	26,952	46
Powered Mixers	8,974	15
Speakers	2,510	4
Others	6,946	12
Total	58,414	100

c. Current commodity project of the company

i. Mixers
ii. Powered Mixers
iii. Power Amplifiers
iv. Speakers
v. Signal Processors
vi. Test equipment
vii. Commercial video & audio equipment

d. New products planned to be developed

i. Civilian products-sound toning circuit module:
Transistor, vacuum tube and analog tape recorders produced in different eras have their classic and unique tones. In the real world, neither the warmth of traditional analog machines nor the familiarity characteristic of tape machines can be reproduced through digital signal processing or frequency sampling. The integrated circuit developed by our company can sense and analyze the input audio in real time, and skillfully restore the classic sound color, making the sound sound fuller and more immersive.V8.2 Hybrid Mixer

ii. Digital Matrix Processors for Advanced Engineering:
The digital matrix processor needs to have the integrated processing capability of the audio system in multiple areas, and the intuitive graphic interface design is the key to the installation requirements of retail, education, or various commercial environments. Users can configure, configure and manage the entire audio solution through the intuitive interface of the software application. The R&D focus of this series can be divided into two categories. The first category has different digital audio processing and network expansion capabilities. The second category has built-in high-efficiency Class D power amplifiers that can be used in touring concerts or

specially designed for commercial fixed installation audio systems. Overcome implementation. The series consists of different output power, modularization, and flexible input and output connection capabilities of the installation environment.

B. Industry overview

a. Current status and development of industry

In order to adjust the manufacturing structure and upgrade the technical level, the government selects the emerging industries that are developed in China according to the market potential, added value, technology level and pollution degree. The consumer electronics industry is one of them, and the consumer electronics industry It is divided into four categories: audio products, video products, Other consumer electronics and important precision components.

Consumer electronics audio products originally produced radios. After the vacuum tube radios, record players and portable tape recorders, the audio products market showed a booming development due to the gradual expansion of the product market and the increasing innovation of technology. Its mainstream products such as Portable audio, CD audio, and video recorders are popular. Later, due to the increase in the price and wages of Taiwan's Land, the production of Cost was gradually increased. In addition, the industry became mature and the competitive advantage was no longer. Therefore, the number of manufacturers began to decrease or the production base was transferred to mainland China or Southeast Asia, while the remaining manufacturers turned to The development of professional audio with high added value. Since the 1991 generation, due to the rapid growth of the global economy, the national standard of living has increased, industrial technology has become increasingly rampant, and the level of entertainment consumption has become increasingly diverse. Entertainment venues such as PUBs, large-scale concerts and nightclubs have flourished,Coupled with the rapid development of the PC industry, the music production and audio control and processing software is booming, which greatly reduces the barriers to entry of music and becomes affordable entertainment for everyone. Therefore, the audio video product technology is converted from analogy to digitalization and specialization. It is the trend of the world and is widely known as the multimedia industry. In Europe, the United States, Japan and other advanced countries, the standard of living is higher, and the national consumption income is higher than that of other regions. Therefore, in order to promote the trend of consumer entertainment, many digital music-related hardware and software have been classified as 3C products. It has also appeared in major supermarkets and has become an important sales item. It has also become a major source of profit for digital audio products manufacturers in China. The following is a comparison of the differences in purchasing power between the people of 1967 and 2012. It can be clearly seen that people's Salary has grown substantially, while similar products have become cheaper as production technology has improved, proving that music performance and production are no longer Then there is a skill unique to a few wealthy classes, and it has been fully popularized into a national movement.

According to the music industry (Music Industry; MI) information collected by the CIA Word F Act book, the top five major markets in the world in the past decade are the United States, Japan, Germany, China and the United Kingdom, the five countries include more than 70% of the global market share. The most important thing in automation video engineering equipment is the technical ability and quality. At present, the first-class manufacturers are concentrated in the United States and Japan. Our company has gradually accumulated the same technical strength of first-class manufacturers.

b. wholesale, middleman and downstream relevance

There are many kinds of Current raw materials in the upstream of audio and video products, including electronics related industries, semiconductor industry, metal stamping, plastic raw raw materials, wood products and packaging materials, while downstream products are domestic and foreign distributors, professional audio equipment, professional. Audio chain stores, etc., the correlation between the above, middle and lower reaches of the Our company industry is as follows:

wholesale		middleman		lower river
Electronic related industry		Professional sound design		Domestic and foreign access
Semiconductor industry		manufacturer		Foreign professional audio equipment
Metal stamping industry	→		→	Foreign professional audio chain store
Plastic raw materials industry				Other (audio design engineering, etc.)
Wood products industry				
Packaging materials industry				

c. Various development trends of products

Product development trends will be divided into the following three：

(1) The combination and application of new technologies: In response to the increasingly popular PC music and audio-visual entertainment environment, digital products and new audio interfaces will be the mainstream trends in the future.
(2) Modern look: Just like other popular communications and computer products, ID design will play a more important role in product sales.
(3) Mobility: Since professional audio products are not only used in the stage or studio, the use of mobility will drive another wave of growth.

d. Competitive situation

Lower-priced markets compete with each other in emerging countries such as China. However, due to the product features, quality, and brand awareness of such manufacturers are far lower than the first-tier manufacturers, the first and second lines do not constitute a competitive relationship.

C.Technology and R&D Overview

(1)Research and development expenses for the most recent year and the end of the annual report

Unit：NT$ thousands

Year	2021	2020	2022 Q1
Research and Development expenses	1,684	4,569	302

(2)Develop successful technologies or products

Product	Narrative
AM GE series	High quality mixer series, upgraded professional recording sound interface and fully optimized product I/O preamps and appearance.
iMX9090 series	Optimize the interface of effector/VU meter to high-end LED design and upgrade the amplifier.

D.Long-term and short-term business development plans

a. Short-term plan::

(1) Marketing strategy: Through the global network of agents, promote the company's products, increase market share, promote brand image.

(2) Production strategy: Committed to process improvement and quality control to improve management efficiency and customer satisfaction.

(3) R&D strategy: continue to develop engineering audio and video equipment, develop digital professional audio, and develop differentiated small audio and video products for the general public.

b. Long-term plans.

(1) Marketing strategy: strengthen advertising and marketing to increase brand position and sales, differentiate products, avoid price cutting competition, attend important exhibitions in major foreign markets, find potential customers and build sales channels.

(2) Production strategy: Integrate internal and external resources and fully utilize organizational capabilities to increase production capacity and enhance the flexibility and efficiency of business development and production processes.

(3) R&D strategy: To actively train R&D talents and accumulate core technologies in order to achieve the status of a leading professional audio manufacturer.

2. Market and production and sales overview

A. Market analysis

a. Sales area of the company's main products（2021）

Unit：NT$ thousands

Form	District	Amount	%
Domestic Sales		5,381	9.21
Exports	Asia	17,005	29.11
	America	33,866	57.98
	Euramerican	636	1.09
	Others	1,526	2.61
Total		58,414	100.00

b. Market share and future supply and demand conditions and growth of the market

(1) Demand side: In addition to the traditional market, with the integration of multimedia functions in computer products; recording and music editing through the computer; the rise of personal studio players; the development of new technology has led to an increase in demand。

(2)Supply side: For products using linear technology, China and a few Taiwan manufacturers have quickly obtained OEM orders from Europe and the United States, but it will take more than 5 years for these manufacturers to catch up with the Company for digital and notet lines. In addition, we are the only company in Asia other than Yamaha that has the ability to compete with European and American brands on the other side of the smile curve in terms of channels and marketing. ◦

(3) Growth: The Company has built up a global sales channel with leading technology and marketing capabilities, and currently has a market share of less than 1%. Market share and steady profitable growth are within reach as long as we continue to add professionals and work in the established direction ◦

c. Competitive niche

Years of experience, as well as the early development of the production base in the mainland, so that the global company has a greater advantage. In addition, the main competitive advantage of Phonic corporation lies in its brand and sales channels. The establishment of professional audio market brands generally takes decades to see its achievements. At present, the whole domain has established the same brand image as Mackie, Behringer and other international professional audio manufacturers. And establish sales channels in more than 90 countries around the world.

d. Advantages, Disadvantages and Countermeasures of Developing Prospects

(a). Favorable factors

(1) Professional audio has started to grow again due to the expansion of the demand side.
(2) Establish joint R&D teams and mechanisms in Taipei and Shenzhen respectively to effectively execute product development.
(3) Better CP values.
(4) have completed a rebranding to upgrade from middle to upper middle quality.

(b). Unfavorable factors and countermeasures

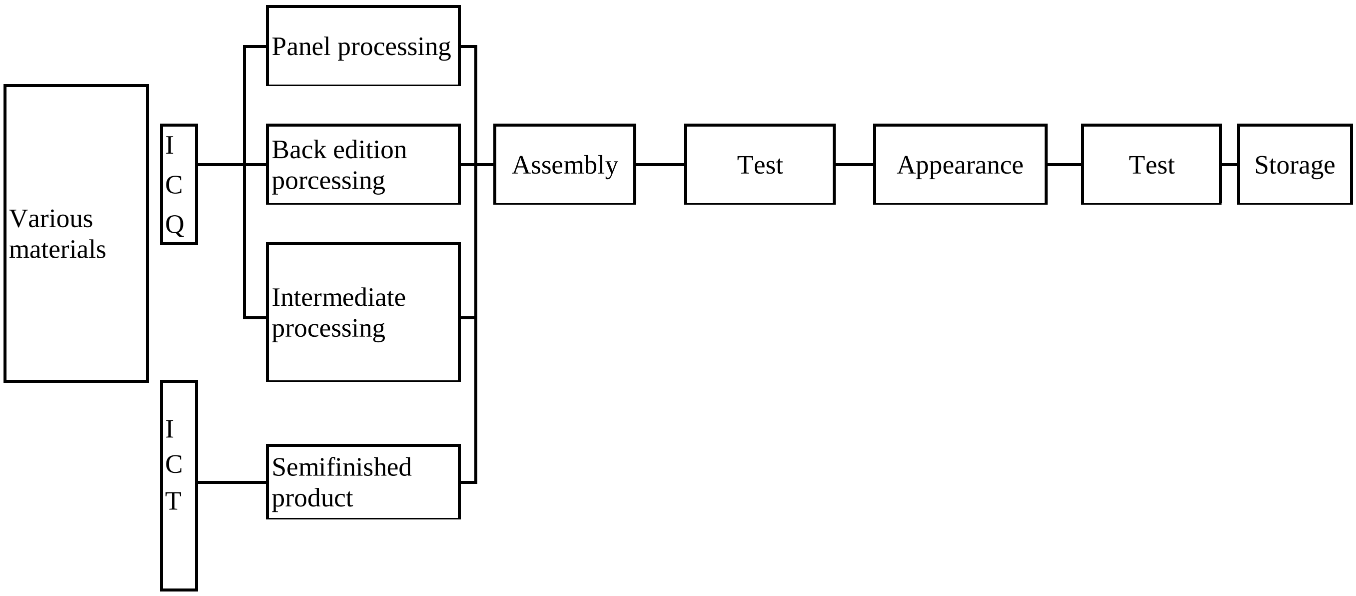
Competitors from Mainland China and Southeast Asia cut into the market at low prices.
Countermeasures:
(1). Develop forward-looking products with market and application to achieve a better market position.
(2).Through quality improvement and branding, we will enter the middle and high price market.

B. Important use of the main products and production process

(1) Important use of major products

main products	Main product use
Mixer	A device that mixes multiple input sources and adds sound to process the mixed output. Example: Multiple microphones, electric guitars, keyboards or CDs are sent to the mixer for concerts.
Powered Mixers	And the function of the mixer and power amplifier.
Power Amplifiers	Amplify the voltage and current of the signal from the front machine (mixer) so that there is enough output power to push the speaker.
Signal processor	The signal is processed as an effect, such as equalizing signal quality, spatial surround signal processing, signal compression and expansion processing.
Fully automatic audio and video equipment	Covers sound processing and image processing for CUHK projects.

(2) Production process



C.Main supply status of Current raw materials

Current raw materials name	Supplier name	Supply area	Supply status
IC crystal	Xuan Qiao, Avril Singapore, etc.	domestic	Full supply
Variable resistance	Fu Hua, etc.	domestic	Full supply

D.The name of the customer who has accounted for more than 10% of the total amount of goods sold in the past two years in the past two years, and the amount and proportion of the goods to be sold, and the reasons for the increase or decrease.

(a)Major sales customer information in the last two years

Unit：NT$ thousands

Project	2020				2021				End of the previous season in 2022			
	Name	Amount	%	Relation with Issuer	Name	Amount	%	Relation with Issuer	Name	Amount	%	Relation with Issuer
1	3OU10	7,773	13.49	None	3OU10	12,076	20.67	None	1PU15	6,202	51.87	None
2	1PA29	6,318	10.97	None	1PA29	4,482	7.67	None	1PA12	2,095	17.52	None
3	1PA128	6,195	10.75	None	1PA128	604	1.03	None	7PU01	1,356	11.34	None
Other		37,331	64.79	－	Other	41,252	70.63	－	Other	2,303	19.27	－
Net Sales		57,617	100.00	－	Net Sales	58,414	100.00	－	Net Sales	11,956	100.00	－

Ananalysis of the changes in.

The number of net sale were decrease due to customer orders dropped sharply.The orders were affected by the COVID-19 that entertainment activities are restricted, which reduces the demand in the audio market and fierce price competition.

(b). Major supplier data for the last two years

Unit：NT$ thousands

Project	2020				2021				End of the previous season in 2022			
	Name	Amount	%	Relation with Issuer	Name	Amount	%	Relation with Issuer	Name	Amount	%	Relation with Issuer
1	P110057	1,631	5.35	None	P050082	3,230	7.19	None	P140002	1,287	10.42	None
2	P050082	1,451	4.76	None	P100048	2,472	5.50	None	P110057	725	5.87	None
3	P120128	1,394	4.57	None	P140002	1,789	3.98	None	P100048	657	5.32	None
Other		26,028	85.32	－	Other	37,430	83.33	－	Other	9,688	78.39	－
Net Purchases		30,504	100.00	－	Net Purchases	44,921	100.00	－	Net Purchases	12,357	100.00	－

Ananalysis of the changes in.

Affected by the continued impact of Covid-19, the decrease in demand in the audio market has led to a significant reduction in the number of orders, resulting in a decline in sales performance and a consequent decrease in net purchases.

E.Production in recent two-year

Unit：NT$ thousands

Products \ Year / Output	2020			2021		
	Capacity	Quantity	Amount	Capacity	Quantity	Amount
Mixer	3,921	3,333	7,623	4,216	3,584	11,453
Power amplifier	6,908	5,872	17,207	6,822	5,799	10,842
Mixing amplifier	1,286	1,093	6,664	2,201	1,871	9,824
speaker	669	569	2,175	0	0	0
Other	761	647	1,161	246	209	1,248
Total	13,545	11,514	34,830	13,485	11,463	33,367

Not 1：Capacity refers to the quantity that can be produced under normal operation after the company has measured the necessary stoppages, holidays, etc., using existing production equipment.

Not 2：If the production of each product is substitutable, it is necessary to combine the calculated production capacity and note it.

F. Sales in recent two-year

Unit：NT$ thousands

Products \ Sales \ Year	2020				2021			
	Domestic		Export		Domestic		Export	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Mixer	220	1,311	4,552	11,577	300	1,248	4,467	12,055
Power amplifier	606	3,474	5,271	17,825	256	1,875	7,581	25,076
Mixing amplifier	10	36	977	6,538	184	1,173	1,148	7,801
speaker	252	1,255	1,999	5,024	0	0	904	2,510
Other	31,503	314	55,760	10,263	831	1,085	8,436	5,601
Total	32,591	6,390	68,559	51,227	1,571	5,381	22,536	53,043

Note: Other products are microphones, raw materials and components. The company will not be disclosed individually due to the wide variety of them.

3. Number of employees, average years of service, average age and academic qualifications of employees in the last two years and the year ended last year.

Staff information of the last two years and the end of the annual report

May 12, 2022

Year		2020	2021	Current year ended 12 MAY 2022
Number of workers	Manager	5	4	4
	R&D Personnel	2	2	2
	General Personnel	4	8	9
	Total	11	14	15
Average age		50.1	50	50
Average service years		15.7	9.67	9.42
Academic distribution ratio	Doctor	-	-	-
	Master	18.2%	21.43%	20.00%
	University	45.4%	71.43%	73.33%
	High School	36.4%	7.14%	6.67%
	Below high school	-	-	-

4. Environmental expenditure information

Any losses suffered by the Company in the most recent year and as of the date of this annual 74 report due to environmental pollution incidents (including any compensation paid and any violations of environmental protection laws or regulations found in environmental audits, of which the disposition dates, disposition reference numbers, the articles and details of law violated, and the content of the dispositions shall be specified), and disclosures on an estimate of possible expenses that could incur currently or in the future and countermeasures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts on why it cannot be made shall be provided: None

5. Labour Relations

A. List the company's employee welfare measures, training, training, retirement systems and their implementation, as well as agreements between labor and management and various employee rights protection measures.

1. Various employee welfare measures.

In order to enhance employee benefits, our company has established a staff welfare committee meeting in the Republic of China in 1985 (approval number 1985.11.8 Beibei Shifuzi No. 662). The welfare projects include:

a. Labor insurance (in accordance with labor regulations).

b. Three gifts, year-end dinner and lottery.

c. Employees' marriage, birth, and birthday support.

d. Hospitalization, disability and condolences.

e. Funeral condolences (including parents, spouses, children ladie).

f. Suburban assistance.

2. Training and training

In addition to employee education and training for new recruits, the company also sends out external training or internal training from time to time according to individual business needs.

Project	Class number	Total number of people	Total hours	Total expenses
New recruit training	0	0	0	0
Supervisor training	2	2	60	39,100
Total	1	1	12	7,500
New recruit training	3	3	72	46,600

3. Retirement system and its implementation

Our company first grants pensions to Taiwan Banking in accordance with the Labor Standards Act, and employees are retired in accordance with the provisions of the Labor Act.

4. Agreement between labor and management and various employees Equity maintenance measures

The company signs the relevant confidentiality contract and informs the staff of the employee when they arrive, including the rights and obligations of both employers and employees.

B. The Company shall state the losses suffered as a result of labor disputes in the most recent year and up to the date of publication of the annual report (including labor inspection results in violation of the Labor Standards Law, which shall include the penalty date, penalty number, violation of provisions of laws and regulations, content of violations of laws and regulations, and content of penalties), and disclose the estimated amount and measures that may occur now and in the future: None

6. Information Security Management:

A. State the information security risk management structure, the information security policy, the specific management plan and the resources invested in the information security management, etc.

1. Information security risk management framework:

The company strengthens information security management to ensure the confidentiality, integrity and availability of its information assets, so as to provide an information environment for the continuous operation of the company's business, and conduct information security inspections from time to time.

2. Information Security Policy:

a. The general manager's office is responsible for coordinating matters related to information security management.
b. The company's personnel should abide by the company's information and confidentiality and safety regulations.
c. The company's suppliers, third-party manufacturers and outsourced service providers should abide by the company's information security regulations.
d. When an information security incident occurs, the information security contact person should be notified.
e. Any behavior that endangers information security will be investigated for civil, criminal and administrative responsibilities according to the seriousness of the circumstances, or will be dealt with in accordance with the relevant regulations of the company.

3. Information security specific management plan and resources invested in information security management:
    a. Network and computer system security management.
    b. System access control, development and maintenance security management.
    c. Information asset security management.
    d. Set up network firewall and anti-virus software, set folder access rights, and update passwords regularly.
    e. Regular and irregular virus scanning and maintenance of the company's computer equipment, network equipment and servers.

In the most recent year and as of the date of publication of the annual report, there was no material adverse event in the information security management of the Company.

B.List the losses, possible impacts and countermeasures suffered from major information security incidents in the most recent year and as of the date of publication of the annual report. If it is impossible to estimate reasonably, the fact that it cannot be reasonably estimated shall be stated.

In the 2011 year and up to the date of publication of the annual report, the company has not suffered any major information security incidents, and there is no related loss or impact.

7. Important contract：Not applicable

VI. Financial Highlights

1. The following five years of condensed Balance Sheet and Comprehensive Income Statement and should indicate the CPA's Name and audit opinions:

A. Summarized balance sheet and comprehensive income statement in the most recent five years

Consolidated Condensed Balance Sheet

Unit：NT$ thousands

Item / Year		Financial information in the most recent five years (Note 1)					Financial information up to March 31, 2022 (Note 2)
		2021	2020	2019	2018	2017	
Current assets		263,645	83,785	93,478	117,304	195,099	264,606
Property、Plant and Equipment		44,238	30,807	61,549	64,940	94,414	44,271
Right of use assets		4,559	3,015	—	—	—	3,941
Investment property		—	55,728	26,628	26,819	—	—
Intangible assets		—	143	383	640	82	—
Other assets		4,142	4,398	3,269	8,518	7,634	3,828
Total assets		316,584	177,876	185,307	218,221	297,229	316,646
Current liabilities	Before distribution	30,452	18,908	21,245	32,221	82,167	31,875
	After distribution	(Note3)	18,908	21,245	32,221	82,167	(Note3)
Non-current liabilities		34,101	690	529	6,543	7,056	33,095
Total liabilities	Before distribution	64,553	19,598	21,774	38,764	89,223	64,970
	After distribution	(Note3)	19,598	21,774	38,764	89,223	(Note3)
Equity attributable to shareholders of the parent company							
Capital		200,000	290,252	290,252	290,252	290,252	200,000
Capital surplus		18,200	18,200	1,860	1,860	1,360	18,200
Retained earnings	Before distribution	47,766	(136,588)	(114,634)	(102,295)	(75,689)	47,046
	After distribution	(Note3)	(136,588)	(114,634)	(102,295)	(75,689)	(Note3)
Other Equity		(13,935)	(13,586)	(13,945)	(10,360)	(7,917)	(13,570)
Treasury shares		-	-	-	-	-	-
Non-controlling interests		-	-	-	-	-	-
Total equity	Before distribution	252,031	158,278	163,533	179,457	208,006	251,676
	After distribution	(Note3)	158,278	163,533	179,457	208,006	(Note3)

Note 1: The financial information from 2017 to 2021 were audited and certificated by CPAs.
Note 2: The financial information of Q1, 2022, were reviewed by CPAs.
Note 3: The proposal for distribution of earnings of the Company in 2021 is to be not approved by the Shareholder meeting.

Consolidated Condensed Statement of Comprehensive Income

Unit：NT$ thousands

Year / Item	Financial information in the most recent five years (Note 1)					Financial information up to March 31, 2022 (Note 2)
	2021	2020	2019	2018	2017	
Operating revenue	58,414	57,617	111,727	212,718	268,941	11,956
Gross Profit	3,568	5,248	25,314	44,708	67,809	5,367
Operating profit and loss	(25,677)	(27,761)	(26,549)	(29,338)	(20,070)	(2,034)
Non-Operating income and expenses	124,957	4,480	12,432	2,261	(1,720)	1,312
Profit(Loss) before income tax	99,280	(23,281)	(14,117)	(27,077)	(21,790)	(722)
Profit(Loss) after income tax from continuing operations	94,102	(23,278)	(17,634)	(27,255)	(21,829)	(720)
Profit(Loss) after income tax from discontinued operations	—	—	—	—	—	—
Profit(Loss) after income tax	94,102	(23,278)	(17,634)	(27,255)	(21,829)	(720)
Other comprehensive income (after tax)	(349)	1,683	1,710	(1,794)	(328)	365
Total comprehensive income(loss)	93,753	(21,595)	(15,924)	(29,049)	(22,157)	(355)
Profit(Loss), attributable to owners of parent	94,102	(23,278)	(17,634)	(27,255)	(21,829)	(720)
Profit(Loss), attributable to non-controlling interests	—	—	—	—	—	—
Comprehensive income, attributable to owners of parent	93,753	(21,595)	(15,924)	(29,049)	(22,157)	(355)
Comprehensive income, attributable to non-controlling interests	—	—	—	—	—	—
Earnings(loss) per share	4.71	(1.16)	(0.88)	(1.36)	(1.09)	(0.04)

Note 1: The financial information from 2016 to 2020 were audited and certificated by CPAs.
Note 2: The financial information of Q1, 2021, were reviewed by CPAs.

Stand-alone Condensed balance sheet

Unit：NT$ thousands

Item \ Year		Financial information in the most recent five years (Note 1)				
		2021	2020	2019	2018	2017
Current assets		251,642	65,997	73,898	80,058	122,798
Property、Plant and Equipment		41,966	27,198	56,393	57,858	85,828
Investment property		—	55,728	26,628	26,819	—
Intangible assets		—	143	383	640	82
Other assets		14,160	28,283	34,244	169,671	192,079
Total assets		307,768	177,349	191,546	335,046	400,787
Current liabilities	Before distribution	23,959	18,381	27,669	149,082	185,743
	After distribution	(Note2)	18,381	27,669	149,082	185,743
Non-current liabilities		31,778	690	344	6,507	7,038
Total liabilities	Before distribution	55,737	19,071	28,013	155,589	192,781
	After distribution	(Note2)	19,071	28,013	155,589	192,781
Equity						
Capital		200,000	290,252	290,252	290,252	290,252
Capital surplus		18,200	18,200	1,860	1,860	1,360
Retained earnings	Before distribution	47,766	(136,588)	(114,634)	(102,295)	(75,689)
	After distribution	(Note2)	(136,588)	(114,634)	(102,295)	(75,689)
Other Equity		(13,935)	(13,586)	(13,945)	(10,360)	(7,917)
Treasury shares		-	-	-	-	-
Total equity	Before distribution	252,031	158,278	163,533	179,457	208,006
	After distribution	(Note2)	158,278	163,533	179,457	208,006

Note 1: The financial information from 2017 to 2021 were audited and certificated by CPAs.
Note 2: The proposal for distribution of earnings of the Company in 2021 is to be not approved by the Shareholder meeting.

Stand-Alone Condensed Statement of Comprehensive Income

Unit：NT$ thousands

Year / Item	Financial information in the most recent five years (Note)				
	2021	2020	2019	2018	2017
Operating revenue	52,769	52,450	101,961	196,405	253,263
Gross Profit	11,390	5,350	24,062	45,539	51,692
Operating profit and loss	(10,750)	(19,584)	(13,004)	(9,358)	(14,235)
Non-Operating income and expenses	110,030	(3,697)	(1,113)	(17,719)	(7,555)
Profit(Loss) before income tax	99,280	(23,281)	(14,117)	(27,077)	(21,790)
Profit(Loss) after income tax from continuing operations	94,102	(23,278)	(17,634)	(27,255)	(21,829)
Profit(Loss) after income tax from discontinued operations	—	—	—	—	—
Profit(Loss) after income tax	94,102	(23,278)	(17,634)	(27,255)	(21,829)
Other comprehensive income (after tax)	(349)	1,683	1,710	(1,794)	(328)
Total comprehensive income(loss)	93,753	(21,595)	(15,924)	(29,049)	(22,157)
Earnings (loss) per share	4.71	(1.16)	(0.88)	(1.36)	(1.09)

Note: The financial information from 2017 to 2021 were audited and certificated by CPAs.

B. The names of the CPAs conducting financial audits in the most recent five years and their audit opinions:

Year	CPA firm	CPA	Opinion
2021	Crowe (TW) CPAs	WANG,JIA-SIANG JHUO, CHING-CHYUAN	Unqualified opinion
2020	Crowe (TW) CPAs	PAN, CHIN SHU CHOU, PO JU.	Unqualified opinion
2019	Crowe (TW) CPAs	LIN,CHUN-ZHI LIN,JIN-FENG	Unqualified opinion
2018	Crowe (TW) CPAs	LIN,CHUN-ZHI LIN,JIN-FENG	Unqualified opinion
2017	Crowe (TW) CPAs	LIN,CHUN-ZHI LIN,JIN-FENG	Unqualified opinion

2. Financial analysis in the most recent five years:

A. Financial analysis - Consolidated

Analysis item (Not 3) \ Year (Not1)		Financial Analysis in the most recent five years					Up to March 31, 2022 (Note 2)
		2021	2020	2019	2018	2017	
Financial structure %	Liabilities to Assets ratio	20.39	11.02	11.75	17.76	30.02	20.52
	Long-term fund to PP&E ratio	646.80	516.01	266.56	286.42	227.79	643.25
Solvency %	Current ratio	865.77	443.12	440.00	364.06	237.44	830.14
	Quick ratio	828.13	354.11	318.05	187.94	149.62	759.27
	Interest coverage ratio	409.56	(107.79)	－	(303.24)	－	(5)
Operating performance	Accounts receivable turnover (times)	6.57	6.05	5.50	8.05	10.73	10.06
	Average collection days	55.56	60.33	66.00	45.00	34.00	36.28
	Inventory turnover (times)	5.45	3.30	2.58	3.07	3.52	2.00
	Accounts payable turnover (times)	4.90	4.97	2.93	2.99	2.93	2.11
	Average days sales	66.97	110.61	141.00	119.00	104.00	182.50
	Properties, plants and equipment turnover (times)	1.56	1.25	1.77	2.67	2.78	1.08
	Total asset turnover (times)	0.24	0.32	0.55	0.83	0.87	0.15
Profitability	Return on assets	38.14	(12.72)	(8.74)	(10.55)	(7.10)	(0.78)
	Return on equity attributable to owners of the parent	45.87	(14.47)	(10.28)	(14.07)	(9.96)	(1.14)
	Pre-tax income to Capita	49.64	(8.02)	(4.86)	(9.33)	(6.91)	(1.44)
	Net Income margin	161.09	(40.40)	(15.78)	(12.81)	(8.12)	(6.02)
	Earnings per share (dollar)	4.71	(1.16)	(0.88)	(1.36)	(1.09)	(0.04)
Cash flow	Cash flow ratio （%）	12.74	(36.09)	166.38	(215.63)	(6.87)	(8.17)
	Cash Flow adequacy ratio (%)	(73.46)	(74.50)	(234.72)	(301.84)	(174.04)	(69.30)
	Cash reinvestment ratio (%)	1.21	(3.32)	16.52	(29.82)	(2.90)	(0.81)
Leverage	Operating Leverage	0.41	0.21	(0.23)	(0.36)	－	1.58
	Financial Leverage	0.99	0.99	1.00	1.00	1.00	0.94

Reasons for changes in financial ratios for the last two years.

1. The long-term fund to PP&E ratio increased over the previous period, mainly due to the increase of long-term bank loans for the purchase of new offices in the current period.
2. The increase in current ratio, quick ratio and interest coverage ratio compared with the previous period are due to the significant increase in cash and cash equivalents due to the disposal of real estate and investment real estate in the current period, and a net profit after tax for the whole year.
3. The increase in inventory turnover rate over the previous period and the decrease in average sales days over the previous period are due to the control of the purchase level of production materials and parts was strengthened in the current period.
4. The properties, plants and equipment turnover decreased compared with the previous period, mainly due to the substantial increase in cash and cash equivalents due to the disposal of real estate and investment real estate in the current period, resulting in a substantial increase in the level of total assets compared with the previous period.
5. The increase in profitability compared with the previous period is mainly due to the fact that the disposal of real estate and investment real estate in the current period made a profit for the whole year.
6. Due to the stabilization of the number of orders at the end of the current period, the advance payment for goods increased compared with the previous period, and the cash flow from operating activities in the current period turned into a net inflow, resulting in an increase in the cash flow ratio and the cash reinvestment ratio in the current period compared with the previous period.

Note 1: The above financial information for the last five years has been certified by an accountant.
Note 2: Reviewed by the accountant on March 31, 2022.
Note 3: The following formula should be shown at the end of this table.

1.Financial structure
(1) Liabilities to Assets ratio ＝ Total liabilities ／Total Assets
(2) Long-term fund to PP&E ratio ＝（ Total equity＋non-current Liabilities ）／Net property、plant and equipment。
2.Solvency
(1) Current ratio = Current assets / Current liabilities
(2) Quick ratio = (Current assets – Inventory – Prepaid expenses) / Current liabilities
(3) Interest coverage ratio = Income before interest and taxes / Interest expense
3. Operating performance
(1) Accounts receivable turnover = Net revenue / Average accounts receivable
(2) Average collection days = 365 / AR turnover
(3) Inventory turnover = COGS / Average inventory
(4) Accounts payable turnover = COGS / Average accounts payable
(5) Average days sales = 365 / Inventory turnover
(6) PP&E turnover = Net revenue / Average net PP&E
(7) Total asset turnover = Net revenue / Average total assets
4.Profitability
(1) Return on assets = [Net income + Interest expense x (1 – Tax rate)] / Average assets
(2) Return on equity = Net income / Average equity
(3) Net income margin = Net income / Net sales
(4) EPS = (Net income – Preferred stock dividends) / Weighted average outstanding share(Note 3)
5.Cash flow
(1) Cash flow ratio = Cash flow from operating activities / Current liabilities
(2) Cash flow adequacy ratio = Net cash flow from operating activities for the most recent 5 years / (Capital expenditure + Increases in inventory + Cash dividends for the most recent 5 years)
(3) Cash reinvestment rate = (Cash flow from operating activities – Cash dividends) / (Gross PP&E + Long-term investments + Other assets + Working capital) (Note 4)
6.Leverage
(1) Operating leverage = (Net revenue – Variable operating costs and expenses) / Operating income (Note 5)
(2) Financial leverage = Operating income / (Operating income – Interest expense)

Note 4: The calculation formula for starting the annuals per share should pay special attention to the following items when measuring:
1.The weighted average number of shares is subject to the number of shares, and non is based on the number of shares issued at the end of the year.
2.Anyone who has a cash increase or a treasury stock trader should consider the weighted average Number of shares during the circulation period.
3.Anyone who has changed into capital or capital surplus will be retrospectively adjusted according to the proportion of capital increase when calculating the annual and semi-annual years of earnings. Not sure of the period of the capital increase.
4.If the special stock is a non-convertible accumulative special stock, its annual dividend (whether or not it is paid) shall be net of the net profit after tax, or increase the net loss after tax. If the special stock is non-cumulative, in the case of net profit after tax, the special stock dividend shall be deducted from the net profit after tax; if it is loss, it shall not be adjusted.

Note 5: Cash flow analysis should pay special attention to the following items when measuring:
1.Operating activity net cash flow refers to the number of operating activity net cash inflows in the Cash flow table.
2. Capital expenditure refers to the number of cash outflows per year of capital investment.
3. The Current inventories increase is only counted when the ending balance is greater than the opening balance. If the Current inventories is reduced at the end of the year, it is calculated as zero.
4. Cash dividends include cash dividends for ordinary shares and special shares.
5. Property, plant and equipment gross refers to the property, plant and equipmentgross before the Accumulated depreciation.

Note 6: The issuer shall classify each of the OperatingCost and Operatingexpenses as fixed and variable. If there is an estimate or subjective judgment, attention should be paid to its rationality and consistency.

Note 7: If the company's stock is Not denomination or the denomination per share is NT$ten, the calculation of the paid-in capital is calculated by the Equity attributable to Comprehensive income ratio.

B. Financial Analysis - Stand-Alone

Analysis item (Note 2)	Year (Note1)	2021	2020	2019	2018	2017
		Financial Analysis in the most recent five years				
Financial structure %	Liabilities to Assets ratio	18.11	10.75	14.62	46.44	48.10
	Long-term fund to PP&E ratio	676.28	584.49	290.60	321.42	250.55
Solvency %	Current ratio	1050.30	359.05	267.08	53.70	66.11
	Quick ratio	1036.89	330.11	221.09	38.52	54.53
	Interest coverage ratio	556	－	－	(340.26)	－
Operating performance	Accounts receivable turnover (times)	5.97	5.54	5.03	7.44	10.11
	Average collection days	61.14	65.88	72.00	49.00	36.00
	Inventory turnover (times)	54.95	10.92	7.21	11.19	17.45
	Accounts payable turnover (times)	3.49	2.27	0.90	1.01	1.35
	Average days sales	6.64	33.43	50.00	33.00	21.00
	properties, plants and equipment turnover (times)	1.53	1.25	1.78	2.73	2.91
	Total asset turnover (times)	0.22	0.28	0.39	0.53	0.63
Profitability	Return on assets	38.85	(12.62)	(6.70)	(7.39)	(5.46)
	Return on equity attributable to owners of the parent	45.87	(14.47)	(10.28)	(14.07)	(9.96)
	Pre-tax income to Capita	49.64	(8.02)	(4.86)	(9.33)	(7.51)
	Net Income margin	178.33	(44.38)	(17.30)	(13.88)	(8.62)
	Earnings per share (dollar)	4.71	(1.16)	(0.88)	(1.36)	(1.09)
Cash flow	Cash flow ratio （%）	11.60	(52.70)	(132.31)	(39.42)	3.23
	Cash Flow adequacy ratio (%)	(198.59)	(949.59)	(1,614.08)	(985.24)	(506.50)
	Cash reinvestment ratio (%)	0.96	(8.44)	(24.06)	(29.02)	1.71
Leverage	Operating Leverage	0.38	(1.81)	(6.09)	(16.18)	－
	Financial Leverage	0.98	1.00	1.00	0.99	1.00

Reasons for changes in financial ratios for the last two years.

1. The long-term fund to PP&E ratio increased over the previous period, mainly due to the increase of long-term bank loans for the purchase of new offices in the current period.
2. The increase in current ratio, quick ratio and interest coverage ratio compared with the previous period are due to the significant increase in cash and cash equivalents due to the disposal of real estate and investment real estate in the current period, and a net profit after tax for the whole year.
3. The increase in inventory turnover rate over the previous period and the decrease in average sales days over the previous period are due to the control of the purchase level of production materials and parts was strengthened in the current period.
4. The properties, plants and equipment turnover decreased compared with the previous period, mainly due to the substantial increase in cash and cash equivalents due to the disposal of real estate and investment real estate in the current period, resulting in a substantial increase in the level of total assets compared with the previous period.
5. The increase in profitability compared with the previous period is mainly due to the fact that the disposal of real estate and investment real estate in the current period made a profit for the whole year.
6. Due to the stabilization of the number of orders at the end of the current period, the advance payment for goods increased compared with the previous period, and the cash flow from operating activities in the current period turned into a net inflow, resulting in an increase in the cash flow ratio and the cash reinvestment ratio in the current period compared with the previous period.

Note 1: The above financial information for the last five years has been certified by an accountant.
Note 2: The following formula should be shown at the end of this table.

1.Financial structure
(1) Liabilities to Assets ratio ＝ Total liabilities ／Total Assets
(2) Long-term fund to PP&E ratio ＝（ Total equity＋non-current Liabilities ）／Net property、plant and equipment。

2.Solvency

(1) Current ratio = Current assets / Current liabilities

(2) Quick ratio = (Current assets – Inventory – Prepaid expenses) / Current liabilities

(3) Interest coverage ratio = Income before interest and taxes / Interest expense

3. Operating performance

(1) Accounts receivable turnover = Net revenue / Average accounts receivable

(2) Average collection days = 365 / AR turnover

(3) Inventory turnover = COGS / Average inventory

(4) Accounts payable turnover = COGS / Average accounts payable

(5) Average days sales = 365 / Inventory turnover

(6) PP&E turnover = Net revenue / Average net PP&E

(7) Total asset turnover = Net revenue / Average total assets

4.Profitability

(1) Return on assets = [Net income + Interest expense x (1 – Tax rate)] / Average assets

(2) Return on equity = Net income / Average equity

(3) Net income margin = Net income / Net sales

(4) EPS = (Net income – Preferred stock dividends) / Weighted average outstanding share(Note 3)

5.Cash flow

(1) Cash flow ratio = Cash flow from operating activities / Current liabilities

(2) Cash flow adequacy ratio = Net cash flow from operating activities for the most recent 5 years / (Capital expenditure + Increases in inventory + Cash dividends for the most recent 5 years)

(3) Cash reinvestment rate = (Cash flow from operating activities – Cash dividends) / (Gross PP&E + Long-term investments + Other assets + Working capital) (Note 4)

6.Leverage

(1) Operating leverage = (Net revenue – Variable operating costs and expenses) / Operating income (Note 5)

(2) Financial leverage = Operating income / (Operating income – Interest expense)

Note 3: The calculation formula for starting the annuals per share should pay special attention to the following items when measuring:

1.The weighted average number of shares is subject to the number of shares, and non is based on the number of shares issued at the end of the year.

2.Anyone who has a cash increase or a treasury stock trader should consider the weighted average Number of shares during the circulation period.

3.Anyone who has changed into capital or capital surplus will be retrospectively adjusted according to the proportion of capital increase when calculating the annual and semi-annual years of earnings. Not sure of the period of the capital increase.

4.If the special stock is a non-convertible accumulative special stock, its annual dividend (whether or not it is paid) shall be net of the net profit after tax, or increase the net loss after tax. If the special stock is non-cumulative, in the case of net profit after tax, the special stock dividend shall be deducted from the net profit after tax; if it is loss, it shall not be adjusted.

Note 4: Cash flow analysis should pay special attention to the following items when measuring:

1.Operating activity net cash flow refers to the number of operating activity net cash inflows in the Cash flow table.

2. Capital expenditure refers to the number of cash outflows per year of capital investment.

3. The Current inventories increase is only counted when the ending balance is greater than the opening balance. If the Current inventories is reduced at the end of the year, it is calculated as zero.

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

5. Property, plant and equipment gross refers to the property, plant and equipmentgross before the Accumulated depreciation.

Note 5: The issuer shall classify each of the OperatingCost and Operatingexpenses as fixed and variable. If there is an estimate or subjective judgment, attention should be paid to its rationality and consistency.

Note 6: If the company's stock is Not denomination or the denomination per share is NT$ten, the calculation of the paid-in capital is calculated by the Equity attributable to Comprehensive income ratio.

3. Audit Committee Review Report on the financial reports in the most recent year: please refer to page 62.

4. Financial reports audited and certified by CPAs in the most recent year: please refer to pages 63 to 121.

5. For stand-alone financial reports audited and certified by CPAs: please refer to pages 122 to 174.

6. If the company or its affiliates experienced financial difficulties in the most recent year up to the publication date of the annual report, the impact of such difficulties on the company’s financial status shall be explained: None.

Phonic Corporation

2021 Audit Committee's Review Report

The Board of Directors prepared the 2021 business report, consolidated and stand-along financial statements, deficit compensation proposal. The above consolidated and stand-along financial statements have been audited by independent auditors, Chin-Shu Pan and Po-Ju Chou of Crowes (TW) CPAs Firm with an unqualified opinion. We have reviewed the aforementioned business report, consolidated and stand-along financial statements, deficit compensation proposal, which were appropriately prepared.

We hereby present our report on the review of these statements pursuant to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

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To
Phonic 2022 Annual General Shareholders' Meeting

Convener of the Audit Committee

Li-Mei Chiu, Independent Director

March 25, 2022

Representation Letter

The entities that are required to be included in the combined financial statements of Phonic Co., Ltd. as of and for the year ended December 31, 2021, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standards No.10 “Consolidated Financial Statements” endorsed by the Financial Supervisory Commission of the Republic of China. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Phonic Co., Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

PHONIC CO., LTD.

Hung-Hsiang Tan
Chairman

March 25, 2022

Independent Auditors' Report

To the Board of Directors of Phonic Co., Ltd.

Opinion

We have audited the consolidated financial statements of Phonic Co., Ltd. and its subsidiaries (the "Group"), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2021 and 2020, 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 of December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and the International Financial Reporting Standards, International Accounting Standards, interpretations, as well as related guidance endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. Based on our audits, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for 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 for the year ended December 31, 2021. 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.

Key audit matter for the Group's consolidated financial statements for the year ended December 31, 2021 is stated as follows:

Revenue recognition

Description of key audit matter:

Revenue is recognized when the control over a product has been transferred to the customer as specified in each individual contract with customers. The Group recognizes revenue depending on the various sales terms in each individual contract with customers to ensure the performance obligation has been satisfied by transferring control over a product to a customer. Due to the complexity of the products ricks, rewards and ownership transferred, we considered revenue recognition as a key audit matter.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included understanding and testing the Group's controls surrounding revenue recognition; assessing whether appropriate revenue recognition policies are applied through comparison with accounting standards and understanding the Group's main revenue types, its related sales agreements, and sales terms; on a sample basis, inspecting contracts with customers or customer's orders and assessing whether the accounting treatment of the related contracts (including sales terms) is applied appropriately; performing a test of details of sales revenue and understanding the rationale for any identified significant sales fluctuations and any significant reversals of revenue through sales discounts and sales returns which incurred within a certain period before or after the balance sheet date; and assessing the adequacy of the Group's disclosures of its revenue recognition policy and other related disclosures.

Other Matters

Phonic Co., Ltd. has additionally prepared its parent company only financial statements as of and for the years ended December 31, 2021 and 2020, on which we have issued an unmodified opinion.

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 the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, interpretation as well as related guidance endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (including members of the Audit Committee) are responsible for overseeing the Group's financial reporting process.

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

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

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

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

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

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor' 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 auditors' 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 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 for the year ended December 31, 2021 and are therefore the key audit matters. We describe these matters in our auditors' 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 Chia-Hsiang Wang and Ching-Chan Cho.

Crowe (TW) CPAs
March 25, 2022

Notice 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' audit report and the 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' audit report and consolidated financial statements, the Chinese version shall prevail.

Phonic Co., Ltd. and Subsidiaries
Consolidated Balance Sheets
December 31, 2021 and 2020
(In Thousands of New Taiwan Dollars)

Assets	Notes	2021.12.31 Amount	%	2020.12.31 Amount	%
Current assets					
Cash and cash equivalents	6(1) and 12	$ 242,327	76	$ 49,476	28
Financial assets at fair value through profit or loss - current	6(2) and 12	-	-	5,751	3
Notes receivable, net	6(3) and 12	15	-	2,785	2
Accounts receivable, net	6(4) and 12	8,072	3	6,908	4
Other receivables	6(10) and 12	1,767	-	2,035	-
Inventories	6(5)	8,169	3	11,949	7
Prepayments		3,295	1	4,881	3
Total current assets		263,645	83	83,785	47
Non-current assets					
Property, plant and equipment	6(6), 6(7) and 8	44,238	14	30,807	17
Right-of-use assets	6(7) and 7	4,559	2	3,015	2
Investment property	6(8)	-	-	55,728	32
Intangible assets	6(9)	-	-	143	-
Deferred tax assets	6(21)	3,484	1	3,557	2
Prepayments for equipment		239	-	241	-
Refundable deposits	12	419	-	600	-
Total non-current assets		52,939	17	94,091	53
Total Assets		**$ 316,584**	**100**	**$ 177,876**	**100**

Liabilities and Equity	Notes	2021.12.31 Amount	%	2020.12.31 Amount	%
Current liabilities					
Contract liabilities - current	6(16)	$ 7,908	2	$ 689	-
Notes payable	12	94	-	60	-
Accounts payable	12	11,994	4	10,222	6
Other payables	12	6,476	2	4,627	3
Lease liabilities - current	6(7) and 12	2,236	1	3,219	2
Long-term borrowings - current	6(11), 8 and 12	1,640	-	-	-
Other current liabilities		104	-	91	-
Total current liabilities		30,452	9	18,908	11
Non-current liabilities					
Long-term borrowings	6(11), 8 and 12	30,340	10	-	-
Deferred tax liabilities	6(21) and 12	1,438	-	-	-
Lease liabilities - non-current	6(7) and 12	2,323	1	-	-
Guarantee deposits received	12	-	-	690	-
Total non-current liabilities		34,101	11	690	-
Total liabilities		64,553	20	19,598	11
Equity attributable to the shareholders of the Company					
Common stock	6(12)	200,000	63	290,252	163
Capital surplus	6(13)	18,200	6	18,200	10
Special reserve	6(14)	16,942	5	16,942	10
Accumulated earnings (deficits)	6(14)	30,824	10	(153,530)	(86)
Exchange differences arising on translation of foreign operations	6(15)	(13,935)	(4)	(13,586)	(8)
Total equity		252,031	80	158,278	89
Total Liabilities and Equity		**$ 316,584**	**100**	**$ 177,876**	**100**

(The accompanying notes are an integral part of the consolidated financial statements)

Phonic Co., Ltd. and Subsidiaries
Consolidated Statements of Comprehensive Income
For the years ended December 31, 2021 and 2020
(In Thousands of New Taiwan Dollars)

	Notes	2021 Amount	2021 %	2020 Amount	2020 %
Net revenue	6(16) and 14	$ 58,414	100	$ 57,617	100
Cost of revenue	6(5), 6(10) and 6(20)	(54,846)	(94)	(52,369)	(91)
Gross profit		3,568	6	5,248	9
Operating expenses	6(8), 6(10), 6(20) and 7				
Marketing		(2,918)	(5)	(3,429)	(6)
General and administrative		(25,501)	(44)	(24,266)	(42)
Research and development		(1,684)	(3)	(4,569)	(8)
Expected credit (losses) gains	6(4)	858	2	(745)	(1)
Total operating expenses		(29,245)	(50)	(33,009)	(57)
Opererating loss		(25,677)	(44)	(27,761)	(48)
Non-operating income and expenses					
Interest income	6(17)	169	-	986	2
Other income	6(8) and 6(18)	5,527	9	4,929	8
Other gains and losses	6(19)	119,504	205	(1,221)	(2)
Finance costs		(243)	-	(214)	-
Total non-operating income and expenses		124,957	214	4,480	8
Profit (loss) before income tax from continuing operations		99,280	170	(23,281)	(40)
Income tax (expense) benefit	6(21)	(5,178)	(9)	3	-
Net profit (loss) for the year		94,102	161	(23,278)	(40)
Other comprehensive income (loss)	6(22)				
Items that will not be reclassified to profit or loss					
Income tax related to components of other comprehensive that will not be reclassified to profit or loss		-	-	1,324	2
Items that will be reclassified subsequently to profit or loss					
Exchange differences arising on translation of foreign operations		**(354)**	**(1)**	**366**	**1**
Income tax related to items that will be reclassified to profit or loss		5	-	(7)	-
Other comprehensive (loss) income for the year, net of income tax		(349)	(1)	1,683	3
Total comprehensive income (loss) for the year		**$ 93,753**	**160**	**$ (21,595)**	**(37)**
Net income (loss) attributable to:					
Shareholders of the parent		**$ 94,102**	**161**	**$ (23,278)**	**(40)**
Noncontrolling interset		**$ -**	**-**	**$ -**	**-**
Total comprehensive income (loss) attributable to:					
Shareholders of the parent		**$ 93,753**	**160**	**$ (21,595)**	**(37)**
Noncontrolling interset		**$ -**	**-**	**$ -**	**-**
Earnings (loss) per share	6(23)				
Basic earnings (loss) per share		**$ 4.71**		**$ (1.16)**	
Diluted earnings (loss) per share		**$ 4.71**		**$ (1.16)**	

(The accompanying notes are an integral part of the consolidated financial statements)

Phonic Co., Ltd. and Subsidiaries
Consolidated Statements of Changes in Equity
For the years ended December 31, 2021 and 2020
(In Thousands of New Taiwan Dollars)

	Attributable to shareholders of the Company					
	Common Stock	Capital Surplus	Special Reserve	Accumulated Earnings (Deficits)	Exchange Differences arising on Translation of Foreign Operations	Total Equity
Balance at January 1, 2020	$ 290,252	$ 1,860	$ 16,942	$ (131,576)	$ (13,945)	$ 163,533
Net loss for 2020	-	-	-	(23,278)	-	(23,278)
Other comprehensive income for 2020	-	-	-	1,324	359	1,683
Total comprehensive income (loss) for 2020	-	-	-	(21,954)	359	(21,595)
Right of Disgorgement	-	16,340	-	-		16,340
Balance at December 31, 2020	290,252	18,200	16,942	(153,530)	(13,586)	158,278
Capital reduction to offset accumulated deficits	(90,252)	-	-	90,252	-	-
Net profit for 2021	-	-	-	94,102	-	94,102
Other comprehensive loss for 2021	-	-	-	-	(349)	(349)
Total comprehensive income (loss) for 2021	-	-	-	94,102	(349)	93,753
Balance at December 31, 2021	**$ 200,000**	**$ 18,200**	**$ 16,942**	**$ 30,824**	**$ (13,935)**	**$ 252,031**

(The accompanying notes are an integral part of the consolidated financial statements)

Phonic Co., Ltd. and Subsidiaries

Consolidated Statements of Cash Flows

For the years ended December 31, 2021 and 2020

(In Thousands of New Taiwan Dollars)

	2021	2020
Cash flows generated from (used in) operating activities:		
Profit (loss) before tax	$ 99,280	$ (23,281)
Adjustments for:		
Depreciation expense (including investment property)	4,698	6,077
Amortization expense	143	240
Expected credit loss (gain)	(858)	745
Gain on financial assets at fair value through profit or loss, net	(77)	(354)
Interest expense	243	214
Interest income	(169)	(986)
Gain on disposal of property, plant and equipment (including investment property)	(120,456)	-
Property, plant and equipment reclassified to expenses	-	114
Others	-	(25)
	(116,476)	6,025
Changes in operating assets and liabilities:		
Financial assets at fair value through profit or loss	5,828	8,173
Notes receivable, net	2,770	(2,785)
Accounts receivable, net	(306)	1,688
Other receivables	268	(937)
Inventories	3,780	7,848
Prepayments	1,586	1,230
Contract liabilities	7,219	(4,206)
Notes payable	34	(234)
Accounts payable	1,772	(287)
Other payables	1,849	(826)
Other current liabilities	13	(3)
Cash flows generated from (used in) operations	7,617	(7,595)
Interest received	169	986
Interest paid	(243)	**(214)**
Income tax paid	(3,662)	-
Net cash flows generated from (used in) operating activities	3,881	(6,823)
Cash flows generated from (used in) investing activities:		
Acquisition of property, plant and equipment	(41,971)	(1,304)
Proceeds from disposal of property, plant and equipment (including investment property)	202,988	-
Decrease (increase) in refundable deposits	177	(402)
Decrease in prepayments for equipment	2	157
Net cash flows generated from (used in) investing activities	161,196	(1,549)

(Continued)

Phonic Co., Ltd. and Subsidiaries

Consolidated Statements of Cash Flows

For the years ended December 31, 2021 and 2020

(In Thousands of New Taiwan Dollars)

	2021	2020
Cash flows from financing activities:		
Increase in long-term borrowings	$ 31,980	$ -
Payment of lease liabilities	(3,195)	(3,054)
(Decrease) increase in guarantee deposit received	(690)	161
Right of disgorgement	-	16,340
Net cash flows generated from financing activities	28,095	13,447
Effect of exchange rate changes on cash and cash equivalents	(321)	404
Net increase in cash and cash equivalents	192,851	5,479
Cash and cash equivalents, beginning of year	49,476	43,997
Cash and cash equivalents, end of year	**$ 242,327**	**$ 49,476**

(The accompanying notes are an integral part of the consolidated financial statements)

Phonic Co., Ltd. And Subsidiaries
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

1. GENERAL INFORMATION

Phonic Co., Ltd. (the "Company") was incorporated in November, 1973. The Company was formerly known as Phonic Enterprise Co., Ltd, and reorganized in March, 1988. The Company primarily engages in manufacture and sales of professional audio products.

The Company's shares have been listed on the Market of the Taipei Exchange (TPEx) since October 21, 2003. The address of its registered office and principal places of business is 9F, No.59, Dongxing Rd., Xinyi Dist, Taipei City, Taiwan. The principal operating activities of the Company and its subsidiaries (collectively the "Group") are described in Note 4(3) (b).

The consolidated financial statements are presented in the Company's functional currency, New Taiwan dollars.

2. THE AUTHORIZATION OF THE FININCIAL STATEMENT

The consolidated financial statements were approved and authorized for issue by the Board of Directors on March 25, 2022.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS, AND INTERPRETATIONS

(1) Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC).

New standards, interpretations and amendments endorsed by the FSC and effective from 2021 are as follows:

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 4 "Extension of Temporary exemption from IFRS 9"	June 25, 2020, the issuance date
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform—	January 1, 2021
Amendment to IFRS 16 "Covid-19-related rent concessions beyond 30 June 2021"	April 1, 2021 (Note)

Note: Early adoption from January 1, 2021 is allowed by the FSC.

Based on the Group's assessment, the above standards and interpretations have no significant effect on the Group's financial position and financial performance.

(2) The IFRSs issued by International Accounting Standards Board (IASB) and endorsed by FSC with effective date starting 2022.

New standards, interpretations and amendments endorsed by the FSC and effective from 2022 are as follows:

New IFRSs	Effective Date Announced by IASB (Note A)
Amendments to IAS 16 “Property, Plant and Equipment: Proceeds before Intended Use”	January 1, 2022 (Note B)
Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”	January 1, 2022 (Note C)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note D)
Annual Improvements to IFRS Standards 2018–2020	January 1, 2022 (Note E)

Note A: Unless stated otherwise, the New IFRSs above are effective for annual periods beginning on or after their respective effective dates.

Note B: An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented, January 1, 2021, in the financial statements in which the entity first applies the amendments.

Note C: An entity shall apply these amendments to contracts for which it has not yet fulfilled all its obligations on January 1, 2022.

Note D: These amendments apply to business combinations whose acquisition date occur during the annual reporting periods beginning on or after January 1, 2022.

Note E: The amendments to IFRS 9 apply to financial liabilities that are modified or exchanged during the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 apply to fair value measurement on or after the beginning of the first annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 apply to the annual reporting periods beginning on or after January 1, 2022.

Based on the Group’s assessment, the adoption of the New IFRSs above will not have any significant impact on the Group’s financial position and financial performance.

(3) The IFRSs issued by IASB but not yet endorsed and issued into effect by FSC

New IFRSs	Effective Date Announced by IASB (Note A)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IRFS 17 “Initial Application of IFRS 17 and IFRS 9─Comparative Information	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosures of Accounting Policies”	January 1, 2023
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023

As of the date, the consolidated financial statements were authorized for issue, the Group continues in evaluating the impact on its financial position and financial performance as a result of the initial adoption of the aforementioned standards or interpretations. The related impact will be disclosed when the Group completes the evaluation.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of Compliance

The accompanying consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs, IASs, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the FSC (collectively as “Taiwan-IFRSs”)

(2) Basis of Preparation the Consolidated Financial Statement

(a) The consolidated financial statements have been prepared on the historical cost basis expect for the following material items in the balance sheets:

The financial assets and liabilities measured at fair value through profit and loss (including derivative financial instruments).

(b) The preparation of financial statements in compliance with IFRSs endorsed by FSC requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in process of applying the Group’s accounting policies. The areas involving a high degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of Consolidation

(a) The basis for the preparation of consolidated financial statements

(i) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are the entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

(ii) All intra-company transactions, balances, and unrealized gains or losses are eliminated in full on consolidation. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

(iii) Profit or loss and each component of other comprehensive income are attributed to the shareholders of the Group and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the shareholders of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(iv) Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control of the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in subsidiaries. Any difference between the amount of the non-controlling interests adjusted and the fair value of the consideration paid or received is recognized directly in equity.

(v) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

(b) The subsidiaries included in the consolidated financial statements were as follows:

Name of Investor	Name of Investee	Main Business	Percentage of Ownership 2021.12.31	Percentage of Ownership 2020.12.31
Phonic Co., Ltd.	Phonic Group, Ltd.	Investment activities	100.00%	100.00%
Phonic Group, Ltd.	Shenzhen Yiba Electronic Co., Ltd.	Manufacturing and selling of professional audio products	100.00%	100.00%

Phonic Group, Ltd.'s main business is investing in Shenzhen Yiba Electronic Co., Ltd. in Shenzhen, China. Shenzhen Yiba Electronic Co., Ltd. is the subsidiary of Phonic and indirectly invested through Phonic Group, Ltd. (located in the third region), and is mainly engaged in manufacturing of professional audio products, and selling to Phonic Co., Ltd.

(i) The financial statements of the subsidiary were consolidated based on audited financial statements.

(ii) Increase/decrease of subsidiaries: None.

(c) Subsidiaries not included in the consolidated financial statements: None

(d) Adjustments for subsidiaries with different balance sheet dates: None

(e) Significant restrictions: None

(f) Subsidiaries hold the securities issued by the parent company: None

(g) Subsidiaries that have material non-controlling interests to the Company: None

(4) Foreign Currencies

(a) Foreign Currency Transactions

Transactions in currencies other than the Group's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Such exchange differences are recognized in profit or loss in the year in which they arise. Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured at historical cost in foreign currencies are not retranslated. Except for exchange differences arising on the retranslation of financial assets at FVTOCI and financial liabilities designated certain hedging instrument, such as foreign operations or cash flow in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income. Other exchange difference is recognized in profit or loss.

(b) Translation of Foreign Operation

For the purpose of preparing consolidated financial statements, the functional currencies of the Group and the foreign entities (including subsidiaries, associates, joint ventures and branches in other countries that use currency different from the currency of the Group) are translated into the presentation currency - the New Taiwan dollar as follows: assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

On the disposal of a foreign operation involving the loss of control, joint venture or significant influence over the foreign operation, all of the exchange differences accumulated in equity in respect of that operation are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to the non-controlling interests of the subsidiary and not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

(5) Classification of Current and Noncurrent Assets and Liabilities

(a) Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(i) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;

(ii) Assets held mainly for trading purposes;

(iii) Assets that are expected to be realized within twelve months from the balance sheet date; or

(iv) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

(b) Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(i) Liabilities that are expected to be paid off within the normal operating cycle;

(ii) Liabilities arising mainly from trading activities;

(iii) Liabilities that are to be paid off within twelve months from the balance sheet date, even if an agreement to refinance, or to reschedule payments on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and

(iv) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash and Cash Equivalents

Cash and cash equivalent includes cash on hand, bank deposit and short-term, highly liquid investment that are readily convertible to know amount of cash and which are subject to an insignificant risk of change in value. Time deposits that meet the definition above and are held for purpose of meeting short-term cash commitments in operations are classified as cash equivalent.

(7) Financial Instruments

Financial assets and financial liabilities are recognized in balance sheets when the Group becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

(a) Financial Assets

(i) Measurement Category

The Group adopts trade-date accounting to recognize and derecognize financial assets.

Financial assets are classified as financial assets at FVTPL, and financial assets at amortized cost.

A. Financial assets at FVTPL

Financial asset classified as at FVTPL is mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL including equity investments not designated as at FVTOCI and debt instruments that do not meet the criteria of which measured at amortized cost or at FVTOCI.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss (excluding relevant dividend or interest income). Fair value is determined in the manner described in Note 12(3).

B. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

i. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

ii. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets measured at amortized cost are determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

i. For the purchased or originated credit-impaired financial assets, interest revenue is calculated at the credit-adjusted effective interest rate.

ii. For the financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets, interest revenue is calculated at the effective interest rate.

(ii) Impairment of Financial Assets

The Group recognizes a loss allowance for expected credit losses (“ECL”) on financial assets at amortized cost (including accounts receivable).

The loss allowance for accounts receivable is measured at an amount equal to lifetime ECL. For other financial assets, when the credit risk on the financial instrument has not increased significantly since initial recognition, a loss allowance is recognized at an amount equal to 12-month ECL. If there has been a significant increase in credit risk since initial recognition, a loss allowance is recognized at an amount equal to lifetime ECL.

ECL reflects the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Group recognizes an impairment loss for aforementioned financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

(iii) Derecognition of Financial Assets

The Group derecognizes a financial asset when one of the following conditions is met:

A. The contractual rights to receive the cash flows from the financial asset expire.

B. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.

C. The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The difference between the book value and the price of financial assets at amortized cost will be recognized to profit or loss on disposal of the financial assets. The cumulative gain or loss of the investments in equity instruments at FVTOCI will not be reclassified to profit or loss on disposal of the equity investments. Instead, they will be transferred to retained earnings.

(b) Financial Liabilities

(i) Subsequent Measurement

Financial liabilities measured at amortized cost are measured using the effective interest rate method after initial recognition, except for the following situations：

A. Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or is designated as at fair value through profit or loss.

i. A hybrid contract; or

ii. To reduce a measurement or recognition inconsistency that would otherwise arise; or

iii. A tool for managing and evaluating the performance on fair value basis in accordance with a written risk management policy.

B. Financial liabilities at FVTPL recognized by fair value on initial recognition, and the related costs are recognized in profit or loss. And the subsequent changes at fair value are recognized in profit or loss.

C. A financial liabilities that designated as financial liabilities measured at FVTPL, which amount of change in fair value resulting from a change in credit risk, is recognized as other comprehensive income, and that will not be reclassified subsequently to profit or loss.

The amount of the remaining fair value change in the liability is reported in the profit and loss. However, if the aforementioned accounting treatment triggers or exacerbates the improper accounting ratio, the full profits or losses of the liability are reported in the profit or loss.

(ii) Derecognition of Financial Liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

(8) Inventories

The item by item approach is used in applying the lower of cost and net realizable value. Under a perpetual system, inventory cost is determined using weighted average method. The finished goods and work-in-process consist of raw materials, direct labor, other direct costs and related manufacturing expense (allocated by normal capacity) and exclude the borrowing cost. Inventory write-downs are made by item, and net realizable value is the estimated selling price of inventories less all estimated costs of completion and variable costs necessary to make the sale.

(9) Property, Plant and Equipment

(a) Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.

(b) Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repair and maintenance is recognized in profit or loss as incurred.

(c) Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each end of reporting year. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change.

The estimated useful lives of property, plant and equipment are as follows:

Buildings: 5~36 years

Machinery and equipment: 1~8 years

Office equipment: 1~5 years

Other equipment: 5 years

(d) An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

(10) Leases

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease. For a contract that contains a lease component and non-lease component, the Group allocates the consideration in the contract to each lease component on the basis of the related stand-alone price and accounts for each component separately.

(a) The Group as lessee

Except for short-term leases and leases of low-value asset where lease payments are recognized as expenses on a straight-line basis over the lease terms, the Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease.

Right-of-use assets

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, less any lease incentives received, and plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets. Right-of-use assets are subsequently measured at cost less accumulated depreciation and accumulated impairment losses and adjusted for any remeasurement of the lease liabilities.

Right-of-use assets are presented as a separate line item in the balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms. However, if leases transfer ownership of the underlying assets to the Group by the end of the lease terms or if the costs of right-of-use assets reflect that the Group will exercise a purchase option, the Group depreciates the right-of-use assets from the commencement dates to the end of the useful lives of the underlying assets.

Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments that depend on an index or a rate, residual value guarantees, the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives receivable. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee’s incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in the assessment of an option to purchase an underlying asset, a change in the amounts expected to be payable under a residual value guarantee, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. For a lease modification that is not accounted for as a separate lease, the Group accounts for the remeasurement of the lease liability by (a) decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the leas for lease modifications that decrease the scope of the lease. The lessee shall recognize in profit or loss any gain or loss relating to the partial or full termination of the lease and (b) making a corresponding adjustment to the right-of-use asset for all other lease modifications. Lease liabilities are presented as a separate line item in the balance sheets.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

(b) The Group as lessor

A lease is classified as a finance lease if it transfers all the risks and rewards associated with ownership of the underlying asset; otherwise, it is classified as an operating lease.

(11) Investment Properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes) and include land held for a currently undetermined future use.

Investment properties are initially measured at cost, including transaction costs, and subsequently measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

(12) Intangible Assets

Separately acquired intangible assets (software) with finite useful lives are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis over the estimated useful life for 3 years, and is recognized in profit or loss.

The estimated residual value, useful life and amortization method for an intangible asset are reviewed at the end of each reporting period. Any change in estimates is accounted for on a prospective basis.

(13) Impairment of Non-Financial Assets

The Group assesses the recoverable amounts of those assets where there is an indication that they are impaired at the end of reporting period. Impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. When the indication of impairment loss recognized in prior years for an asset no longer exists, the impairment loss is reversed to the extent of the loss previously recognized in profit or loss.

(14) Employee Benefits

(a) Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for service rendered by employees in a period and should be recognized as expenses in that period when the employees render service.

(b) Pensions

(i) Defined contribution plans

For defined contribution plans, the contributions are recognized as pension expenses when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund from the plan or a reduction in future contributions to the plan.

(ii) Defined benefit plans

Obligations for contributions to defined pension plans are recognized as an expense in profit or loss in the periods during which services are rendered by employees.

The defined benefit cost (including service cost, net interest and remeasurement) of defined plan use the projected unit credit method for the actuarial valuation. Service cost and net interest on the net defined benefit liability (asset) are recognized under employee benefit expense as they occur. Remeasurement is recognized in other comprehensive income (loss) in retained earnings as it occurs, and is not reclassified to profit or loss subsequently.

Net defined benefit liability (asset) is the deficit (surplus) of defined benefit plans. The net defined benefit asset shall not exceed the economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

(c) Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognized as expenses and liabilities. Any difference between the amount accrued and the amount actually distributed is accounted for a change in accounting estimate.

(d) Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either the Group's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of benefits in exchange for the termination of employment. The Group recognizes expense when it can no longer withdraw an offer of termination benefits or when it recognizes related restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date are discounted to the present value.

(15) Income Tax

(a) The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.

(b) The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax calculated in accordance with Income Tax Act of the Republic of China is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders approve to retain earnings.

(c) Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

(d) Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.

(e) Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

(16) Revenue Recognition

The Group applies the following steps for revenue recognition:

(a) Identify the contract;

(b) Identify the performance obligations;

(c) Determine the transaction price;

(d) Allocate the transaction price to performance obligations; and

(e) Recognize revenue when (or as) a performance obligation is satisfied.

The Group identifies performance obligations in a contract with the customer, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

<u>Revenue from sale of goods</u>

Revenues are recognized as the Group satisfies its performance obligations to customers upon transfer of control of promised goods and services.

The transfer of control means the goods or services have been transferred to customers, and there are no unsatisfied obligations that would influence customers to accept the goods or not. Delivery means customers has accepted the goods by trade term and the risks of loss have transferred to customers, and the Group has objective evidences that it has satisfied all acceptance terms. The Group recognizes accounts receivable when the Group transfers control of the goods or services to customers and has the right to certain amount of consideration that is unconditional.

(17) Government grants

Government grants are recognized at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate.

Government grants that are deemed as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future costs are recognized in profit or loss in the period in which they are receivable.

(18) Earnings Per Share

The Group reports the basic and diluted earnings per share of the Group's common equity holders. Basic earnings per share is computed by dividing net income by the weighted-average number of ordinary shares outstanding during the current reporting period. Diluted earnings per share is computed by taking basic earnings per share into consideration plus additional ordinary shares that would have been outstanding if the dilutive share equivalents had been issued. Net income is also adjusted for interest and other income or expenses derived from any underlying dilutive share equivalents.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The Group takes into account the economic impact of the Covid-19 pandemic on significant accounting estimates and reviews the basic assumptions and estimation on an ongoing basis. If a change in accounting estimate affects only the current period, the effect is recognized in the current period. If a change in an accounting estimate affects both current and future periods, the effects are recognized in both periods.

In the preparation of the consolidated financial statements, the critical accounting judgments the Group has made and the major sources of estimation and assumption uncertainty are described as follows:

(1) Critical accounting judgments

(a) Business model assessment for financial assets

The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment involves judgment and consideration of all relevant evidence, such as how the performance of the assets is evaluated, the risks that affect the performance of the assets, and how the managers of the assets are compensated. The Group constantly assess the adequacy of its business model and monitors financial assets measured at amortized cost and debt investments measure at fair value through other comprehensive income. When these assets are derecognized prior to their maturity, the Group reviews the reasons for their disposal and whether the reasons are consistent with the objective of the business for which the assets were held. If the objective of the business for an asset is changed, the classification of the asset is prospectively changed accordingly.

(b) Revenue recognition

The Group assesses if it controls the specified good or service before that good or service is transferred to a customer to determine whether it is acting as a principal or as an agent in the transaction in accordance with IFRS 15. Where the Group acts as an agent, revenue is recognized on a net basis.

When another party is involved in providing goods or services to a customer, the Group is a principal if the Group obtains control of any one of the following:

(i) a good or another asset from the other party that it then transfers to the customer.

(ii) a right to a service to be performed by the other party, which gives the Group the ability to direct that party to provide the service to the customer on the Group's behalf.

(iii) a good or service from the other party that it then combines with other goods or services in providing the specified good or service to the customer.

Indicators that the Group controls the specified good or service before it is transferred to the customer include, but are not limited to, the following:

(i) the entity is primarily responsible for fulfilling the promise to provide the specified good or service.

(ii) the entity has inventory risk before or after the specified good or service has been transferred to a customer.

(iii) the entity has discretion in establishing the price for the specified good or service.

(2) Critical accounting estimates and assumptions

(a) Revenue recognition

Sales revenue, excluding related estimated sales returns, discounts and other similar allowance, is recognized when the control of goods or services is transferred to the customer and the Group satisfies it performance obligation. The Group estimates sales returns and allowance based on historical experience and other known factors. The Group reassesses the reasonableness of the estimates periodically.

(b) Evaluation of inventories

As inventories are stated at the lower of cost and net realizable value; thus, the Group estimates the net realizable value of inventory for obsolescence and unmarketable items on balance sheet date due to the rapid technology changes and writes down inventories to the net realizable value. Such an evaluation of inventories is mainly based on the demand for the products within a specified period in the future. Therefore, there might be material changes to the evaluation.

(c) Impairment assessment of tangible and intangible assets

In the course of impairment assessments, the Group determines, based on how assets are utilized and relevant industrial characteristics, the useful lives of assets and the future cash flows of a specific group of the assets. Changes in economic circumstances or the Group's strategy might result in material impairment of assets in the future.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and Cash Equivalents

	2021.12.31	2020.12.31
Cash on hand	$ 272	$ 80
Check deposits	2,401	4,027
Demand deposits	239,654	45,369
	$ 242,327	**$ 49,476**

(a) The Group selects financial institutions with good credit, and also trades with a number of financial institutions to diversify credit risk. As a result, the probability of default is expected to be low.

(b) Cash and cash equivalents is not pledged to others.

(2) Financial Assets at Fair Value through Profit or Loss – current

	2021.12.31	2020.12.31
Mandatorily measured at FVTPL		
Overseas corporate bond	$ -	$ 5,287
Valuation adjustments-oversea corporate bond	-	464
	$ -	**$ 5,751**

(a) For the years ended December 31, 2021 and 2020, the net income on financial assets at FVTPL were $77 and $354, respectively.

(b) The financial assets at FVTPL were not pledged.

(c) Please refer to Note 12 for information on the related credit risk management and valuation method.

(3) Notes Receivable, Net

	2021.12.31	2020.12.31
Notes receivable	$ 15	$ 2,785
Less: Loss allowance	-	-
Notes receivable, Net	**$ 15**	**$ 2,785**

(a)The notes receivable were not pledged.

(b)For information on loss allowance of notes receivable, please refer to Note 6 (4).

(4) Accounts Receivable, Net

	2021.12.31	2020.12.31
Amortized at cost		
Gross carrying amount	$ 8,073	$ 7,767
Less: Loss allowance	(1)	(859)
Accounts receivable, net	**$ 8,072**	**$ 6,908**

(a) The average credit period of sales of goods ranges from 30 to 60 days, which is determined by reference to the credit granting policy based on the counterparties industrial characteristics, operation scales and profitability.

(b) The Group has no accounts receivable pledged to others.

(c) The Group using the simplified approach to recognize the loss allowance at an amount equal to lifetime expected credit losses (i.e. ECLs) for notes and accounts receivable. The expected credit losses are calculated based on loss rates estimated by reference to past default experience and the current financial position of the debtor, adjusted for current and forecast economic conditions of the industry in which the debtors operate as well as for external credit rating.

As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the following provision matrix for loss allowance based on past due status is not further distinguished according to the Group's different customer base. The loss allowances of notes receivable and accounts receivable were detailed below:

	2021.12.31			
	Weighted-average loss rate	**Carrying amount**	**Loss allowance (Lifetime ECL)**	**Amortized cost**
Current	0%	$ 7,025	$ -	$ 7,025
Past due 1 to 120 days	0%	1,010	-	1,010
Past due 121 to 300 days	20%	5	(1)	4
Past due over 301 days	0%	48	-	48
		$ 8,088	**$ (1)**	**$ 8,087**

	2020.12.31			
	Weighted-average loss rate	**Carrying amount**	**Loss allowance (Lifetime ECL)**	**Amortized cost**
Current	0%	$ 4,546	$ -	$ 4,546
Past due 1 to 120 days	6%	3,809	(220)	3,589
Past due 121 to 300 days	29%	2,197	(639)	1,558
Past due over 301 days	0%	-	-	-
		$ 10,552	**$ (859)**	**$ 9,693**

(d) The movements of the loss allowance for accounts receivable were as follows:

	2021	2020
Balance at beginning of the year	$ 859	$ 114
Provisions (reversal)	(858)	745
Balance at end of the year	**$ 1**	**$ 859**

The Group did not hold any collaterals or other credit enhancements for these accounts receivable.

(e) Please refer to Note 12 for information on related credit risk management and valuation method.

(5) Inventories and Cost of Goods Cold

	2021.12.31	2020.12.31
Finished goods	$ 11	$ 4,500
Work in process	2,757	3,921
Raw materials	5,401	3,528
	$ 8,169	$ 11,949

(a)The cost of inventories recognized in profit or loss were as follows:

	2021	2020
Cost of goods sold	$ 52,352	$ 47,174
Gain on valuation of inventories	(4,157)	(335)
Loss on inventory scrapped	6,707	5,530
Others	(56)	-
	$ 54,846	$ 52,369

(i) The net of reversals for inventories increased to net realizable value, which were also included in cost of sales, amounted to $4,157 and $335 for the years ended December 31, 2021 and 2020, respectively

(ii) As of December 31, 2021 and 2020, none of the inventories were pledged.

(6) Property, Plant and Equipment

	2021.12.31	2020.12.31
Land	$ 35,011	$ 20,223
Buildings	7,543	10,159
Machinery and equipment	34,372	35,601
Office equipment	4,361	4,274
Other equipment	4,738	4,774
Construction in process and equipment under installation	-	1,092
Total cost	86,025	76,123
Less: Accumulated depreciation	(41,787)	(45,316)
	$ 44,238	$ 30,807

cost	Land	Buildings	Machinery and equipment	Office equipment	Other equipment	Construction in process and equipment under installation	Total
Balance at January 1, 2021	$ 20,223	$ 10,159	$ 35,601	$ 4,274	$ 4,774	$ 1,092	$ 76,123
Additions	35,011	6,815	29	116	-	-	41,971
Disposals	(20,223)	(10,523)	(1.039)	-	-	-	(31,785)
Reclassification	-	1,092	-	-	-	(1.092)	-
Effect of exchange rate Changes	-	-	(219)	(29)	(36)	-	(284)
Balance at December 31, 2021	$ 35,011	$ 7,543	$ 34,372	$ 4,361	$ 4,738	$ -	$ 86,025
Accumulated depreciation							
Balance at January 1, 2021	$ -	$ 4,457	$ 32,055	$ 4,118	$ 4,686	$ -	$ 45,316
Depreciation expense	-	412	906	67	-	-	1,385
Disposals	-	(4,081)	(577)	-	-	-	(4,658)
Effect of exchange rate Changes	-	-	(192)	(28)	(36)	-	(256)
Balance at December 31, 2021	$ -	$ 788	$ 32,192	$ 4,157	$ 4,650	$ -	$ 41,787

cost	Land	Buildings	Machinery and equipment	Office equipment	Other equipment	Construction in process and equipment under installation	Total
Balance at January 1, 2020	$ 43,484	$ 20,666	$ 35,065	$ 4,060	$ 4,696	$ 114	$ 108,085
Additions	-	-	58	154	-	1,092	1,304
Reclassification	(23,261)	(10,507)	-	-	-	(114)	(33,882)
Effect of exchange rate changes	-	-	478	60	78	-	616
Balance at December 31, 2020	$ 20,223	$ 10,159	$ 35,601	$ 4,274	$ 4,774	$ 1,092	$ 76,123
Accumulated depreciation							
Balance at January 1, 2020	$ -	$ 8,412	$ 29,522	$ 4,015	$ 4,587	$ -	$ 46,536
Depreciation expense	-	350	2,105	43	21	-	2,519
Reclassification	-	(4,305)	-	-	-	-	(4,305)
Effect of exchange rate changes	-	-	428	60	78	-	566
Balance at December 31, 2020	$ -	$ 4,457	$ 32,055	$ 4,118	$ 4,686	$ -	$ 45,316

(a)Certain property, plant and equipment were pledged as collateral, please refer to Note 8.

(b)In order to maximize the efficiency of asset utilization, the Group leases out idle office space, therefore the related property is reclassified as investment property.

(c)To generate more cash flow for the business, the Group sold its ownership of the 9th floor building with parking lots located on Dongxing Road of Taipei City to its related party following the Board Meeting Resolution confirmed on 19 August 2021. The transaction detail is included in note 6(8) and note7.

(7) Lease Agreement

(a) Right-of-use assets

	Cost	Accumulated Depreciation	Carrying Amount
Balance at January 1, 2021	$ 6,029	$ (3,014)	$ 3,015
Additions	4,559	-	4,559
Depreciation	-	(2,990)	(2,990)
Effect of foreign exchange rate	(45)	20	(25)
Balance at December 31, 2021	**$ 10,543**	**$ (5,984)**	**$ 4,559**
Balance at January 1, 2020	$ -	$ -	$ -
Additions	6,883	-	6,883
Depreciation	-	(3,195)	(3,195)
Disposals	(986)	247	(739)
Effect of foreign exchange rate	132	(66)	66
Balance at December 31, 2020	**$ 6,029**	**$ (3,014)**	**$ 3,015**

The Group had no significant sublease and impairment for the right-of-use assets for the years ended 31 December 31, 2021 and 2020.

(b) Lease liabilities

	2021.12.31	2020.12.31
Carrying Amount		
Current	$ 2,236	$ 3,219
Non-current	2,323	-
	$ 4,559	**$ 3,219**
The range of discount rate for the lease liabilities	**3.80%**	**4.35%**

Please refer to Note 12(2) for information about the maturity of lease liabilities.

(c) Important leasing activities and terms

The Group leases the factories in China under operating leases, the lease period is 2 years, with a lease extension right that expires under the same lease terms, and rental payments are periodically increased to reflect the market rentals. As of December 31, 2021, there was no indication that the right-of-use assets were impaired, therefore the Group did not perform impairment test.

(8) Investment property

cost	Land		Buildings		Total	
Balance at January 1, 2021	$	42,941	$	20,787	$	63,728
Disposals		(42,941)		(20,787)		(63,728)
Balance at December 31, 2021	$	-	$	-	$	-
Accumulated depreciation and impairment						
Balance at January 1, 2021	$	-	$	8,000	$	8,000
Depreciation		-		323		323
Disposals		-		(8,323)		(8,323)
Balance at December 31, 2021	$	-	$	-	$	-

cost	Land		Buildings		Total	
Balance at January 1, 2020	$	19,680	$	10,280	$	29,960
Reclassification		23,261		10,507		33,768
Balance at December 31, 2020	$	**42,941**	$	**20,787**	$	**63,728**
Accumulated depreciation and impairment						
Balance at January 1, 2020	$	-	$	3,332	$	3,332
Depreciation		-		363		363
Reclassification		-		4,305		4,305
Balance at December 31, 2020	$	-	$	**8,000**	$	**8,000**

(a) Rental income and direct operating expenses arising from investment property are listed below:

	2021		2020	
Rental income from investment properties	**$**	**2,952**	**$**	**1,602**
Direct operating expenses arising from the investment property that generated rental income during the period	**$**	**453**	**$**	**250**
Direct operating expenses arising from the investment property that did not generate rental income during the period	**$**	**-**	**$**	**309**

(b) The Group's lease period of investment property is 3 years. The lessee exercises the right to renew the lease based on the adjustment of market rent terms. The lessee does not have the priority purchase option when the lease period ends.

(c) The Group sold its ownership of the 9th floor building with parking lots located on Dongxing Road of Taipei City to its related party following the Board Meeting Resolution confirmed on 19 August 2021. Please refer to Note 6(6) and note 7 for the transaction details.

(d) The rental income of investment property to be collected in the future is as follows:

	2020.12.31
First year	$ 3,943
Second year	3,943
Third year	3,717
Total	$ 11,603

(e) The aforementioned investment property were not pledged to others.

(9) Intangible Assets

Cost	Computer software
Balance at December 31, 2021(Same as balance at January 1, 2021)	$ 771
Accumulated amortization	
Balance at January 1, 2021	$ 628
Amortization	143
Balance at December 31, 2021	$ 771
Carrying amounts	$ -

Cost	Computer software
Balance at December 31, 2020(Same as balance at January 1, 2020)	$ 771
Accumulated amortization	
Balance at January 1, 2020	$ 388
Amortization	240
Balance at December 31, 2020	$ 628
Carrying amounts	$ 143

(10) Employee Benefits

(a) Defined contribution plans

Commencing July 1, 2005, pursuant to the ROC Labor Pension Act (“Act”), employees who elected to participate in Act or joined the Company after July 1, 2005, are subject to a defined contribution plan under the Act. Under the defined contribution plan, the Company contributes monthly at a rate of no less than six percent of the employees’ monthly salaries and wage to the employees’ individual pension fund account at the ROC Bureau of Labor Insurance.

For the years ended December 31, 2021 and 2020, the Company recognized pension expenses of $491 and $560, respectively, in relation to the defined contribution plans.

The pension for employees of foreign subsidiaries shall be contributed on the basis of the defined contribution plan, which is the retirement scheme prescribed by the local government and according to the salaries and wages of local employees. These companies have no further obligations other than annual contributions. According to the local laws, the pension expenses contributed by foreign subsidiaries for the years ended December 31, 2021 and 2020 were $615 and $126, respectively.

(b) Defined benefit plans

The Company has a defined benefit pension plan in accordance with the Labor Standards Act of the R.O.C. Pension benefits are based on the length of service and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes to the retirement fund deposited in Bank of Taiwan under the name of the independent retirement fund committee based on actuarial valuation. The Company would assess the balance in the aforementioned labor pension reserve accounted by the end of each year. If the account balance is not enough to pay the retirement benefit of the employees expected to be qualified for retirement in the following year, the Company is required to fund for the deficit by the end of next March. The special account has been commissioned to the Bureau of Labor Funds of the Ministry of Labor for management. The Company contained in the financial statements exercises no influence on the right of the bureau in its investment management strategy. The company settled the seniority of employees under the Labor Standards Act in December 2020, which reduced the Company's defined benefit obligations, and recognized the relative reduction benefits in the consolidated statement of comprehensive income (accounted for reduction of pension expenses.)

(i) Movements of net defined benefit liabilities were as follows:

	2020		
	Present value of defined benefit obligations	**Fair value of plan asset**	**Net defined benefit liability**
Balance at January 1, 2020	$ 4,574	$ (5,010)	$ (436)
Service cost:			
Interest expense (revenue)	5	(323)	(318)
Settlement benefit	(1,206)	689	(517)
Amounts recognized in profit or loss	(1,201)	366	(835)
Amounts recognized in other comprehensive income	-	-	-
Contribution by the Company	-	(6)	(6)
Benefits paid from plan assets	(3,373)	3,373	-
Balance at December 31, 2020	**$ -**	**$ (1,277)**	**$ (1,277)**

The Company settled the seniority of employees under the labor Standards Act in December 2020. After the settlement, the balance of the labor pension reserve account in Taiwan Bank is $1,277 and account for other receivables, which is not yet to be refunded to the Company

(ii) The defined benefit plans pension cost recognized in profit or loss in 2021 and 2020 were $0 and $(835), respectively.

(11) Long-term Borrowings

	2021.12.31	2020.12.31
Secured loans	$ 27,983	$ -
Credit loans	3,997	-
	31,980	-
Less: Current portion	(1,640)	-
	$ 30,340	$ -
Interest rate range	1.10%	-

Please refer to Note 8 for assets pledged as collateral to secure the aforementioned long-term borrowings.

(12) Capital Stock

The Company's authorized common stock consisted of 38,000 thousand shares, with per value of $10 per share, both amounted to $380,000 as of December 31, 2021 and 2020.

As of December 31, 2021 and 2020, the Company's issued common stock consisted of 20,000 thousand shares and 29,025 thousand share, with per value of $10 per share, amounted to $200,000 and $290,252, respectively.

Movement in the number of the Company's ordinary shares (in thousand) outstanding are as follows:

	2021	2020
Balance at January 1	$ 29,025	$ 29,025
Capital reduction to offset accumulated deficits	(9,025)	-
Balance at December 31	$ 20,000	$ 29,025

To improve the financial position, the Company's shareholders held a meeting on July 20, 2021, and resolved to eliminate loss by reducing capital by $90,252, eliminating 9,025 thousand shares. The ratio of capital reduced was 31.09%. The board of directors resolved to set October 12, 2021 as the base date for capital reduction with the authorization of the shareholders in their meeting. The related registration process has been completed on October 25, 2021.

(13) Capital Surplus

	2021.12.31	2020.12.31
Gain on disposal of assets	$ 1,360	$ 1,360
Donated surplus	500	500
Others	16,340	16,340
	$ 18,200	**$ 18,200**

Under the Company Act, the capital surplus generated from excess of the issuance price over the par value of capital stock and donations may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as stock dividends or cash dividends. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus to be capitalized mentioned above should not exceed a certain percentage of the Company paid in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient. The capital surplus from investment accounted for using equity method may not be used for any purpose.

As of December 31, 2020, the Company obtained $16,340 due to exercise the right of claim for disgorgement under the Securities Exchange Law.

(14) Retain earnings and dividend policy

(a) According to the dividend policy of the Company's Article of Incorporation, when allocating the net profits in each fiscal year, the Company shall be first utilized for paying taxes, offsetting losses of previous years, and then setting aside the 1) legal capital reserve at 10% of the profits left over 2) special capital reverse in accordance with relevant laws or regulations or as requested by the authorities in charge; and 3) balance left over shall be allocated according to the resolution of the board of directors and the shareholders' meeting.

(b) Dividend policy

The dividend policy is based on the Company's Article of Incorporation, and considering the capital planning, and sustainable operation of the Company. The procedure of paying dividends is listed below:

(i) Process：According to the Company Act, at the end of each fiscal year, the Board of Directors should considers the Company's profitability, future operational needs, and reports the earning distribution proposal to the stockholders' meeting for approval.

(ii) Distribution: 1) stock dividend; 2) capital surplus to be capitalized; and 3) cash dividend.

(iii) Policy: Cash dividends are limited to over 20% of total dividends distributed.

(c) Legal capital reserve

The appropriation for legal capital reserve shall be made until the reserve equals the Company's paid-in capital. The reserve may be used to offset deficit, or be distributed as dividends in cash or stocks for the portion in excess of 25% of the paid-in capital if the Company incurs no loss.

(d) Special capital reserve

(i) Pursuant to existing regulation, the Company is required to set aside additional special capital reverse equivalent to the debit balance of the other components of stockholders' equity. For the subsequent decrease in the deduction amount to stockholders' equity, and special reverse appropriated may be reversed to the extent that the net debit balance reverses.

(ii) In accordance with Ruling No.1010012865 issued by the FSC on April6, 2012, a special reserve equal to the total amount of items that were accounted for as deductions from shareholders' equity was set aside from current and prior-year earnings. This special reserve shall revert to the retained earnings and be made available for distribution when the items that are accounted for as deduction from shareholders' equity are reversed in subsequent periods.

(e) The deficit compensation proposal for 2020 and 2019 were approved by the shareholders in its meetings on July 20, 2021 and June 10, 2020, respectively. The aforementioned deficit compensation proposal for 2020 and 2019 was consistent with the resolutions of the Board of Directors' meeting. The appropriation of earnings for 2021 will be reported to the shareholders' meeting in June 17, 2022 which has been resolved by the Board of Directors on March 25, 2022.

(f) Information about the resolution of the Board of Directors' and shareholders' meetings regarding the appropriation of earnings is available at the Market Observation Post System website of the TWSE.

(15) Others Equity

	Exchange difference on translation on foreign operation
Balance at January 1, 2021	$ (13,586)
Exchange difference arising on translation of foreign operations	(354)
Income tax effect	5
Balance at December 31, 2021	**$ (13,935)**
Balance at January 1, 2020	$ (13,945)
Exchange difference arising on translation of foreign operations	366
Income tax effect	(7)
Balance at December 31, 2020	**$ (13,586)**

(16) Net Revenue

	2021	**2020**
Sale revenue	$ 59,648	$ 60,265
Less: sales returns and allowances	(1,234)	(2,648)
	$ 58,414	**$ 57,617**

(a) Revenue is recognized at the time of the transfer of goods. Please refer to Note 14 for more detail information about revenues from contracts with customers.

(b) Contract liabilities - current:

	2021.12.31	2020.12.31
Sales and service revenue	$ 7,908	$ 689

As of December 31, 2021, the Group has recognized $450 thousand revenues from the beginning balance of current contract liabilities.

(17) Interest Income

	2021	2020
Bank deposit	$ 45	$ 83
Oversea corporate bond	124	903
	$ 169	$ 986

(18) Other Income

	2021	2020
Rental	$ 2,952	$ 1,602
Government subsidy	311	2,725
Others	2,264	602
	$ 5,527	$ 4,929

(19) Other Gains and Losses

	2021	2020
Loss on disposal of financial assets	$ -	$ (589)
Net gains on financial assets and liabilities at FVTPL	77	354
Net foreign exchange gain loss	(837)	(483)
Gain on disposal of property, plant and equipment (including investment property)	120,456	-
Others	(192)	(503)
	$ 119,504	$ (1,221)

(20) Employee Benefits, Depreciation and Amortization

	2021		
	Recognized in cost of revenue	Recognized in operating expenses	Total
Employee benefits			
Salaries and wages	$ 6,373	$ 16,831	$ 23,204
Labor and health insurance	83	1,056	1,139
Pension	439	667	1,106
Other employee benefits	488	649	1,137
Depreciation	2,545	2,153	4,698
Amortization	-	143	143
	$ 9,928	**$ 21,499**	**$ 31,427**

	2020		
	Recognized in cost of revenue	Recognized in operating expenses	Total
Employee benefits			
Salaries and wages	$ 6,352	$ 16,599	$ 22,951
Labor and health insurance	33	1,016	1,049
Pension	88	(237)	(149)
Other employee benefits	249	2,485	2,734
Depreciation	3,548	2,529	6,077
Amortization	-	240	240
	$ 10,270	**$ 22,632**	**$ 32,902**

(a) Phonic shall allocate not lower than 2% and not higher than 1% of annual profits to employees' compensation and directors' and supervisors' remuneration, respectively.

(b) For the year ended December 31, 2021, the Company estimated the remuneration to employees and directors amounting to $616 and $308, respectively. The Company did not accrue remuneration to employees and directors due to the loss on operation for the year ended 31, 2020.

(c) Information on employees' compensation and directors' and supervisors' remuneration for the year 2021 and 2020 of the Company resolved by the meeting of shareholders is available at Market Observation Post System website of the TWSE.

(21) Income Tax

(a) Income tax expense (benefit)

(i) The components of income tax expense (benefit):

	2021	2020
Current income tax		
In respect of the current period	$ -	$ -
Land value increment tax	3,662	-
	3,662	-
Deferred income tax		
The origination and reversal of temporary differences	1,516	(3)
Income tax expense (benefit)	$ 5,178	$ (3)

(ii) Income tax expense (benefit) recognized directly in other comprehensive income for the years ended December 31, 2021 and 2020 were follows:

	2021	2020
Exchange difference arising on translation of foreign operations	$ (5)	$ 7
Remeasurement of defined benefit obligation	-	(1,324)
	$ (5)	$ (1,317)

(b) Reconciliation of the expected income tax expense (benefit) calculated based on the ROC Statutory income tax rate compared with the actual income tax expense as reported in the statement of comprehensive income for the years ended December 31, 2021 and 2020, was as follows:

	2021	2020
Profit (loss) before income tax	$ 99,280	$ (23,281)
Income tax expense (benefit) at the statutory rate	19,856	(4,656)
Effects of reconciliation items:		
Non-taxable income	(22,836)	-
Effects from items disallowed by tax regulation	3,152	1,007
Land value increment tax	3,662	-
Adjustment to prior year	(98)	-
Change in unrecognized temporary difference and tax losses	1,442	3,646
Income tax expense (benefit)	$ 5,178	$ (3)

(c) The components of and change in deferred tax and liabilities were as follows:

	2021			
	Balance at January 1	**Recognized in profit or loss**	**Recognized in other comprehensive income**	**Balance at December 31**
Deferred income tax assets				
Exchange differences arising on translation of foreign operations	$ 3,479	$ -	$ 5	$ 3,484
Temporary differences				
Unrealized exchange loss	78	(78)	-	-
Total deferred income tax assets	3,557	(78)	5	3,484
Deferred income tax liabilities				
Temporary differences				
Unrealized exchange gain	-	(1,438)	-	(1,438)
Total deferred income tax liabilities	-	(1,438)	-	(1,438)
	$ 3,557	$ (1,516)	$ 5	$ 2,046

	2020			
	Balance at January 1	**Recognized in profit or loss**	**Recognized in other comprehensive income**	**Balance at December 31**
Deferred income tax assets				
Exchange differences arising on translation of foreign operations	$ 3,486	$ -	$ (7)	$ 3,479
Temporary differences				
Unrealized exchange loss	75	3	-	78
Net defined benefit liability	(1,324)	-	1,324	-
Total deferred income tax assets	$ 2,237	$ 3	$ 1,317	$ 3,557

(d) Unrecognized deferred tax assets:

	2021.12.31	**2020.12.31**
Unused loss carryforwards	$ 15,302	$ 15,302
Deductible temporary differences	2,009	3,367
	$ 17,311	$ 18,669

(e) As of December 31, 2021 and 2020, the aggregate taxable temporary differences associated with investments in subsidiaries not recognized as deferred tax liabilities amounted to $2,340 and $5,140, respectively.

(f) Information of unused loss carryforwards

As of December 31, 2021, the expiration period for abovementioned unrecognized deferred tax assets of unused loss carryforwards were as follows:

Expiration in year	Unused loss carryforwards	Unused tax credit
2022	$ 10,613	$ 2,123
2023	7,935	1,587
2024	143	29
2025	14,465	2,893
2026	13,365	2,673
2027	12,577	2,515
2028	4,377	875
2030	13,034	2,607
	$ 76,509	**$ 15,302**

(g) The Company's income tax returns through 2019 have been examined by the Tax Authority.

(22) Other Comprehensive Income (Loss)

	2021		
	Before tax	**Income tax effect**	**After tax**
Items that will be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations	**$ (354)**	**$ 5**	**$ (349)**

	2020		
	Before tax	**Income tax effect**	**After tax**
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit obligation	$ -	$ 1,324	$ 1,324
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations	366	(7)	359
	$ 366	**$ 1,317**	**$ 1,683**

(23) Loss Per Share

	2021	2020
Basic / Diluted Earnings (loss) per share:		
Earnings (loss) for the period attributable to owners of the Company	$ 94,102	$ (23,278)
Weighted average number of shares outstanding (in thousands)	20,000	20,000
Basic / Diluted Earnings (loss) per share (Unit: NT$ Per Share)	$ 4.71	$ (1.16)

In the calculation of loss per share, the number of outstanding shares has been adjusted retrospectively for the impact of the capital reduction to offset deficit. As a result of retrospectively adjustment, the loss per share for 2020 before and after adjustment were $(0.80) and $(1.16), respectively.

7. TRANSACTIONS WITH RELATED PARTIES

(1) Name of the parent company and the ultimate controlling party

The Company's parent company is Kangjian Investment Co., Ltd., which holds 58.18% of ordinary shares of the Company; The Company's ultimate controlling party is Taiwan Powder Technologies Co., Ltd., which directly and indirectly holds 63.70% of ordinary shares of the Company.

(2) Name and relationship of related parties

Name of related party	Relationship with the Company
Apartners Investment Corporation	Associate

(3) Significant transaction with related parties

(a) Intercompany balances and transactions between the Company and its subsidiaries, which are related parties of the Group, have been eliminated upon consolidation; therefore those items are not disclosed.

(b) The Group signed a contract with Apartners Investment Corporation to sell its property located at No. 59 & No. 61 Dongxing Road. The transaction price $204,216 is determined based on the appraisal value recommended by a qualified real estate valuator.

(4) Compensation of key management personnel

The compensation to directors and other key management personnel for the years ended December 31, 2021 and 2020 were as follows:

	2021	2020
Salaries and other short-term employee benefits	$ 1,461	$ 2,347

8. ASSETS PLEDGED AS COLLATERAL

Pledged assets	Pledged to secure	2021.12.31	2020.12.31
Land and buildings	Long-term borrowings	$ 41,633	$ -

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

None.

10. SIGNIFICANT LOSSES FROM DISASTERS

None.

11. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

None.

12. OTHER INFORMATION

(1) Capital risk management

The Group requires an adequate capital structure to enable enhancement of its plant and equipment, and normal operation. Therefore, the Group manages its capital to ensure that it has sufficient and necessary financial resources to fund its working capital needs, capital asset purchases, research and development activities, debt service requirements and dividend payments associated with its existing operations over the next 12 months.

(2) Financial Instruments

(a) Financial Risk of financial instrument.

Financial risk management objectives and policies

The Group's risk management objectives are to manage the market risk (including foreign currency risk, interest risk and price risk), credit risk and liquidity risk related to its operating activities. The Group identifies measures and manages the aforementioned risks and mitigates the disadvantage impact on financial performance. The material treasury activities are reviewed by Audit Committees and/or Board of Directors in accordance with procedures required by relevant regulations or internal controls. During the implementation of such plans, Corporate Treasury function must comply with certain treasury procedures that provide guiding principles for overall financial risk management and segregation of duties.

Nature and extent of significant financial risks

(i) Market risk

A. Foreign currency risk

i.The Group is exposed to the foreign currency risk due to the transaction of sales, purchase and cash denominated in foreign currency other than the Group's functional currency. These non-functional currencies are USD and RMB.

ii.Foreign currency exposure and sensitivity analysis

2021.12.31

				Sensitivity analysis		
	Foreign Currencies (In Thousands)	**Exchange Rate**	**Carrying Amount (In Thousands)**	**Extent of variation**	**Impact on Profit or loss**	**Impact on Equity**
Financial assets						
Monetary items						
USD:NTD	$ 902	27.68	$ 24,973	1%	$ 250	$ -
RMB: NTD	49	4.344	213	1%	2	-
Financial liabilities						
Monetary items						
RMB: NTD	$ (3)	4.344	$ (13)	1%	$ -	$ -

2020.12.31

				Sensitivity analysis		
	Foreign Currencies (In Thousands)	**Exchange Rate**	**Carrying Amount (In Thousands)**	**Extent of variation**	**Impact on Profit or loss**	**Impact on Equity**
Financial assets						
Monetary items						
USD:NTD	$ 981	28.480	$ 27,934	1%	$ 279	$ -
RMB: NTD	635	4.377	2,782	1%	28	-
Financial liabilities						
Monetary items						
RMB: NTD	$ (2,956)	4.377	$ (12,938)	1%	$ (129)	$ -

If New Taiwan dollar strengthened against the relevant currency and all other variables were held constant, there would be an equal and opposite impact on profit or loss and other equity as of December 31, 2021 and 2020.

iii.Since there were varieties of foreign currencies within the Group, the Group disclosed the summarized foreign exchange gain (loss) information of monetary items. The realized and unrealized foreign exchange loss were $837 and $483 for the years ended December 31, 2021 and 2020, respectively.

iv.The Group believes the unrealized exchange gain (loss) of fluctuation risk on foreign currency monetary item is insignificant.

B. Interest rate risk

The Group is exposed to interest rate risk arising from fixed interest rate instruments. The Group classifies fixed interest rate instruments as financial assets measured at FVTPL and financial assets at amortized cost. The fixed interest rate instruments of financial assets at amortized cost is measured at amortized cost, it will not change the fair value by the change in interest rate. The fixed interest rate instruments of financial assets measured at FVTPL will change by the change in interest rate.

According to the Group’s sensitivity analysis, assuming a hypothetical increase/decrease 1% in interest rates, the net profit for the years ended December 31, 2021 and 2020 would increase by $2,077 and $511, respectively.

(ii) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial losses to the Group. The Group is exposed to credit risk from operating activities, primarily from account receivables, and from investing activities, primarily from bank deposits, fixed-income investments and other financial instruments. The Group managed the credit risk separately for business related and financial related risk.

A. Business related credit risk：

To maintain the quality of account receivable, the Group has established related credit risk management procedure. The risk assessment of individual customer includes evaluating financial position, credit institution report, internal evaluation, historical trading records and economic circumstance which could affect the payment ability of the customer. The Group may choose to strengthen overall risk management including collection in advance or credit insurance to mitigate the credit risk of certain customers.

B. Financial credit risk：

The financial department of the Group regularly monitors and reviews the credit risk of bank deposit and other financial instruments. The Group mitigates its exposure by selecting counterparties (Banks, financial institution, company organization and government authorities) with well credit and investment-grade credit ratings. The credit risk is insignificant.

i.Concentration of credit risk

As of December 31, 2021 and 2020, accounts receivable from the top 10 customers represent 84% and 92% of total accounts receivables of the Group, respectively. To reduce the credit risk of accounts receivable, the Group should continue evaluate customers’ financial position, and ask customers for offering guarantees if necessary.

ii.Expected credit loss measurement

Notes and Accounts receivable：Simplified approach, please refer to Note 6 (3) and 6 (4).

Judgment on whether credit risk increasing significantly：None.

iii. Collaterals held by the Group as security and other credit enhancements to mitigate the credit risk associated with financial assets:

The Group doesn't hold collaterals, offset agreement and other credit enhancements to hedge the credit risk of its financial assets. The maximum credit risk exposure of the aforementioned financial instrument is equal to their carrying amounts recognized in balance sheet.

(iii) Liquidity risk

A. Liquidity risk management

The Group's objective of managing liquidity risk is to maintain sufficient cash and cash equivalents required for operations, high liquidity securities, and bank financing lines for operations, and to ensure that the Group has sufficient financial flexibility.

B. Maturity analysis of financial liabilities

	2021.12.31					
Non-derivative financial liabilities	**Less than 6 Months**	**6－12 Months**	**1－5 Years**	**Over 5 Years**	**Contractual Cash flows**	**Carrying Amount**
Notes payable	$ 94	$ -	$ -	$ -	$ 94	$ 94
Accounts payable (including related parties)	11,994	-	-	-	11,994	11,994
Other payables	6,476	-	-	-	6,476	6,476
Long-term borrowings (including current portion)	994	980	7,736	25,686	35,405	31,980
Lease liabilities	1,182	1,182	2,363	-	4,727	4,559
	$ 20,740	$ 2,171	$ 10,009	$ 25,686	$ 58,696	$ 55,103

	2020.12.31					
Non-derivative financial liabilities	**Less than 6 Months**	**6－12 Months**	**1－5 Years**	**Over 5 Years**	**Contractual Cash flows**	**Carrying Amount**
Note payable	$ 60	$ -	$ -	$ -	$ 60	$ 60
Accounts payable (including related parties)	10,222	-	-	-	10,222	10,222
Other payables	4,627	-	-	-	4,627	4,627
Lease liabilities	1,642	1,642	-	-	3,284	3,219
	$ 16,551	$ 1,642	$ -	$ -	$ 18,193	$ 18,128

The Group doesn't expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(b) Categories of financial instruments

		2021.12.31		2020.12.31
Financial assets				
Financial assets measured at amortized cost				
Cash and cash equivalents	$	242,327	$	49,476
Notes and accounts receivable		8,087		9,693
Other receivables		1,767		2,035
Refundable deposits		419		600
Financial assets at fair value through profit or loss – current		-		5,751
Financial liabilities				
Financial liabilities measured at amortized cost				
Notes and accounts payable	$	12,088	$	10,282
Other payable		6,476		4,627
Guarantee deposits received		-		690

(3) Fair value information

(a) For the fair value of financial instruments that are not measured at fair value, please refer to the Note 12 (3) B.

Level 1

Fair value measurements of the Level 1 are those derived from quoted prices in active markets for identical financial instruments. An active market is a market in which transactions for identical instrument take place with sufficient frequency and volume to provide public pricing information on an ongoing basis. The Foreign publicly trade debt instruments and the domestic beneficiary certificates invested by the Group were classified as this hierarchy.

Level 2

Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that observable for the instrument, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3

Fair value measurements are those derived from valuation techniques that include inputs for instrument that are not based on observable market data.

(b) Financial instruments that are not measured at fair value

The Group considers the caring amounts of financial instruments that are not measured at fair value, such as cash and cash equivalents, notes and accounts receivables, other receivable, refundable deposits, notes and accounts payable, other payable, approximate their fair values.

(c) Fair value hierarchy information

The Group's financial instruments measured at fair value were under a recurring basis. The following table presents the Group's financial instruments measured at fair value on a recurring basis:

	2020.12.31			
Item	**Level 1**	**Level 2**	**Level 3**	**Total**
Asset：				
Fair value on a recurring basis				
Financial assets measured at FVTPL				
Foreign publicly traded debt instruments	$ -	$ 5,751	$ -	$ 5,751

(d) Valuation techniques and assumptions used in fair value measurement

(i) If there is an active market for the financial instruments, the fair value of the financial instruments is measured by using the quoted market prices. The quoted market prices announced by the main market place and the prices of government bonds classified as popular securities announced by Taipei Exchange (TPEx) are deemed as fair value foundation of publicly traded equity instruments and debt instruments with an active market.

If there are timely and frequent quoted prices from the exchange market, the broker, the dealer, industry association, price service organization, or the administrative, and the prices represent actual, frequent, and fair trades, the financial instruments are deemed as with an active market. Otherwise, the market is deemed as not active. In general, huge price gap, price gap apparently expanding, and small trading volume were indicators of a not active market.

The financial instruments held by the Group with active market quoted prices as their fair value are listed below by characteristics:

A. Publicly traded debt instruments of quoted market price: Closing price

(ii) The Group considered the credit risk evaluation adjustment for financial instruments and non-financial instruments to reflect the credit risk of the counterparty and the credit quality of the Group.

(iii) There were no transfers between different fair value hierarchy for the years ended December 31, 2021 and 2020, respectively.

13. SEPARATELY DISCLOSED ITEMS

(1) Information about significant transactions:

(a) Financing provided to others: None

(b) Endorsements/guarantees provided: None

(c) Marketable securities held (excluding investment in subsidiaries, associates and joint ventures): None

(d) Marketable securities acquired and disposed at costs or prices at least $300 million or 20% of the paid-in capital: None

(e) Acquisition of individual real estate at costs of at least $300 million or 20% of the paid-in capital: None

(f) Disposal of individual real estate at prices of at least $300 million or 20% of the paid-in capital: Please see Table 1 attached

(g) Total purchases from or sales to related parties amounting to at least $100 million or 20% of the paid-in capital: None

(h) Receivables from related parties amounting to at least $100 million or 20% of the paid-in capital: Please see Table 2 attached

(i) Trading in derivative instruments: None

(j) The business relationship between the parent and the subsidiaries and significant transactions between them: Please see Table 3 attached.

(2) Related Information of investees: Please see Table 4 attached.

(3) Information on investments in Mainland China: Please see Table 5 attached.

(4) Information of major shareholder (list of all shareholders with ownership 5% or greater showing the names and the number of shares and percentage of ownership held by each shareholder): Please see Table 6 attached.

14. SEGMENT INFORMATION

(1) Operation segment

For the purpose of management, the chief operating decision-maker separates its operations based on categories of products and services. According to IFRS 8「Operating Segments」, the Group should report the following department:

Trade department: Designing and trading a variety of professional audio products.

Manufacturing department: Primarily engaging in manufacturing professional audio products.

(2) Segment revenue and operation results

The Group's departments' income and operating results were as follows:

	2021			
	Trade department	Manufacturing department	Reconciliation and elimination	Consolidated
Sales from external customers:	$ 52,769	$ 5,645	$ -	$ 58,414
Sales from segments	-	39,408	(39,408)	-
Total revenue	$ 52,769	$ 45,053	$ (39,408)	$ 58,414
Segment loss or profit	$ (10,749)	$ (14,928)	$ -	$ (25,677)
Segment total assets	$ 297,115	$ 108,649	$ (89,180)	$ 316,584

	2020			
	Trade department	Manufacturing department	Reconciliation and elimination	Consolidated
Sales from external customers:	$ 52,450	$ 5,167	$ -	$ 57,617
Sales from segments	-	40,129	(40,129)	-
Total revenue	$ 52,450	$ 45,296	$ (40,129)	$ 57,617
Segment loss or profit	$ (19,584)	$ (8,315)	$ 138	$ (27,761)
Segment total assets	$ 152,648	$ 37,847	$ (12,619)	$ 177,876

(3) Geographic information

Revenue from external customers were as follows:

	2021	2020
America	$ 21,356	$ 15,494
Taiwan	5,381	6,390
China	5,381	5,176
Guatemala	5,058	3,868
Chile	3,980	2,399
India	3,858	2,024
Israel	3,664	2,854
Turkey	604	6,245
Others	9,132	13,167
	$ 58,414	$ 57,617

(4) Major customer information

	2021		2020	
	Amount	Percentage	Amount	Percentage
3OU10	$ 12,076	21%	$ 7,773	13%
1PA29	4,482	8%	6,318	11%
1PA128	604	10%	6,195	11%
	$ 17,162	30%	$ 20,286	35%

Phonic Co., Ltd. and Subsidiaries

Disposal of Individual Real Estate at Price of at Least NT$300 Million or 20% of The Paid-In Capital
December 31, 2021
(Amounts in Thousands of New Taiwan Dollars)

TABLE 1

Seller	Property	Event Date	Original Acquisition Date	Carrying Amount	Transaction Amount	Collection	Gain (Loss) on Disposal	Counterparty	Relationship	Purpose of Disposal	Price Reference	Other Terms
Phonic Co., Ltd.	Land and Bulidings-Dongxing Rd., Xinyi Dist., Taipei City	August 19, 2021	December 30, 1994	$ 82,070	$ 204,216	Completed	$ 120,822	Apartners Investment Corporation	Associate	Increase Operating Capital	Appraised value of the real estate	

Phonic Co., Ltd. and Subsidiaries
Receivables from Related Parties Amounting to at Least $100 Million or 20% of the Paid-in Capital
December 31, 2021
(Amounts in Thousands of New Taiwan Dollars)

TABLE 2

Creditor	Counterparty	Relationship with the counterparty	Ending balance	Turnover rate	Overdue receivables		Amount collected in subsequent of period	Allowance for doubtful accounts
					Amount	Action taken		
Phonic Group, Ltd.	Shenzhen Yiba Electronic Co., Ltd.	The subsidiary of the Company	$ 82,402	—	$ —	—	$ —	$ —

Phonic Co., Ltd. and Subsidiaries
Intercompany Relationship and Significand Intercompany Transactions
For the Year Ended December 31, 2021
(Amounts in Thousands of New Taiwan Dollars)

TABLE 3

Number (Note1)	Company name	Counterparty	Relationship (Note2)	Transaction			
				General ledger account	Amount	Transaction terms	Percent of consolidated net revenues or total assets (Note3)
1	Phonic Group, Ltd.	Phonic Co., Ltd.	2	Accounts receivable	$ 523	Periodical settlement offset the mutual obligation	-
1	Phonic Group, Ltd.	Shenzhen Yiba Elsctronic Co., Ltd	3	Accounts receivable	82,402	Periodical settlement offset the mutual obligation	41%
2	Shenzhen Yiba Elsctronic Co., Ltd	Phonic Co., Ltd.	2	Accounts receivable	6,255	Periodical settlement offset the mutual obligation	3%
2	Shenzhen Yiba Elsctronic Co., Ltd	Phonic Co., Ltd.	2	Sales	39,408	Periodical settlement offset the mutual obligation	20%

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:
(1) Parent company is “0”.
(2) The subsidiaries are coded consecutively beginning from “1”.

Note 2: Relationship between transaction parties is classified into the following three categories:
(1) Parent company to subsidiary.
(2) Subsidiary to parent company.
(3) Subsidiary to subsidiary.

Note 3: The percentage with respect to the consolidated asset/liability for transaction of balance sheet items are based on each item’s balance at period-end. For profit or loss items, cumulative balances are used as basis.

Phonic Co., Ltd. and Subsidiaries
Information of Investees (Excluding Information on Investment in Mainland China)
For the Year Ended December 31, 2021
(Amounts in Thousands of New Taiwan Dollars)

TABLE 4

Investor	Investee	Location	Main business activities	Initial investment amount		Balance as of December 31, 2021			Net Income (Losses) of the Investee	Share of Profits/Losses of Investee	Note
				December 31, 2021	December 31, 2020	Number of Shares	Percentage of Ownership	Carrying Value			
Phonic Co., Ltd.	Phonic Group, Ltd.	BVI	Investment	$ 16,373	$ 16,373	270,912	100%	$ 10,653	$ (13,694)	$ (13,694)	—

Phonic Co., Ltd. and Subsidiaries
Information on Investment in Mainland China
For the Year Ended December 31, 2021
(Amounts in Thousands of New Taiwan Dollars)

TABLE 5

Investee in Mainland China	Main business activities	Total Amount of Paid-in Capital	Investment method	Accumulated Outflow of Investment from Taiwan as of January 1, 2021	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2021	Net Income (Losses) of the Investee Company	Ownership held by the Company (direct or indirect) (%)	Share of Profits/Losses (Note 2)	Carrying Amount as of December 31, 2021	Accumulated Inward Remittance of Earnings as of December 31, 2021
					Outflow	Inflow						
Shenzhen Yiba Electronic Co., Ltd.	Manufacturing and selling of professional audio products	HKD 5,000,000 ($ 19,419)	Note 1	$ 19,419	—	—	$ 19,419	$ (14,024)	100%	$ (14,024)	$ (72,213)	$ —

Accumulated Investment in Mainland China as of December 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
USD 2,785,000 ($ 92,045) (Note 3)	USD 2,955,000 ($ 97,998)	$ 151,219

Note 1: Indirectly investment in Mainland China through Company registered in a third region (Phonic Group, Ltd).

Note 2: Investment income recognized in current period is based on the financial reports audited by CPAs of the Taiwan parent company.

Note3: The total amount of investment transferred from Taiwan to Mainland China at the end of this period approved by the Investment Commission including All Yu Electronics Manufacturing Co., Ltd. (locates in Ningbo Free Trade Zone, and had been liquidated) and Fung Mega International Trading (Shanghai) Co., Ltd. amounted, USD 2,000 thousand (about NT$ 68,104 thousand), and USD 140 thousand (About $ 4,522), respectively.

The significant transactions with mainland invested companies, directly or indirectly through the third area, and their prices, terms of payment, unrealized gains or losses and other relevant data to facilitate understanding of the impact of Consolidated Financial Statements of mainland investment on the financial statements:

(1) Please refer to Table 4 for significant transactions between the Group and the mainland China investee indirectly invested through the third region for the year ended December 31, 2021.

(2) The unrealized (loss) profit incurred by the Group indirectly invested through the third region of the Republic of China for the year ended December 31, 2021 listed below:

Company of Sales	The Counterparty	Relationship with the party	Unrealized loss
Phonic Group, Ltd.	Phonic Co., Ltd	Subsidiary	$ —

PHONIC CO., LTD. and Subsidiaries

Information Of Major Shareholders

December 31, 2021

(Amounts in Thousands of New Taiwan Dollars)

TABLE 6

Shareholders	Shares	
	Total shares owned	**Ownership Percentage**
Kangjian Investment Co., Ltd.	11,636,315	58.18%
WANG , MIN-LIE	1,151,832	5.75%
Taiwan Powder Technologies Co., Ltd.	1,104,555	5.52%

Note 1: The main shareholder information in this table is calculated by Taiwan Depository & Clearing Corporation, using total number of ordinary shares and preferred shares held by the shareholders who have completed the Company’s dematerialized securities registration and delivery (including treasury shares) is more than 5% on the last business day at the end of each quarter. As for the difference between capital stock recorded in the Company's financial report and the number of shares which the Company actually have completed the dematerialized securities registration and delivery, may result from computation basis.

Note 2: In the case of the above information, if the shareholder delivers the shares to the trust, it is disclosed in the individual accounts of the trustee. As for the shareholder’s declaration of insider’s equity holding more than 10% of the shares in accordance with the Securities and Exchange Act, trustor’s shareholding includes their own shareholding plus the shares delivered to the trust and the right to use the trust property, etc. For information on insider’s equity declaration, please refer to Public information Observatory.

Independent Auditors' Report

To the Board of Directors of Phonic Co., Ltd.

Opinion

We have audited the parent company only financial statements of Phonic Co., Ltd. (the "Company"), which comprise the balance sheets as of December 31, 2021 and 2020, and the statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2021 and 2020, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended, in accordance with the Regulation Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the parent company only financial statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. Based on our audits, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for 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 parent company only financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter for the Company's parent company only financial statements for the year ended December 31, 2021 is stated as follows:

Revenue recognition

Description of key audit matter:
Revenue is recognized when the control over a product has been transferred to the customer as specified in each individual contract with customers. The Company recognizes revenue depending on the various sales terms in each individual contract with customers to ensure the performance obligation has been satisfied by transferring control over a product to a customer. Due to the complexity of the products ricks, rewards and ownership transferred, we considered revenue recognition as a key audit matter.

How the matter was addressed in our audit:
In relation to the key audit matter above, our principal audit procedures included understanding and testing the Company's controls surrounding revenue recognition; assessing whether appropriate revenue recognition policies are applied through comparison with accounting standards and understanding the Company's main revenue types, its related sales agreements, and sales terms; on a sample basis, inspecting contracts with customers or customer's orders and assessing whether the accounting treatment of the related contracts (including sales terms) is applied appropriately; performing a test of details of sales revenue and understanding the rationale for any identified significant sales fluctuations and any significant reversals of revenue through sales discounts and sales returns which incurred within a certain period before or after the balance sheet date; and assessing the adequacy of the Company's disclosures of its revenue recognition policy and other related disclosures.

Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (including members of the Audit Committee) are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements

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

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

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

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company'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 Company'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' report to the related disclosures in the parent company only 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

6. Obtaine sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the company 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 parent company only financial statements for the year ended December 31, 2021 and are therefore the key audit matters. We describe these matters in our auditors' 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 Chia-Hsiang Wang and Ching-Chan Cho.

Crowe (TW) CPAs
March 25, 2022

Notice to Readers

The accompanying parent company only financial statements are intended only to present the 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 parent company only financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' audit report and the accompanying parent-company-only 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' audit report and parent company only financial statements, the Chinese version shall prevail.

Phonic Co., Ltd.
Parent Company Only Balance Sheets
December 31, 2021 and 2020
(In Thousands of New Taiwan Dollars)

Assets	Notes	2021.12.31 Amount	%	2020.12.31 Amount	%
Current assets					
Cash and cash equivalents	6(1) and 12	$ 238,996	78	$ 43,975	25
Financial assets at fair value through profit or loss - current	6(2) and 12	-	-	5,751	3
Notes receivable, net	6(3) and 12	15	-	2,785	2
Accounts receivable, net	6(4) and 12	8,024	3	6,860	4
Other receivables	6(10) and 12	1,394	-	1,307	1
Inventories	6(5)	448	-	1,058	-
Prepayments		2,765	1	4,261	2
Total current assets		251,642	82	65,997	37
Non-current assets					
Investments accounted for using the equity method	6(6)	10,653	3	24,701	14
Property, plant and equipment	6(7) and 8	41,966	14	27,198	16
Investment property	6(8)	-	-	55,728	31
Intangible assets	6(9)	-	-	143	-
Deferred tax assets	6(21)	3,484	1	3,557	2
Refundable deposits	12	23	-	25	-
Total non-current assets		56,126	18	111,352	63
Total Assets		**$ 307,768**	**100**	**$ 177,349**	**100**

Liabilities and Equity	Notes	2021.12.31 Amount	%	2020.12.31 Amount	%
Current liabilities					
Contract liabilities - current	6(16)	$ 7,722	3	$ 653	-
Notes payable	12	94	-	60	-
Accounts payable	12	2,348	1	1,801	1
Accounts payable to related parties	7 and 12	6,778	2	12,619	7
Other payables	12	5,273	2	3,159	2
Long-term borrowings - current	6(11), 8 and 12	1,640	-	-	-
Other current liabilities		104	-	89	-
Total current liabilities		23,959	8	18,381	10
Non-current liabilities					
Long-term borrowings	6(11), 8 and 12	30,340	10	-	-
Deferred tax liabilities	6(21)	1,438	-	-	-
Guarantee deposits received	12	-	-	690	1
Total non-current liabilities		31,778	10	690	1
Total liabilities		55,737	18	19,071	11
Equity					
Common stock	6(12)	200,000	65	290,252	164
Capital surplus	6(13)	18,200	6	18,200	10
Special reserve	6(14)	16,942	6	16,942	10
Accumulated earnings (deficits)	6(14)	30,824	10	(153,530)	(87)
Exchange differences arising on translation of foreign operations	6(15)	(13,935)	(5)	(13,586)	(8)
Total equity		252,031	82	158,278	89
Total Liabilities and Equity		**$ 307,768**	**100**	**$ 177,349**	**100**

(The accompanying notes are an integral part of the parent company only financial statements)

Phonic Co., Ltd.
Parent Company Only Statements of Comprehensive Income
For the years ended December 31, 2021 and 2020
(In Thousands of New Taiwan Dollar, Except for Earnings (Loss) Per Share)

	Notes	2021 Amount	2021 %	2020 Amount	2020 %
Net revenue	6(16)	$ 52,769	100	$ 52,450	100
Cost of revenue	6(5), 6(10), 6(20) and 7	(41,379)	(78)	(47,100)	(90)
Gross profit		11,390	22	5,350	10
Operating expenses	6(8), 6(10), 6(20) and 7				
Marketing		(2,269)	(4)	(2,956)	(5)
General and administrative		(19,045)	(36)	(16,664)	(32)
Research and development		(1,684)	(3)	(4,569)	(9)
Expected credit (losses) gains	6(4)	858	1	(745)	(1)
Total operating expenses		(22,140)	(42)	(24,934)	(47)
Operating losses		(10,750)	(20)	(19,584)	(37)
Non-operating income and expenses					
Interest income	6(17)	153	-	977	2
Other income	6(8) and 6(18)	3,586	7	3,325	6
Other gains and losses	6(19)	120,164	227	(788)	(1)
Finance costs		(179)	-	-	-
Share of losses of subsidiaries and associates		(13,694)	(26)	(7,211)	(14)
Total non-operating income and expenses		110,030	208	(3,697)	(7)
Profit (loss) before income tax from continuing operations		99,280	188	(23,281)	(44)
Income tax (expense) benefit	6(21)	(5,178)	(10)	3	-
Net profit (loss) for the year		94,102	178	(23,278)	(44)
Other comprehensive income (loss)	6(22)				
Items that will not be reclassified to profit or loss					
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss		-	-	1,324	3
Items that will be reclassified subsequently to profit or loss					
Exchange differences arising on translation of foreign operations		(354)	-	366	-
Income tax related to items that may be reclassified subsequently to profit or loss		5	-	(7)	-
Other comprehensive (loss) income for the year, net of income tax		(349)	-	1,683	3
Total comprehensive income (loss) for the year		**$ 93,753**	**178**	**$ (21,595)**	**(41)**
Earnings (loss) per share	6(23)				
Basic earnings (loss) per share		**$ 4.71**		**$ (1.16)**	
Diluted earnings (loss) per share		**$ 4.71**		**$ (1.16)**	

(The accompanying notes are an integral part of the parent company only financial statements)

Phonic Co., Ltd.

Parent Company Only Statements of Changes in Equity

For the years ended December 31, 2021 and 2020

(In Thousands of New Taiwan Dollars)

	Common Stock	Capital Surplus	Special Reserve	Accumulated Earnings (Deficits)	Exchange Differences arising on Translation of Foreign Operations	Total Equity
Balance at January 1, 2020	$ 290,252	$ 1,860	$ 16,942	$ (131,576)	$ (13,945)	$ 163,533
Net loss for 2020	-	-	-	(23,278)	-	(23,278)
Other comprehensive income for 2020	-	-	-	1,324	359	1,683
Total comprehensive income (loss) for 2020	-	-	-	(21,954)	359	(21,595)
Right of Disgorgement	-	16,340	-	-		16,340
Balance at December 31, 2020	290,252	18,200	16,942	(153,530)	(13,586)	158,278
Capital reduction to offset accumulated deficits	(90,252)	-	-	90,252	-	-
Net profit for 2021	-	-	-	94,102	-	94,102
Other comprehensive loss for 2021	-	-	-	-	(349)	(349)
Total comprehensive income (loss) for 2021	-	-	-	94,102	(349)	93,753
Balance at December 31, 2021	**$ 200,000**	**$ 18,200**	**$ 16,942**	**$ 30,824**	**$ (13,935)**	**$ 252,031**

(The accompanying notes are an integral part of the parent company only financial statements)

Phonic Co., Ltd.

Parent Company Only Statements of Cash Flows

For the years ended December 31, 2021 and 2020

(In Thousands of New Taiwan Dollars)

	2021	2020
Cash flows generated from (used in) operating activities:		
Profit (Loss) before tax	$ 99,280	$ (23,281)
Adjustments for:		
Depreciation expense (including investment property)	832	1,227
Amortization expense	143	240
Expected credit loss (gain)	(858)	745
Gain on financial assets and liabilities at fair value through profit or loss, net	(77)	(354)
Interest income	(153)	(977)
Interest expense	179	-
Gain on disposal of property, plant and equipment (including investment property)	(120,822)	-
Share of losses of subsidiaries and associates	13,694	7,211
Property, plant and equipment reclassified as expenses	-	114
	(107,062)	8,206
Changes in operating assets and liabilities:		
Financial assets at fair value through profit or loss	5,828	8,173
Notes receivable, net	2,770	(2,785)
Accounts receivable, net	(306)	1,688
Inventories	610	6,511
Other receivables	(87)	(781)
Prepayments	1,496	893
Contract liabilities	7,069	(795)
Notes payable	34	(234)
Accounts payable	547	(164)
Accounts payable to related parties	(5,841)	(7,697)
Other payables	2,114	(395)
Other current liabilities	15	(3)
Cash flows generted from (used in) operations	6,467	(10,664)
Interest received	153	977
Interest paid	(179)	-
Income tax paid	(3,662)	-
Net cash flows generated from (used in) operating activities	2,779	(9,687)
Cash flows used in investing activities:		
Proceeds from disposal of property, plant and equipment (including investment property)	202,892	-
Acquisition of property, plant and equipment	(41,942)	(1,246)
Decrease in refundable deposits	2	-
Net cash flows generated from (used in) investing activities	160,952	(1,246)

(Continued)

Phonic Co., Ltd.
Parent Company Only Statements of Cash Flows
For the years ended December 31, 2021 and 2020
(In Thousands of New Taiwan Dollars)

	2021	2020
Cash flows from financing activities:		
Increase in long-term borrowings	$ 31,980	$ -
Decrease (increase) in guarantee deposit received	(690)	346
Others	-	16,340
Net cash flows generated from financing activities	31,290	16,686
Net increase in cash and cash equivalents	195,021	5,753
Cash and cash equivalents, beginning of year	43,975	38,222
Cash and cash equivalents, end of year	**$ 238,996**	**$ 43,975**

(The accompanying notes are an integral part of the parent company only financial statements)

Phonic Co., Ltd.
Notes to Parent Company Only Financial Statements
For the years ended December 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

1. GENERAL INFORMATION

Phonic Co., Ltd. (the "Company") was incorporated in November, 1973. The Company was formerly known as Phonic Enterprise Co., Ltd, and reorganized in March, 1988. The Company primarily engages in manufacture and sales of professional audio products.

The Company's shares have been listed on the Market of the Taipei Exchange (TPEx) since October 21, 2003. The address of its registered office and principal places of business is 9F, No.59, Dongxing Rd., Xinyi Dist, Taipei City, Taiwan.

The parent company only financial statements are presented in the Company's functional currency, New Taiwan dollars.

2. THE AUTHORIZATION OF THE FININCIAL STATEMENT

The accompanying parent company only financial statements were approved and authorized for issue by the Board of Directors on March 25, 2022.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS, AND INTERPRETATIONS

(1) Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC).

New standards, interpretations and amendments endorsed by the FSC and effective from 2021 are as follows:

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 4 "Extension of Temporary exemption from IFRS 9"	June 25, 2020, the issuance date
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform—	January 1, 2021
Amendment to IFRS 16 "Covid-19-related rent concessions beyond 30 June 2021"	April 1, 2021 (Note)

Note: Early adoption commencing from January 1, 2021 is allowed by the FSC.

Based on the Company's assessment, the above standards and interpretations have no significant effect on the Company's financial position and financial performance.

(2) The IFRSs issued by International Accounting Standards Board (IASB) and endorsed by FSC with effective date starting 2022.

New standards, interpretations and amendments endorsed by the FSC and effective from 2022 are as follows:

New IFRSs	**Effective Date Announced by IASB (Note A)**
Amendments to IAS 16 "Property, Plant and Equipment: Proceeds before Intended Use"	January 1, 2022 (Note B)
Amendments to IAS 37 "Onerous Contracts—Cost of Fulfilling a Contract"	January 1, 2022 (Note C)
Amendments to IFRS 3 "Reference to the Conceptual Framework"	January 1, 2022 (Note D)
Annual Improvements to IFRS Standards 2018–2020	January 1, 2022 (Note E)

Note A: Unless stated otherwise, the New IFRSs above are effective for annual periods beginning on or after their respective effective dates.

Note B: An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented, January 1, 2021, in the financial statements in which the entity first applies the amendments.

Note C: An entity shall apply these amendments to contracts for which it has not yet fulfilled all its obligations on January 1, 2022.

Note D: These amendments apply to business combinations whose acquisition date occur during the annual reporting periods beginning on or after January 1, 2022.

Note E: The amendments to IFRS 9 apply to financial liabilities that are modified or exchanged during the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 apply to fair value measurement on or after the beginning of the first annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 apply to the annual reporting periods beginning on or after January 1, 2022.

Based on the Company's assessment, the adoption of the New IFRSs above will not have any significant impact on the Company's financial position and financial performance.

(3) The IFRSs issued by IASB but not yet endorsed and issued into effect by FSC

New IFRSs	Effective Date Announced by IASB (Note A)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IRFS 17 “Initial Application of IFRS 17 and IFRS 9─Comparative Information	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosures of Accounting Policies”	January 1, 2023
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023

As of the date, the parent company only financial statements were authorized for issue, the Company continues in evaluating the impact on its financial position and financial performance as a result of the initial adoption of the aforementioned standards or interpretations. The related impact will be disclosed when the Company completes the evaluation.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of Compliance

The accompanying parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(2) Basis of Preparation the Parent Company Only Financial Statement

(a) The parent company only financial statements have been prepared on the historical cost basis expect for the following material items in the balance sheets:

The financial assets and liabilities measured at fair value through profit and loss (including derivative financial instruments).

(b) The preparation of financial statements in compliance with IFRSs endorsed by FSC requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in process of applying the Company’s accounting policies. The areas involving a high degree of judgment or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

(3) Foreign Currencies

(a) Foreign Currency Transactions

Transactions in currencies other than the Company's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Such exchange differences are recognized in profit or loss in the year in which they arise. Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured at historical cost in foreign currencies are not retranslated. Except for exchange differences arising on the retranslation of financial assets at FVTOCI and financial liabilities designated certain hedging instrument, such as foreign operations or cash flow in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income. Other exchange difference is recognized in profit or loss.

(b) Translation of Foreign Operation

For the purpose of preparing parent company only financial statements, the functional currencies of the Company and the foreign entities (including subsidiaries, associates, joint ventures and branches in other countries that use currency different from the currency of the Company) are translated into the presentation currency - the New Taiwan dollar as follows: assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

On the disposal of a foreign operation involving the loss of control, joint venture or significant influence over the foreign operation, all of the exchange differences accumulated in equity in respect of that operation are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to the non-controlling interests of the subsidiary and not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

(4) Classification of Current and Noncurrent Assets and Liabilities

(a) Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(i) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;

(ii) Assets held mainly for trading purposes;

(iii) Assets that are expected to be realized within twelve months from the balance sheet date; or

(iv) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

(b) Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(i) Liabilities that are expected to be paid off within the normal operating cycle;

(ii) Liabilities arising mainly from trading activities;

(iii) Liabilities that are to be paid off within twelve months from the balance sheet date, even if an agreement to refinance, or to reschedule payments on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and

(iv) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(5) Cash and Cash Equivalents

Cash and cash equivalent includes cash on hand, bank deposit and short-term, highly liquid investment that are readily convertible to know amount of cash and which are subject to an insignificant risk of change in value. Time deposits that meet the definition above and are held for purpose of meeting short-term cash commitments in operations are classified as cash equivalent.

(6) Financial Instruments

Financial assets and financial liabilities are recognized in balance sheets when the Company becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

(a) Financial Assets

(i) Measurement Category

The Company adopts trade-date accounting to recognize and derecognize financial assets.

Financial assets are classified as financial assets at FVTPL, and financial assets at amortized cost.

A. Financial assets at FVTPL

Financial asset classified as at FVTPL is mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL including equity investments not designated as at FVTOCI and debt instruments that do not meet the criteria of which measured at amortized cost or at FVTOCI.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss (excluding relevant dividend or interest income). Fair value is determined in the manner described in Note 12(3).

B. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

i. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

ii. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets measured at amortized cost are determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

i. For the purchased or originated credit-impaired financial assets, interest revenue is calculated at the credit-adjusted effective interest rate.

ii. For the financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets, interest revenue is calculated at the effective interest rate.

(ii) Impairment of Financial Assets

The Company recognizes a loss allowance for expected credit losses (“ECL”) on financial assets at amortized cost (including accounts receivable).

The loss allowance for accounts receivable is measured at an amount equal to lifetime ECL. For other financial assets, when the credit risk on the financial instrument has not increased significantly since initial recognition, a loss allowance is recognized at an amount equal to 12-month ECL. If there has been a significant increase in credit risk since initial recognition, a loss allowance is recognized at an amount equal to lifetime ECL.

ECL reflects the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Company recognizes an impairment loss for aforementioned financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

(iii) Derecognition of Financial Assets

The Company derecognizes a financial asset when one of the following conditions is met:

A. The contractual rights to receive the cash flows from the financial asset expire.

B. The contractual rights to receive cash flows of the financial asset have been transferred and the Company has transferred substantially all risks and rewards of ownership of the financial asset.

C. The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The difference between the book value and the price of financial assets at amortized cost will be recognized to profit or loss on disposal of the financial assets. The cumulative gain or loss of the investments in equity instruments at FVTOCI will not be reclassified to profit or loss on disposal of the equity investments. Instead, they will be transferred to retained earnings.

(b) Financial Liabilities

(i) Subsequent Measurement

Financial liabilities measured at amortized cost are measured using the effective interest rate method after initial recognition, except for the following situations：

A. Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or is designated as at fair value through profit or loss.

i. A hybrid contract; or

ii. To reduce a measurement or recognition inconsistency that would otherwise arise; or

iii. A tool for managing and evaluating the performance on fair value basis in accordance with a written risk management policy.

B. Financial liabilities at FVTPL recognized by fair value on initial recognition, and the related costs are recognized in profit or loss. And the subsequent changes at fair value are recognized in profit or loss.

C. A financial liabilities that designated as financial liabilities measured at FVTPL, which amount of change in fair value resulting from a change in credit risk, is recognized as other comprehensive income, and that will not be reclassified subsequently to profit or loss.

The amount of the remaining fair value change in the liability is reported in the profit and loss. However, if the aforementioned accounting treatment triggers or exacerbates the improper accounting ratio, the full profits or losses of the liability are reported in the profit or loss.

(ii) Derecognition of Financial Liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

(7) Inventories

The item by item approach is used in applying the lower of cost and net realizable value. Under a perpetual system, inventory cost is determined using weighted average method. The finished goods and work-in-process consist of raw materials, direct labor, other direct costs and related manufacturing expense (allocated by normal capacity) and exclude the borrowing cost. Inventory write-downs are made by item, and net realizable value is the estimated selling price of inventories less all estimated costs of completion and variable costs necessary to make the sale.

(8) Investments Accounted for Using Equity Method

Investments in subsidiaries are accounted for using the equity method. A subsidiary is an entity that is controlled by the Company.

Under the equity method, an investment in subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of profit or loss and other comprehensive income of the subsidiary as well as the distribution received. The Company also recognized its share in change in the equity of subsidiaries.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. Any difference between the carrying amount of the subsidiary and the fair value of the consideration paid or received is recognized directly in equity.

When the Company's share of losses of a subsidiary equal or exceed its interest in that subsidiary (which includes any carrying amount of the investment in subsidiary accounted for by the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further losses.

Any excess of the cost of acquisition over the Company's share of the fair value of the identifiable net assets and liabilities of a subsidiary at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and shall not be amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognized immediately in profit or loss.

When the Company loses control of a subsidiary, and retained investment of the former subsidiary is measured at fair value at that date. Any gain or loss is recognized in profit or loss and calculated as the difference between 1) the aggregate of the fair value of consideration received and the fair value of any retained interest at the date when control is lost; and 2) the previous carrying amount of the investments in such subsidiary. In addition, the Company shall account for all amount previously recognized in other comprehensive income in relation to the subsidiary on the same basis as would be required if the subsidiary had directly disposed of the related assets and liabilities.

When the Company transacts with its subsidiaries, profits and losses resulting from the transactions with the subsidiaries are recognized in the Company's parent company only financial statements only to the extent of interest in the subsidiaries that are not owned by the Company.

(9) Property, Plant and Equipment

(a) Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.

(b) Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repair and maintenance is recognized in profit or loss as incurred.

(c) Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each end of reporting year. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change.

The estimated useful lives of property, plant and equipment are as follows:

Buildings: 5~36 years

Machinery and equipment: 5~8 years

Office equipment: 3 years

(d) An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

(10) Leases

At the inception of a contract, the Company assesses whether the contract is, or contains, a lease. For a contract that contains a lease component and non-lease component, the Company allocates the consideration in the contract to each lease component on the basis of the related stand-alone price and accounts for each component separately.

(a) The Company as lessee

Except for short-term leases and leases of low-value asset where lease payments are recognized as expenses on a straight-line basis over the lease terms, the Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease.

Right-of-use assets

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, less any lease incentives received, and plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets. Right-of-use assets are subsequently measured at cost less accumulated depreciation and accumulated impairment losses and adjusted for any remeasurement of the lease liabilities.

Right-of-use assets are presented as a separate line item in the balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms. However, if leases transfer ownership of the underlying assets to the Company by the end of the lease terms or if the costs of right-of-use assets reflect that the Company will exercise a purchase option, the Company depreciates the right-of-use assets from the commencement dates to the end of the useful lives of the underlying assets.

Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments that depend on an index or a rate, residual value guarantees, the exercise price of a purchase option if the Company is reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives receivable. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in the assessment of an option to purchase an underlying asset, a change in the amounts expected to be payable under a residual value guarantee, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. For a lease modification that is not accounted for as a separate lease, the Company accounts for the remeasurement of the lease liability by (a) decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the leas for lease modifications that decrease the scope of the lease. The lessee shall recognize in profit or loss any gain or loss relating to the partial or full termination of the lease and (b) making a corresponding adjustment to the right-of-use asset for all other lease modifications. Lease liabilities are presented as a separate line item in the balance sheets.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

(b) The Company as lessor

A lease is classified as a finance lease if it transfers all the risks and rewards associated with ownership of the underlying asset; otherwise, it is classified as an operating lease.

(11) Investment Properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes) and include land held for a currently undetermined future use.

Investment properties are initially measured at cost, including transaction costs, and subsequently measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

(12) Intangible Assets

Separately acquired intangible assets (software) with finite useful lives are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis over the estimated useful life for 3 years, and is recognized in profit or loss.

The estimated residual value, useful life and amortization method for an intangible asset are reviewed at the end of each reporting period. Any change in estimates is accounted for on a prospective basis.

(13) Impairment of Non-Financial Assets

The Company assesses the recoverable amounts of those assets where there is an indication that they are impaired at the end of reporting period. Impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. When the indication of impairment loss recognized in prior years for an asset no longer exists, the impairment loss is reversed to the extent of the loss previously recognized in profit or loss.

(14) Employee Benefits

(a) Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for service rendered by employees in a period and should be recognized as expenses in that period when the employees render service.

(b) Pensions

i. Defined contribution plans

For defined contribution plans, the contributions are recognized as pension expenses when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund from the plan or a reduction in future contributions to the plan.

ii. Defined benefit plans

Obligations for contributions to defined pension plans are recognized as an expense in profit or loss in the periods during which services are rendered by employees.

The defined benefit cost (including service cost, net interest and remeasurement) of defined plan use the projected unit credit method for the actuarial valuation. Service cost and net interest on the net defined benefit liability (asset) are recognized under employee benefit expense as they occur. Remeasurement is recognized in other comprehensive income (loss) in retained earnings as it occurs, and is not reclassified to profit or loss subsequently.

Net defined benefit liability (asset) is the deficit (surplus) of defined benefit plans. The net defined benefit asset shall not exceed the economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

(c) Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognized as expenses and liabilities. Any difference between the amount accrued and the amount actually distributed is accounted for a change in accounting estimate.

(d) Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either the Company's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of benefits in exchange for the termination of employment. The Company recognizes expense when it can no longer withdraw an offer of termination benefits or when it recognizes related restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date are discounted to the present value.

(15) Income Tax

(a) The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.

(b) The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax calculated in accordance with Income Tax Act of the Republic of China is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders approve to retain earnings.

(c) Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

(d) Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.

(e) Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

(16) Revenue Recognition

The Company applies the following steps for revenue recognition:

(a) Identify the contract;

(b) Identify the performance obligations;

(c) Determine the transaction price;

(d) Allocate the transaction price to performance obligations; and

(e) Recognize revenue when (or as) a performance obligation is satisfied.

The Company identifies performance obligations in a contract with the customer, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

Revenue from sale of goods

Revenues are recognized as the Company satisfies its performance obligations to customers upon transfer of control of promised goods and services.

The transfer of control means the goods or services have been transferred to customers, and there are no unsatisfied obligations that would influence customers to accept the goods or not. Delivery means customers has accepted the goods by trade term and the risks of loss have transferred to customers, and the Company has objective evidences that it has satisfied all acceptance terms. The Company recognizes accounts receivable when the Company transfers control of the goods or services to customers and has the right to certain amount of consideration that is unconditional.

(17) Government grants

Government grants are recognized at their fair value only when there is reasonable assurance that the Company will comply with any conditions attached to the grants and the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Company recognizes as expenses the related costs for which the grants are intended to compensate.

Government grants that are deemed as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future costs are recognized in profit or loss in the period in which they are receivable.

(18) Earnings Per Share

The Company reports the basic and diluted earnings per share of the Company's common equity holders. Basic earnings per share is computed by dividing net income by the weighted-average number of ordinary shares outstanding during the current reporting period. Diluted earnings per share is computed by taking basic earnings per share into consideration plus additional ordinary shares that would have been outstanding if the dilutive share equivalents had been issued. Net income is also adjusted for interest and other income or expenses derived from any underlying dilutive share equivalents.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY OF ESTIMATION UNCERTAINTY

The Company takes into account the economic impact of the Covid-19 pandemic on significant accounting estimates and reviews the basic assumptions and estimation on an ongoing basis. If a change in accounting estimate affects only the current period, the effect is recognized in the current period. If a change in an accounting estimate affects both current and future periods, the effects are recognized in both periods.

In the preparation of the parent company only financial statements, the critical accounting judgments the Company has made and the major sources of estimation and assumption uncertainty are described as follows:

(1) Critical accounting judgements

(a) Business model assessment for financial assets

The Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment involves judgment and consideration of all relevant evidence, such as how the performance of the assets is evaluated, the risks that affect the performance of the assets, and how the managers of the assets are compensated. The Company constantly assess the adequacy of its business model and monitors financial assets measured at amortized cost and debt investments measure at fair value through other comprehensive income. When these assets are derecognized prior to their maturity, the Company reviews the reasons for their disposal and whether the reasons are consistent with the objective of the business for which the assets were held. If the objective of the business for an asset is changed, the classification of the asset is prospectively changed accordingly.

(b) Revenue recognition

The Company assesses if it controls the specified good or service before that good or service is transferred to a customer to determine whether it is acting as a principal or as an agent in the transaction in accordance with IFRS 15. Where the Company acts as an agent, revenue is recognized on a net basis.

When another party is involved in providing goods or services to a customer, the Company is a principal if the Company obtains control of any one of the following:

i. a good or another asset from the other party that it then transfers to the customer.

ii. a right to a service to be performed by the other party, which gives the Company the ability to direct that party to provide the service to the customer on the Company's behalf.

iii. a good or service from the other party that it then combines with other goods or services in providing the specified good or service to the customer.

Indicators that the Company controls the specified good or service before it is transferred to the customer include, but are not limited to, the following:

i. the entity is primarily responsible for fulfilling the promise to provide the specified good or service.

ii. the entity has inventory risk before or after the specified good or service has been transferred to a customer.

iii. the entity has discretion in establishing the price for the specified good or service.

(2) Critical accounting estimates and assumptions

(a) Revenue recognition

Sales revenue, excluding related estimated sales returns, discounts and other similar allowance, is recognized when the control of goods or services is transferred to the customer and the Company satisfies it performance obligation. The Company estimates sales returns and allowance based on historical experience and other known factors. The Company reassesses the reasonableness of the estimates periodically.

(b) Evaluation of inventories

As inventories are stated at the lower of cost and net realizable value; thus, the Company estimates the net realizable value of inventory for obsolescence and unmarketable items on balance sheet date due to the rapid technology changes and writes down inventories to the net realizable value. Such an evaluation of inventories is mainly based on the demand for the products within a specified period in the future. Therefore, there might be material changes to the evaluation.

(c) Impairment assessment of tangible and intangible assets

In the course of impairment assessments, the Company determines, based on how assets are utilized and relevant industrial characteristics, the useful lives of assets and the future cash flows of a specific group of the assets. Changes in economic circumstances or the Company's strategy might result in material impairment of assets in the future.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and Cash Equivalents

	2021.12.31	2020.12.31
Cash on hand	$ 71	$ 72
Check deposits	2,401	2,232
Demand deposits	236,524	41,671
	$ 238,996	**$ 43,975**

(a) The Company selects financial institutions with good credit, and also trades with a number of financial institutions to diversify credit risk. As a result, the probability of default is expected to be low.

(b) Cash and cash equivalents is not pledged to others.

(2) Financial Assets at Fair Value through Profit or Loss – Current

	2021.12.31	2020.12.31
Mandatorily measured at FVTPL		
Oversea corporate bond	$ -	$ 5,287
Valuation adjustments-oversea corporate bond	-	464
	$ -	**$ 5,751**

(a) For the years ended December 31, 2021 and 2020, the net income on financial assets at FVTPL were $77 and $354, respectively.

(b) The financial assets at FVTPL were not pledged.

(c) Please refer to Note 12 for description of credit risk management and valuation method.

(3) Notes Receivable, Net

	2021.12.31	2020.12.31
Notes receivable	$ 15	$ 2,785
Less: Loss allowance	-	-
Notes receivable, Net	**$ 15**	**$ 2,785**

(a) The notes receivable were not pledged.

(b) For information on loss allowance of notes receivable, please refer to Note 6 (4).

(4) Accounts Receivable, Net

	2021.12.31	2020.12.31
Amortized at cost		
Gross carrying amount	$ 8,025	$ 7,719
Less: Loss allowance	(1)	(859)
Accounts receivable, net	**$ 8,024**	**$ 6,860**

(a) The average credit period of sales of goods ranges from 30 to 60 days, which is determined by reference to the credit granting policy based on the counterparties industrial characteristics, operation scales and profitability.

(b) The Company has no accounts receivable pledged to others.

(c) The Company using the simplified approach to recognize the loss allowance at an amount equal to lifetime expected credit losses (i.e. ECLs) for notes and accounts receivable. The expected credit losses are calculated based on loss rates estimated by reference to past default experience and the current financial position of the debtor, adjusted for current and forecast economic conditions of the industry in which the debtors operate as well as for external credit rating.

As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the following provision matrix for loss allowance based on past due status is not further distinguished according to the Company's different customer base. The loss allowances of notes and accounts receivable were detailed below:

	2021.12.31			
	Weighted-average loss rate	**Carrying amount**	**Loss allowance (Lifetime ECL)**	**Amortized cost**
Current	0%	$ 7,025	$ -	$ 7,025
Past due 1 to 120 days	0%	1,010	-	1,010
Past due 121 to 300 days	20%	5	(1)	4
Past due over 301 days	0%	-	-	-
		$ 8,040	**$ (1)**	**$ 8,039**

	2020.12.31			
	Weighted-average loss rate	**Carrying amount**	**Loss allowance (Lifetime ECL)**	**Amortized cost**
Current	0%	$ 4,498	$ -	$ 4,498
Past due 1 to 120 days	6%	3,809	(220)	3,589
Past due 121 to 300 days	29%	2,197	(639)	1,558
Past due over 301 days	0%	-	-	-
		$ 10,504	**$ (859)**	**$ 9,645**

(d) The movements of the loss allowance for accounts receivable were as follows:

	2021	2020
Balance at beginning of the year	$ 859	$ 114
Provision (reversal)	(858)	745
Balance at end of the year	**$ 1**	**$ 859**

The Company did not hold any collaterals or other credit enhancements for these accounts receivable.

(e) Please refer to Note 12 for description of credit risk management and valuation method.

(5) Inventories and Cost of Goods Sold

	2021.12.31	2020.12.31
Finished goods	$ 11	$ 817
Raw materials	437	241
	$ 448	**$ 1,058**

(a) The cost of inventories recognized in profit or loss were as follows:

	2021	2020
Cost of goods sold	$ 41,338	$ 42,054
Loss on inventory scrapped	6,025	603
(Gain) loss on valuation of inventories	(6,034)	4,443
	$ 41,379	**$ 47,100**

(b) The net of provision (reversal) for inventories written down (increased) to net realizable value, which were also included in cost of revenue, amounted to $(6,034) and $4,443 for the years ended December 31, 2021 and 2020, respectively.

(c) As of December 31, 2021 and 2020, the inventories were not pledged.

(6) Investments Accounted for Using the Equity Method

(a) The Company's subsidiary is listed as follow:

			2021.12.31		2020.12.31	
Name of Investee	**Main Business**	**Operation Location**	**Percentage Of Ownership**	**Carrying Amount**	**Percentage Of Ownership**	**Carrying Amount**
Phonic Group, Ltd.	Investment	BVI	100%	**$ 10,653**	100%	**$ 24,701**

(b) Investments accounted for using the equity method and the Company's share of profit or loss and other comprehensive income in these investments were calculated based on audited financial statements.

(c) For more subsidiary information, please refer to Note 13.

(7) Property, Plant and Equipment

	2021.12.31	2020.12.31
Land	$ 35,011	$ 20,223
Buildings	7,543	10,159
Office equipment	749	633
Machinery and equipment	6,589	6,589
Construction in process and equipment under installation	-	1,092
Total cost	49,892	38,696
Less: Accumulated depreciation	(7,926)	(11,498)
	$ 41,966	$ 27,198

cost	Land	Buildings	Office equipment	Machinery and equipment	Construction in process and equipment under installation	Total
Balance, January 1, 2021	$ 20,223	$ 10,159	$ 633	$ 6,589	$ 1,092	$ 38,696
Additions	35,011	6,815	116	-	-	41,942
Disposals	(20,223)	(10,523)	-	-	-	(30,746)
Reclassification	-	1,092	-	-	(1,092)	-
Balance, December 31, 2021	$ 35,011	$ 7,543	$ 749	$ 6,589	$ -	$ 49,892
Accumulated depreciation						
Balance, January 1, 2021	$ -	$ 4,457	$ 499	$ 6,542	$ -	$ 11,498
Depreciation	-	412	50	47	-	509
Disposals	-	(4,081)	-	-	-	(4,081)
Balance, December 31, 2021	$ -	$ 788	$ 549	$ 6,589	$ -	$ 7,926

cost	Land	Buildings	Office equipment	Machinery and equipment	Construction in process and equipment under installation	Total
Balance, January 1, 2020	$ 43,484	$ 20,666	$ 479	$ 6,589	$ 114	$ 71,332
Additions	-	-	154	-	1,092	1,246
Reclassification	(23,261)	(10,507)	-	-	(114)	(33,882)
Balance, December 31, 2020	$ 20,223	$ 10,159	$ 633	$ 6,589	$ 1,092	$ 38,696
Accumulated depreciation						
Balance, January 1, 2020	$ -	$ 8,412	$ 479	$ 6,048	$ -	$ 14,939
Depreciation	-	350	20	494	-	864
Reclassification	-	(4,305)	-	-	-	(4,305)
Balance, December 31, 2020	$ -	$ 4,457	$ 499	$ 6,542	$ -	$ 11,498

(a) Certain property, plant and equipment were pledged as collateral, please refer to Note 8.

(b) In order to maximize the efficiency of asset utilization, the Company leases out idle office space, therefore the related property is reclassified as investment property.

(c) To generate more cashflow for the business, the Company sold its ownership of the 9th floor building with parking lots located on Dongxing Road of Taipei City to its related party following the Board Meeting Resolution confirmed on 19 August 2021. Please refer to Note 6(8) and Note 7 for the transaction detail.

(8) Investment property

Cost	Land	Buildings	Total
Balance at January 1, 2021	$ 42,941	$ 20,787	$ 63,728
Disposals	(42,941)	(20,787)	(63,728)
Balance at December 31, 2021	$ -	$ -	$ -

Accumulated depreciation and impairment	Land	Buildings	Total
Balance at January 1, 2021	$ -	$ 8,000	$ 8,000
Depreciation	-	323	323
Disposals	-	(8,323)	(8,323)
Balance at December 31, 2021	$ -	$ -	$ -

Cost	Land	Buildings	Total
Balance at January 1, 2020	$ 19,680	$ 10,280	$ 29,960
Reclassification	23,261	10,507	33,768
Balance at December 31, 2020	$ 42,941	$ 20,787	$ 63,728

Accumulated depreciation and impairment	Land	Buildings	Total
Balance at January 1, 2020	$ -	$ 3,332	$ 3,332
Depreciation	-	363	363
Reclassification	-	4,305	4,305
Balance at December 31, 2020	$ -	$ 8,000	$ 8,000

(a) Rental income and direct operating expenses arising from investment property were listed below:

	2021	2020
Rental income from investment property	$ 2,952	$ 1,602
Direct operating expenses arising from the investment property that generated rental income during the period	$ 453	$ 250
Direct operating expenses arising from the investment property that did not generate rental income during the period	$ -	$ 309

(b) The Company's lease period of investment property is 3 years. The lessee exercises the right to renew the lease based on the adjustment of market rent terms. The lessee does not have the priority purchase option when the lease period ends.

(c) The Company sold its ownership of the 9th floor building with parking lots located on Dongxing Road of Taipei City to its related party following the Board Meeting Resolution confirmed on 19 August 2021. Please refer to Note 6(7) and Note 7 for the transaction.

(d) The rental income of investment property to be collected in the future is as follows:

	2020.12.31
First year	$ 3,943
Second year	3,943
Third year	3,717
Total	$ 11,603

(e) As of December 31, 2020, no investment property was pledged.

(9) Intangible Assets

Cost	Computer software
Balance at December 31, 2021(Same as balance at January 1, 2021)	$ 771
Accumulated amortization	
Balance at January 1, 2021	$ 628
Amortization	143
Balance at December 31, 2021	$ 771
Net carrying amounts	$ -

Cost	Computer software
Balance at December 31, 2020(Same as balance at January 1, 2020)	$ 771
Accumulated amortization	
Balance at January 1, 2020	$ 388
Amortization	240
Balance at December 31, 2020	$ 628
Net carrying amounts	$ 143

(10) Employee Benefits

(a) Defined contribution plans

Commencing July 1, 2005, pursuant to the ROC Labor Pension Act ("Act"), employees who elected to participate in Act or joined the Company after July 1, 2005, are subject to a defined contribution plan under the Act. Under the defined contribution plan, the Company contributes monthly at a rate of no less than six percent of the employees' monthly salaries and wage to the employees' individual pension fund account at the ROC Bureau of Labor Insurance.

For the years ended December 31, 2021 and 2020, the Company recognized pension expenses of $491 and $560, respectively, in relation to the defined contribution plans.

(b) Defined benefit plans

The Company has a defined benefit pension plan in accordance with the Labor Standards Act of the R.O.C. Pension benefits are based on the length of service and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes to the retirement fund deposited in Bank of Taiwan under the name of the independent retirement fund committee based on actuarial valuation. The Company would assess the balance in the aforementioned labor pension reserve accounted by the end of each year. If the account balance is not enough to pay the retirement benefit of the employees expected to be qualified for retirement in the following year, the Company is required to fund for the deficit by the end of next March. The special account has been commissioned to the Bureau of Labor Funds of the Ministry of Labor for management. The Company contained in the financial statements exercises no influence on the right of the bureau in its investment management strategy. The company settled the seniority of employees under the Labor Standards Act in December 2020, which reduced the Company's defined benefit obligations, and recognized the relative reduction benefits in the consolidated statement of comprehensive income (accounted for reduction of pension expenses.)

i. Movements of net defined benefit liabilities were as follows:

	2020		
	Present value of defined benefit obligations	**Fair value of plan asset**	**Net defined benefit liability**
Balance at January 1, 2020	$ 4,574	$ (5,010)	$ (436)
Service cost:			
Interest expense (revenue)	5	(323)	(318)
Settlement benefit	(1,206)	689	(517)
Amounts recognized in profit or loss	(1,201)	366	(835)
Amounts recognized in other comprehensive income	-	-	-
Contribution by the Company	-	(6)	(6)
Benefits paid from plan assets	(3,373)	3,373	-
Balance at December 31, 2020	**$ -**	**$ (1,277)**	**$ (1,277)**

The Company settled the seniority of employees under the labor Standards Act in December 2020. After the settlement, the balance of the labor pension reserve account in Taiwan Bank is $1,277 and account for other receivables, which is not yet to be refunded to the Company

ii. The defined benefit plans pension cost recognized in profit or loss in 2021 and 2020 were $0 and $(835), respectively.

(11) Long-term Borrowings

		2021.12.31		2020.12.31
Secured loans	$	27,983	$	-
Credit loans		3,997		-
		31,980		-
Less: Current portion		(1,640)		-
	$	30,340	$	-
Interest rate range		1.10%		-

Please refer to Note 8 for assets pledged as collateral to secure the aforementioned long-term borrowings.

(12) Common Stock

The Company's authorized common stock consisted of 38,000 thousand shares, with per value of $10 per share, both amounted to $380,000 as of December 31, 2021 and 2020.

As of December 31, 2021 and 2020, the Company's issued common stock consisted of 20,000 thousand shares and 29,025 thousand share, with per value of $10 per share, amounted to $200,000 and $290,252, respectively.

Movement in the number of the Company's ordinary shares (in thousand) outstanding are as follows:

		2021		2020
Balance at January 1	$	29,025	$	29,025
Capital reduction to offset accumulated deficits		(9,025)		-
Balance at December 31	$	20,000	$	29,025

To improve the financial position, the Company's shareholders held a meeting on July 20, 2021, and resolved to eliminate loss by reducing capital by $90,252, eliminating 9,025 thousand shares. The ratio of capital reduced was 31.09%. The board of directors resolved to set October 12, 2021 as the base date for capital reduction with the authorization of the shareholders in their meeting. The related registration process has been completed on October 25, 2021.

(13) Capital Surplus

		2021.12.31		2020.12.31
Gain on disposal of assets	$	1,360	$	1,360
Donated surplus		500		500
Others		16,340		16,340
	$	18,200	$	18,200

Under the Company Act, the capital surplus generated from excess of the issuance price over the par value of capital stock and donations may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as stock dividends or cash dividends. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus to be capitalized mentioned above should not exceed a certain percentage of the Company paid in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient. The capital surplus from investment accounted for using equity method may not be used for any purpose.

As of December 31, 2020, the Company obtained $16,340 due to exercise the right of claim for disgorgement under the Securities Exchange Law.

(14) Retain earnings and dividend policy

(a) According to the dividend policy of the Company's Article of Incorporation, when allocating the net profits in each fiscal year, the Company shall be first utilized for paying taxes, offsetting losses of previous years, and then setting aside the 1) legal capital reserve at 10% of the profits left over 2) special capital reverse in accordance with relevant laws or regulations or as requested by the authorities in charge; and 3) balance left over shall be allocated according to the resolution of the board of directors and the shareholders' meeting.

(b) Dividend policy

The dividend policy is based on the Company's Article of Incorporation, and considering the capital planning, and sustainable operation of the Company. The procedure of paying dividends is listed below:

i. Process: According to the Company Act, at the end of each fiscal year, the Board of Directors should considers the Company's profitability, future operational needs, and reports the earning distribution proposal to the stockholders' meeting for approval.

ii. Distribution: 1) stock dividend; 2) capital surplus to be capitalized; and 3) cash dividend.

iii. Policy: Cash dividends are limited to over 20% of total dividends distributed.

(c) Legal capital reserve

The appropriation for legal capital reserve shall be made until the reserve equals the Company's paid-in capital. The reserve may be used to offset deficit, or be distributed as dividends in cash or stocks for the portion in excess of 25% of the paid-in capital if the Company incurs no loss.

(d) Special capital reserve

i. Pursuant to existing regulation, the Company is required to set aside additional special capital reverse equivalent to the debit balance of the other components of stockholders' equity. For the subsequent decrease in the deduction amount to stockholders' equity, and special reverse appropriated may be reversed to the extent that the net debit balance reverses.

ii. In accordance with Ruling No.1010012865 issued by the FSC on April6, 2012, a special reserve equal to the total amount of items that were accounted for as deductions from shareholders' equity was set aside from current and prior-year earnings. This special reserve shall revert to the retained earnings and be made available for distribution when the items that are accounted for as deduction from shareholders' equity are reversed in subsequent periods.

(e) The deficit compensation proposal for 2020 and 2019 were approved by the shareholders in its meetings on July 20, 2021 and June 10, 2020, respectively. The aforementioned deficit compensation proposal for 2020 and 2019 was consistent with the resolutions of the Board of Directors' meeting. The appropriation of earnings for 2021 will be reported to the shareholders' meeting in June 17, 2022 which has been resolved by the Board of Directors on March 25, 2022.

(f) Information about the resolution of the Board of Directors' and shareholders' meetings regarding the appropriation of earnings is available at the Market Observation Post System website of the TWSE.

(15) Others Equity

	Exchange differences on translation on foreign operations
Balance at January 1, 2021	$ (13,586)
Exchange difference arising on translation of foreign operations	(354)
Income tax effect	5
Balance at December 31, 2021	**$ (13,935)**
Balance at January 1, 2020	$ (13,945)
Exchange difference arising on translation of foreign operations	366
Income tax effect	(7)
Balance at December 31, 2020	**$ (13,586)**

(16) Net Revenue

	2021	2020
Sales revenue	$ 53,426	$ 55,091
Less: sales returns and allowances	(657)	(2,641)
	$ 52,769	**$ 52,450**

(a) Revenue is recognized at the time of the transfer of goods. Please refer to Note 14 for more detail information about revenues from contracts with customers.

(b) Contract liabilities - current:

	2021.12.31	2020.12.31
Sales and service revenue	**$ 7,722**	**$ 653**

As of December 31, 2021, the Company has recognized $450 revenues from the beginning balance of current contract liabilities.

(17) Interest Income

	2021	2020
Bank deposit	$ 29	$ 74
Oversea corporate bond	124	903
	$ 153	$ 977

(18) Other Income

	2021	2020
Rental	$ 2,952	$ 1,602
Government subsidy	-	1,441
Others	634	282
	$ 3,586	$ 3,325

(19) Other Gains and Losses

	2021	2020
Loss on disposal of financial assets	$ -	$ (589)
Net gain on financial assets and liabilities at FVTPL	77	354
Net foreign exchange loss	(735)	(190)
Gain on disposal of property, plant and equipment (including investment property)	120,822	-
Others	-	(363)
	$ 120,164	$ (788)

(20) Employee Benefits, Depreciation and Amortization

	2021		
	Recognized in cost of revenue	**Recognized in operating expenses**	**Total**
Employee benefits			
Salaries and wages	$ -	$ 12,462	$ 12,462
Labor and health insurance	-	1,023	1,023
Pension	-	491	491
Director's remuneration	-	1,081	1,081
Other employee benefits	-	416	416
Depreciation	-	832	832
Amortization	-	143	143
	$ -	$ 16,448	$ 16,448

	2020		
	Recognized in cost of revenue	**Recognized in operating expenses**	**Total**
Employee benefits			
Salaries and wages	$ -	$ 11,335	$ 11,335
Labor and health insurance	-	1,049	1,049
Pension	-	(275)	(275)
Director's remuneration	-	899	899
Other employee benefits	-	2,365	2,365
Depreciation	-	1,227	1,227
Amortization	-	240	240
	$ -	$ 16,840	$ 16,840

(a) As of December 31, 2021 and 2020, the numbers of employees in the Company were 20 and 19, respectively, the directors who have not served as employees were 6 and 4.

(b) The average employee benefits expense were $1,028 and $965 in 2021 and 2020, respectively.

(c) The average salaries and wages was adjusted by 2%.

(d) The Company shall allocate not lower than 2% and not higher than 1% of annual profits to employees' compensation and directors' and supervisors' remuneration, respectively.

(e) For the year ended December 31, 2021, the Company estimated the remuneration to employees and directors amounting to $616 and $308, respectively. The Company did not accrue remuneration to employees and directors due to the loss on operation for the year ended 31, 2020.

(f) Information on employees' compensation and directors' and supervisors' remuneration for the year 2021 and 2020 of the Company resolved by the meeting of shareholders is available at Market Observation Post System website of the TWSE.

(21) Income Taxes

(a) Income tax expense (benefit)

i. The components of income tax expense (benefit):

	2021	**2020**
Current income tax		
In respect of the current period	$ -	$ -
Land value increment tax	3,662	-
	3,662	-
Deferred income tax		
The origination and reversal of temporary differences	1,516	(3)
Income tax expense (benefit)	$ 5,178	$ (3)

ii. Income tax expense (benefit) recognized directly in other comprehensive income for the years ended December 31, 2021 and 2020 were as follows:

	2021	2020
Exchange difference arising on translation of foreign operations	$ (5)	$ 7
Remeasurement of defined benefit obligation	-	(1,324)
	$ (5)	$ (1,317)

(b) Reconciliation of the expected income tax expense (benefit) calculated based on the ROC Statutory income tax rate compared with the actual income tax expense as reported in the statement of comprehensive income for the years ended December 31, 2021 and 2020, was as follows:

	2021	2020
Profit (loss) before income tax	$ 99,280	$ (23,281)
Income tax expense (benefit) at the statutory rate	19,856	(4,656)
Effects of reconciliation items:		
Non-taxable income	(22,836)	-
Effects from items disallowed by tax regulation	3,152	1,007
Land value increment tax	3,662	-
Adjustment to prior year	(98)	-
Change in unrecognized temporary differences and tax losses	1,442	3,646
Income tax expense (benefit)	$ 5,178	$ (3)

(c) The components of and change in deferred tax and liabilities were as follows:

	2021			
	Balance at January 1	Recognized in profit or loss	Recognized in other comprehensive income	Balance at December 31
Deferred income tax assets				
Exchange differences arising on translation of foreign operations	$ 3,479	$ -	$ 5	$ 3,484
Temporary differences				
Unrealized exchange loss	78	(78)	-	-
Total deferred income tax assets	3,557	(78)	5	3,484
Deferred income tax liabilities				
Temporary differences				
Unrealized exchange gain	-	(1,438)	-	(1,438)
Total deferred income tax liabilities	-	(1,438)	-	(1,438)
	$ 3,557	$ (1,516)	$ 5	$ 2,046

	2020			
	Balance at January 1	Recognized in profit or loss	Recognized in Other comprehensive income	Balance at December 31
Deferred income tax assets				
Exchange differences arising on translation of foreign operations	$ 3,486	$ -	$ (7)	$ 3,479
Temporary differences				
Unrealized exchange loss	75	3	-	78
Net defined benefit liability	(1,324)	-	1,324	-
Total deferred income tax assets	**$ 2,237**	**$ 3**	**$ 1,317**	**$ 3,557**

(d) Unrecognized deferred tax assets:

	2021.12.31	2020.12.31
Unused loss carryforwards	$ 15,302	$ 15,302
Deductible temporary differences	2,009	3,367
	$ 17,311	**$ 18,669**

(e) As of December 31, 2021 and 2020, the aggregate taxable temporary differences associated with investments in subsidiaries not recognized as deferred tax liabilities amounted to $2,340 and $5,140, respectively.

(f) Information of unused loss carryforwards

As of December 31, 2021, the expiration period for above mentioned unrecognized deferred tax assets of unused loss carryforwards were as follows:

Expiration in year	Unused loss carryforwards	Unused tax credit
2022	$ 10,613	$ 2,123
2023	7,935	1,587
2024	143	29
2025	14,465	2,893
2026	13,365	2,673
2027	12,577	2,515
2028	4,377	875
2030	13,034	2,607
	$ 76,509	**$ 15,302**

(g) The Company's income tax returns had been examined by the Tax Authority through 2019.

(22) Other Comprehensive Income (Loss)

	2021		
	Before tax	**Income tax effect**	**After tax**
Items that will be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations	$ (354)	$ 5	$ (349)

	2020		
	Before tax	**Income tax effect**	**After tax**
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit obligation	$ -	$ 1,324	$ 1,324
Items that will be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations	366	(7)	359
	$ 366	$ 1,317	$ 1,683

(23) Earnings (loss) Per Share

	2021	2020
Basic / Diluted Earnings (loss) per share:		
Earnings (loss) for the period attributable to owners of the Company	$ 94,102	$ (23,278)
Weighted average number of shares outstanding (in thousands)	20,000	20,000
Basic / Diluted Earnings (loss) per share (Unit: NT$ Per Share)	$ 4.71	$ (1.16)

In the calculation of loss per share, the number of outstanding shares has been adjusted retrospectively for the impact of the capital reduction to offset deficits. As a result of retrospectively adjustment, the loss per share for 2020 before and after adjustment were $(0.80) and $(1.16), respectively.

7. TRANSACTIONS WITH RELATED PARTIES

(1) Name of the parent company and the ultimate controlling party

The Company’s parent company is Kangjian Investment Co., Ltd., which holds 58.18% of ordinary shares of the Company; The Company’s ultimate controlling party is Taiwan Powder Technologies Co., Ltd., which directly and indirectly holds 63.70% of ordinary shares of the Company.

(2) Name and relationship of related parties

Name of related party	Relationship with the Company
Kangjian Investment Co., Ltd.	Parent Company
Phonic Group, Ltd.	Subsidiary
Shenzhen Yiba Electronic Co., Ltd.	Subsidiary of Phonic Group, Ltd.
Apartners Investment Corporation	Associate

(3) Significant transaction with related parties

(a) Purchases

	2021	2020
Shenzhen Yiba Electronic Co., Ltd.	$ 39,408	$ 40,129

The Company only purchase products from related parties and directly ship to customers for international trading. Since the Company did not purchase the same products from other manufacturers, there is no comparable trading terms.

(b) Payables to related parties

Item	Name of related party	2021	2020
Accounts payable	Phonic Group, Ltd.	$ 523	$ 1,205
	Shenzhen Yiba Electronic Co., Ltd.	6,255	11,414
		$ 6,778	$ 12,619

The collection of aforementioned accounts payable depends on the financial position of the subsidiary.

(c) The Company signed a contract with Apartners Investment Corporation to sell its property located at No. 59 & No. 61 Dongxing Road. The transaction price $204,216 is determined based on the appraisal value recommended by a qualified real estate valuator.

(4) Compensation to key management personnel

The compensation to directors and other key management personnel for the years ended December 31, 2021 and 2020 were as follows:

	2021	2020
Salaries and other short-term employee benefits	$ 1,461	$ 2,347

8. ASSETS PLEDGED AS COLLATERAL

Pledged assets	Pledged to secure	2021.12.31	2020.12.31
Land and buildings	Long-term borrowings	$ 41,633	$ -

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

None.

10. SIGNIFICANT LOSSES FROM DISASTERS

None.

11. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

None.

12. OTHER INFORMATION

(1) Capital risk management

The Company requires an adequate capital structure to enable enhancement of its plant and equipment, and normal operation. Therefore, the Company manages its capital to ensure that it has sufficient and necessary financial resources to fund its working capital needs, capital asset purchases, research and development activities, debt service requirements and dividend payments associated with its existing operations over the next 12 months.

(2) Financial Instruments

(a) Financial Risk of financial instrument.

Financial risk management objectives and policies

The Company's risk management objectives are to manage the market risk (including foreign currency risk, interest risk and price risk), credit risk and liquidity risk related to its operating activities. The Company identifies measures and manages the aforementioned risks and mitigates the disadvantage impact on financial performance. The material treasury activities are reviewed by Audit Committees and/or Board of Directors in accordance with procedures required by relevant regulations or internal controls. During the implementation of such plans, Corporate Treasury function must comply with certain treasury procedures that provide guiding principles for overall financial risk management and segregation of duties.

Nature and extent of significant financial risks

(i) Market risk

A. Foreign currency risk

i.The Company is exposed to the foreign currency risk due to the transaction of sales, purchase and cash denominated in foreign currency other than the Company's functional currency. These non-functional currencies are USD and RMB.

ii.Foreign currency exposure and sensitivity analysis

	2021.12.31					
				Sensitivity analysis		
	Foreign Currencies (In Thousands)	**Exchange Rate**	**Carrying Amount (In Thousands)**	**Extent of variation**	**Impact on Profit or loss**	**Impact on Equity**
Financial assets						
Monetary items						
USD:NTD	$ 902	27.68	$ 24,973	1%	$ 250	$ -
RMB: NTD	49	4.344	213	1%	2	-
Financial liabilities						
Monetary items						
RMB: NTD	$ (1,563)	4.344	$ (6,791)	1%	$ (68)	$ -

	2020.12.31					
				Sensitivity analysis		
	Foreign Currencies (In Thousands)	**Exchange Rate**	**Carrying Amount (In Thousands)**	**Extent of variation**	**Impact on Profit or loss**	**Impact on Equity**
Financial assets						
Monetary items						
USD:NTD	$ 880	28.48	$ 25,075	1%	$ 251	$ -
Financial liabilities						
Monetary items						
RMB: NTD	$ (2,611)	4.377	$ (11,427)	**1%**	$ (114)	$ -

If New Taiwan dollar strengthened against the relevant currency and all other variables were held constant, there would be an equal and opposite impact on profit or loss and other equity as of December 31, 2021 and 2020.

iii.Since there were varieties of foreign currencies within the Company, the Company disclosed the summarized foreign exchange gain (loss) information of monetary items. The realized and unrealized foreign exchange loss were $735 and $190 for the years ended December 31, 2021 and 2020, respectively.

iv.The Company believes the unrealized exchange gain (loss) of fluctuation risk on foreign currency monetary item is insignificant.

B. Interest rate risk

The Company is exposed to interest rate risk arising from fixed interest rate instruments. The Company classifies fixed interest rate instruments as financial assets measured at FVTPL and financial assets at amortized cost. The fixed interest rate instruments of financial assets at amortized cost is measured at amortized cost, it will not change the fair value by the change in interest rate. The fixed interest rate instruments of financial assets measured at FVTPL will change by the change in interest rate.

According to the Company's sensitivity analysis, assuming a hypothetical increase/decrease 1% in interest rates, the net profit for the years ended December 31, 2021 and 2020 would increase by $2,045 and $474, respectively.

(ii) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial losses to the Company. The Company is exposed to credit risk from operating activities, primarily from account receivables, and from investing activities, primarily from bank deposits, fixed-income investments and other financial instruments. The Company managed the credit risk separately for business related and financial related risk.

A. Business related credit risk：

To maintain the quality of account receivable, the Company has established related credit risk management procedure. The risk assessment of individual customer includes evaluating financial position, credit institution report, internal evaluation, historical trading records and economic circumstance which could affect the payment ability of the customer. The Company may choose to strengthen overall risk management including collection in advance or credit insurance to mitigate the credit risk of certain customers.

B. Financial credit risk：

The financial department of the Company regularly monitors and reviews the credit risk of bank deposit and other financial instruments. The Company mitigates its exposure by selecting counterparties (Banks, financial institution, company organization and government authorities) with well credit and investment-grade credit ratings. The credit risk is insignificant.

i.Concentration of credit risk

As of December 31, 2021 and 2020, accounts receivable from the top 10 customers represent 84% and 92% of total accounts receivables of the Company, respectively. To reduce the credit risk of accounts receivable, the Company should continue evaluating customers' financial position, and ask customers to offer guarantees if necessary.

ii.Expected credit loss measurement

Notes and Accounts receivable: Simplified approach, please refer to Note 6 (3) and 6 (4).

Judgment on whether credit risk increasing significantly: None.

iii.To hold collaterals and other credit enhancements to hedge the credit risk of its financial assets:

The Company doesn't hold collaterals, offset agreement and other credit enhancements to hedge the credit risk of its financial assets. The maximum credit risk exposure of the aforementioned financial instrument is equal to their carrying amounts recognized in balance sheet.

(iii) Liquidity risk

A. Liquidity risk management

The Company's objective of managing liquidity risk is to maintain sufficient cash and cash equivalents required for operations, high liquidity securities, and bank financing lines for operations, and to ensure that the Company has sufficient financial flexibility.

B. Maturity analysis of financial liabilities

	2021.12.31					
Non-derivative financial liabilities	**Less than 6 Months**	**6－12 Months**	**1－5Years**	**Over 5 Years**	**Contractual Cash flows**	**Carrying Amount**
Notes payable	$ 94	$ -	$ -	$ -	$ 94	$ 94
Accounts payable (including related parties)	9,126	-	-	-	9,126	9,126
Other payables	5,273	-	-	-	5,273	5,273
Long-term borrowings (including current portion)	994	989	7,736	25,686	35,405	31,980
	$ 15,487	**$ 989**	**$ 7,736**	**$ 25,686**	**$ 49,898**	**$ 46,473**

	2020.12.31					
Non-derivative financial liabilities	**Less than 6 Months**	**6－12 Months**	**1－5Years**	**Over 5 Years**	**Contractual Cash flows**	**Carrying Amount**
Notes payable	$ 60	$ -	$ -	$ -	$ 60	$ 60
Accounts payable (including related parties)	14,420	-	-	-	14,420	14,420
Other payables	3,159	-	-	-	3,159	3,159
	$ 17,639	$ -	$ -	$ -	**$ 17,639**	**$ 17,639**

The Company doesn't expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(b) Categories of financial instruments

	2021.12.31	2020.12.31
Financial assets		
Financial assets measured at amortized cost		
Cash and cash equivalents	$ 238,996	$ 43,975
Notes and accounts receivable	8,039	9,645
Other receivables	1,394	1,307
Refundable deposits	23	25
Financial assets at fair value through profit or loss – current	-	5,751
Financial liabilities		
Financial liabilities measured at amortized cost		
Notes and accounts payable (including related parties)	$ 9,220	$ 14,480
Other payable	5,273	3,159
Guarantee deposits received	-	690

(3) Fair value information

(a) For the fair value of financial instruments that are not measured at fair value, please refer to the Note 12 (3) (b).

Level 1

Fair value measurements of the Level 1 are those derived from quoted prices in active markets for identical financial instruments. An active market is a market in which transactions for identical instrument take place with sufficient frequency and volume to provide public pricing information on an ongoing basis. The Foreign publicly trade debt instruments and the domestic beneficiary certificates invested by the Company were classified as this hierarchy.

Level 2

Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that observable for the instrument, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3

Fair value measurements are those derived from valuation techniques that include inputs for instrument that are not based on observable market data.

(b) Financial instruments that are not measured at fair value

The Company considers the caring amounts of financial instruments that are not measured at fair value, such as cash and cash equivalents, notes and accounts receivables, other receivable, refundable deposits, notes and accounts payable, other payable, approximate their fair values.

(c) Fair value hierarchy information

The Company's financial instruments measured at fair value were under a recurring basis. The following table presents the Company's financial instruments measured at fair value on a recurring basis:

	2020.12.31			
Item	**Level 1**	**Level 2**	**Level 3**	**Total**
Asset：				
Fair value on a recurring basis				
Financial assets measured at FVTPL				
Foreign publicly traded debt instruments	$ -	$ 5,751	$ -	$ 5,751

(d) Valuation techniques and assumptions used in fair value measurement

i. If there is an active market for the financial instruments, the fair value of the financial instruments is measured by using the quoted market prices. The quoted market prices announced by the main market place and the prices of government bonds classified as popular securities announced by Taipei Exchange (TPEx) are deemed as fair value foundation of publicly traded equity instruments and debt instruments with an active market.

If there are timely and frequent quoted prices from the exchange market, the broker, the dealer, industry association, price service organization, or the administrative, and the prices represent actual, frequent, and fair trades, the financial instruments are deemed as with an active market. Otherwise, the market is deemed as not active. In general, huge price gap, price gap apparently expanding, and small trading volume were indicators of a not active market.

The financial instruments held by the Company with active market quoted prices as their fair value are listed below by characteristics:

A. Publicly traded debt instruments of quoted market price: Closing price

ii. The Company considered the credit risk evaluation adjustment for financial instruments and non-financial instruments to reflect the credit risk of the counterparty and the credit quality of the Company.

iii. There were no transfers between different fair value hierarchy for the years ended December 31, 2021 and 2020, respectively.

13. SEPARATELY DISCLOSED ITEMS

(1) Information about significant transactions:

(a) Financing provided to others: None

(b) Endorsements/guarantees provided: None

(c) Marketable securities held (excluding investment in subsidiaries, associates and joint ventures): None

(d) Marketable securities acquired and disposed at costs or prices at least $300 million or 20% of the paid-in capital: None

(e) Acquisition of individual real estate at costs of at least $300 million or 20% of the paid-in capital: None

(f) Disposal of individual real estate at prices of at least $300 million or 20% of the paid-in capital: Please see Table 1 attached

(g) Total purchases from or sales to related parties amounting to at least $100 million or 20% of the paid-in capital: None

(h) Receivables from related parties amounting to at least $100 million or 20% of the paid-in capital: Please see Table 2 attached

(i) Trading in derivative instruments: None

(j) The business relationship between the parent and the subsidiaries and significant transactions between them: Please refer to Note 13 of the Consolidated Financial Statements;

(2) Related Information of investees: Please see Table 3 attached.

(3) Information on investments in Mainland China: Please see Table 4 attached.

(4) Information of major shareholder (list of all shareholders with ownership 5% or greater showing the names and the number of shares and percentage of ownership held by each shareholder): Please see Table 5 attached.

14. SEGMENT INFORMATION

The Company has provided the operating segments information disclosed in the Consolidated Financial Statements.

Phonic Co., Ltd.

Disposal of Individual Real Estate at Price of at Least NT$300 Million or 20% of the Paid-In Capital
December 31, 2021
(Amounts in Thousands of New Taiwan Dollars)

TABLE 1

Seller	Property	Event Date	Original Acquisition Date	Carrying Amount	Transaction Amount	Collection	Gain (Loss) on Disposal	Counterparty	Relationship	Purpose of Disposal	Price Reference	Other Terms
Phonic Co., Ltd.	Land and Bulidings-Dongxing Rd., Xinyi Dist., Taipei City	August 19, 2021	December 30, 1994	$ 82,070	$ 204,216	Completed	$ 120,822	Apartners Investment Corporation	Associate	Increase Operating Capital	Appraised value of the real estate	

Phonic Co., Ltd.
Receivables from Related Parties Amounting to at Least $100 Million or 20% of the Paid-in Capital
December 31, 2021
(Amounts in Thousands of New Taiwan Dollars)

TABLE 2

Creditor	Counterparty	Relationship with the counterparty	Ending balance	Turnover rate	Overdue receivables		Amount collected in subsequent of period	Allowance for doubtful accounts
					Amount	Action taken		
Phonic Group, Ltd.	Shenzhen Yiba Electronic Co., Ltd.	The subsidiary of the Company	$ 82,402	—	$ —	—	$ —	$ —

Phonic Co., Ltd.
Information of Investees (Excluding Information on Investment in Mainland China)
For the Year Ended December 31, 2021
(Amounts in Thousands of New Taiwan Dollars)

TABLE 3

Investor	Investee	Location	Main business activities	Initial investment amount		Balance as of December 31, 2021			Net Income (Losses) of the Investee	Share of Profits/Losses of Investee	Note
				December 31, 2021	December 31, 2020	Number of Shares	Percentage of Ownership	Carrying Value			
Phonic Co., Ltd.	Phonic Group, Ltd.	BVI	Investment	$ 16,373	$ 16,373	270,912	100%	$ 10,653	$ (13,694)	$ (13,694)	—

Phonic Co., Ltd.
Information on Investment in Mainland China
For the Year Ended December 31, 2021
(Amounts in Thousands of New Taiwan Dollars)

TABLE 4

Investee in Mainland China	Main business activities	Total Amount of Paid-in Capital	Investment method	Accumulated Outflow of Investment from Taiwan as of January 1, 2021	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2021	Net Income (Losses) of the Investee Company	Ownership held by the Company (direct or indirect) (%)	Share of Profits/Losses (Note 2)	Carrying Amount as of December 31, 2021	Accumulated Inward Remittance of Earnings as of December 31, 2021
					Outflow	Inflow						
Shenzhen Yiba Electronic Co., Ltd.	Manufacturing and selling of professional audio products	HKD 5,000,000 ($ 19,419)	Note 1	$ 19,419	–	–	$ 19,419	$ (14,024)	100%	$ (14,024)	$ (72,213)	$ –

Accumulated Investment in Mainland China as of December 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
USD 2,785,000 ($ 92,045) (Note 3)	USD 2,955,000 ($ 97,998)	$ 151,219

Note 1: Indirectly investment in Mainland China through Company registered in a third region (Phonic Group, Ltd).

Note 2: Investment income recognized in current period is based on the financial reports audited by CPAs of the Taiwan parent company.

Note3: The total amount of investment transferred from Taiwan to Mainland China at the end of this period approved by the Investment Commission including All Yu Electronics Manufacturing Co., Ltd. (locates in Ningbo Free Trade Zone, and had been liquidated) and Fung Mega International Trading (Shanghai) Co., Ltd. amounted, USD 2,000 thousand (about $ 68,104), and USD 140 thousand (About $ 4,522), respectively.

The significant transactions with mainland invested companies, directly or indirectly through the third area, and their prices, terms of payment, unrealized gains or losses and other relevant data to facilitate understanding of the impact of Consolidated Financial Statements of mainland investment on the financial statements:

(1) Please refer to Table 4 for significant transactions between the Company and the mainland China investee indirectly invested through the third region for the year ended December 31, 2021.

(2) The unrealized (loss) profit incurred by the Company indirectly invested through the third region of the Republic of China for the year ended December 31, 2021 listed below:

Company of Sales	The Counterparty	Relationship with the party	Unrealized loss
Phonic Group, Ltd.	Phonic Co., Ltd	Subsidiary	$ –

PHONIC CO., LTD.

Information Of Major Shareholders

December 31, 2021

(Amounts in Thousands of New Taiwan Dollars)

TABLE 5

Shareholders	Shares	
	Total shares owned	Ownership Percentage
Kangjian Investment Co., Ltd.	11,636,315	58.18%
WANG , MIN-LIE	1,151,832	5.75%
Taiwan Powder Technologies Co., Ltd.	1,104,555	5.52%

Note 1: The main shareholder information in this table is calculated by Taiwan Depository & Clearing Corporation, using total number of ordinary shares and preferred shares held by the shareholders who have completed the Company's dematerialized securities registration and delivery (including treasury shares) is more than 5% on the last business day at the end of each quarter. As for the difference between capital stock recorded in the Company's financial report and the number of shares which the Company actually have completed the dematerialized securities registration and delivery, may result from computation basis.

Note 2: In the case of the above information, if the shareholder delivers the shares to the trust, it is disclosed in the individual accounts of the trustee. As for the shareholder's declaration of insider's equity holding more than 10% of the shares in accordance with the Securities and Exchange Act, trustor's shareholding includes their own shareholding plus the shares delivered to the trust and the right to use the trust property, etc. For information on insider's equity declaration, please refer to Public information Observatory.

VII. Review of Financial Conditions, Financial Performance, and Risk Management

1. Financial status

Unit: in Thousands of New Taiwan Dollars

Item \ Year	2021	2020	YoY change	
			Amount	%
Current assets	263,645	83,785	179,860	214.67
Property、Plant and Equipment	44,238	30,807	13,431	43.60
Right of use assets	4,559	3,015	1,544	51.21
Investment property	-	55,728	-55,728	-100.00
Intangible assets	-	143	-143	-100.00
Other assets	4,142	4,398	-256	-5.82
Total assets	316,584	177,876	138,708	77.98
Current liabilities	30,452	18,908	11,544	61.05
Non-current liabilities	34,101	690	33,411	4842.17
Total liabilities	64,553	19,598	44,955	229.39
Capital	200,000	290,252	-90,252	-31.09
Capital surplus	18,200	18,200	0	0.00
Special reserve	16,942	16,942	0	0.00
Retained earnings	30,824	-153,530	184,354	-120.08
Other Equity	-13,935	-13,586	-349	2.57
Total Equity	252,031	158,278	93,753	59.23

Analysis of the increase and decrease of the proportion of changes:

1. The increase in current assets and the decrease in investment real estate were mainly due to the increase in cash and cash equivalents due to the disposal of real estate and investment real estate in the current period.
2. The increase in non-current liabilities was mainly due to the increase in long-term bank borrowings for the acquisition of new offices.
3. The decrease in share capital was mainly due to capital reduction in the current period to make up for losses.

2. Financial Performance

Financial performance analysis

Unit: in Thousands of New Taiwan Dollars

	2021	2020	difference	
	Amount	Amount	Amount increase (decrease)	Variation (%)
Operating revenue	59,648	60,265	-617	-1.02%
Less: Sales returns	1,225	-2,634	3,859	-1.4651
Sales discounts and allowances	9	-14	23	-1.6429
Net Operating revenue	58,414	57,617	797	1.38%
Operating Cost	54,846	52,369	2,477	4.73%
Gross Profit	3,568	5,248	-1,680	-32.01%
Operating expenses	29,245	33,009	-3,764	-11.40%
Operating income	25,677	-27,761	53,438	-192.49%
Non-operating income and expenses	124,957	4,480	120,477	2689.22%
Profit before income tax	99,280	-23,281	122,561	-526.44%
Income tax benefit (expense)	-5,178	3	-5,181	-172700.00%
Profit (loss) from continuing operations before tax	94,102	-23,278	117,380	-504.25%
Other comprehensive income (after tax)	-349	1,683	-2,032	-120.74%
Total comprehensive income(loss)	93,753	-21,595	115,348	-534.14%

Analysis of the increase and decrease of the proportion of changes:

1. The increase in the net non-operating income and expenses was mainly due to the disposal benefits arising from the disposal of real estate and investment real estate in the current year.

Expected sales volume and its basis, possible impact on the company's future financial business and the corresponding plan:

The company mainly produces professional audio products. Due to the considerable difference in the unit price of each product, it is not appropriate to use the sales volume as the basis for measurement. However, the company continues to develop software-based virtual professional audio and fully automated engineering audio-visual equipment to meet customer needs. So it will not have a significant impact on the future financial business.

3. Cash flow ：

A. Analysis of recent changes in Cash Flow:

Unit：NT$ thousands

Cash Balance January 1, 2021	Net cash flows generated from operating activities for the full year	Net cash flow generated from non-operating activities for the full year	Cash Balance December 31, 2021
49,476	3,881	188,970	242,327

(1) Net cash flows generated from operating activities:
Due to the stabilization of the number of orders at the end of the current period, the advance payment for goods increased compared with the previous period, resulting in a net inflow of cash flow from operating activities in the current period.

(2) Net cash flow generated from non-operating activities:
Due to the disposal of real estate in the current period, there is a net cash inflow from non-operating activities in the current period.

B. Improvement plan for insufficient liability: None.

C. Cash confidence analysis in the coming year:

Unit：NT$ thousands

Cash balance at the beginning of the year	Estimated cash flow from operating activities for the whole year	Estimated cash flow from investing activities for the whole year	Estimated cash flow from financing activities for the whole year	Estimated cash inflow (outflow) in the whole year	Estimated cash surplus (insufficient) amount	Measures against cash deficit	
						Investment plan	Financial plan
242,327	734	(30,000)	(31,707)	(60,973)	181,354	-	-

4. The impact of recent major capital expenditures on financial operations: Not applicable.

5. The most recent annual reinvestment policy, the main reasons for its profit or loss, plans for improvement and investment plans for the coming year.

(a) Reasons for the policy and loss on reinvestment: The Company indirectly invests in Shenzhen Yiha Electronics Co. The products manufactured by Shenzhen Yiha Electronics Co., Ltd. are sold directly or indirectly to our company, except for the PHONIC brand in Mainland China. Accordingly, the amount of production business of Shenzhen Yiba Electronics Company Limited is determined by the order intake of the Company. The reason for the loss incurred by Shenzhen Yiba Electronics Company Limited in recent years was mainly due to the decrease in the number of orders received by the Company and the fact that the orders placed did not reach the economic scale.

(b) Improvement plan: The Company will review the manufacturing process and adopt the policy of outsourcing non-technical core business to reduce the scale of operation; the Company will also actively develop the audio-visual integration engineering business to enhance business capacity and improve the loss situation.

(c)Investment plan for the coming year: The Company will focus on business transformation in the near future and expects to achieve double profit or loss this year, with no new investment plan at the moment.

6. Risk matters should be analyzed and evaluated in the following years and the following items as of the date of publication:

A. The impact of interest rate, exchange rate changes, and inflation on the company's loss and future measures:

1. Interest rate:

(1) Impact on the company's loss

In recent years, interest rates have continued to decline, resulting in a decrease in the company's idle income deposit bank's Interest income. However, when the funds were changed to buy bond funds with higher interest rates, the change in interest rates has a significant impact on Our companyNot.

(2) The company's future countermeasures

At present, the overall interest rate is low. As far as the current international environment and domestic prosperity are concerned, the short-term sharp rise in interest rates is low. At this stage, we will continue to observe the current situation of the overall situation, evaluate the interest rate reversal point, and reduce the capital Cost.

2. Exchange rate changes:

(1) Impact on the company's loss benefit: Our company's products are mainly exported, and the export proportions in the 2020-2021 year are 88.91% and 90.85% respectively. The exchange rate quotes of the products are based on the US dollar, while the main original Most of the materials are purchased from domestic manufacturers, so exchange rate changes have an impact on Our company's revenue and profit.

(2) Specific measures in response to exchange rate changes

(A).The business department considers the price adjustments incurred in connection with the exchange rate changes at the time of quotation to protect the company's profits.

(B).Collect relevant information on exchange rate changes at any time to fully grasp the exchange rate trend, and open a Foreign account to adjust the foreign exchange position and do a good job of exchange rate risk control.

(C).Continue to accelerate the recovery of receivables in order to reduce the exposure to exchange risk

3. The impact of inflation on the company's loss:

(1) Impact on the company's loss: The overall producer price index has a relatively low annual growth rate, the consumer price index is also at a low level, and inflationary pressures are significantly lower. Therefore, inflation has no significant impact on the company.

(2) The company's future response measures: None.

B. Engage in high-risk, highly leveraged investments, loans to other parties, the main reason for the policy endorsement and guarantee transactions and derivative products, and future profit or loss of response measures:

1. As of the date of publication of the annual report, the company has not engaged in high-risk investments, high-leveraged investments, capital loans and others, endorsement guarantees, and derivative commodity transactions.
2. The company has already set up "procurement procedures for acquiring or disposing of assets", "methods for the operation of capital loans and others" and "handling methods for endorsement guarantees", which have been approved by the resolution of the shareholders' meeting. The relevant processing operation program is executed.

C. R&D expenses for future R&D projects and projected inputs:

In the future, we will develop multi-format configurable high-resolution guides, mixers, image signal synchronizers and digital special effects machines. The total estimated expenditures for research and development manpower input, material use and testing are estimated to be about 4,628 thousand yuan.

D. Impact of domestic and foreign important policy and legal changes on the company's financial business and corresponding measures: Not applicable

E.The impact of technological changes and industrial changes on the company's financial business and corresponding measures:

In recent years, PCs have been widely used, and peripheral products are changing with each passing day, which will create new business opportunities for the company and develop consumer products that combine computer and audio functions, which will help the popularization of professional audio.

F. Impact of corporate image change on corporate crisis management and countermeasures: Not applicable

G. It was expected benefits of the merger, possible risks and response measures: Not applicable.

H. Expected benefits, possible risks and countermeasures for plant expansion: Not applicable.

I. Risks and countermeasures for the concentration of incoming goods or sales: inadequacy.

J. Directors, supervisors or large shareholders holding more than 10% of the shares. The impact, risks and countermeasures of the large-scale transfer or replacement of equity on the company: Not applicable.

L. Impact of changes in management rights on the company, risks and countermeasures: Not applicable.

M. Litigation or non-litigation events shall list the major litigation of the company and its directors, supervisors, general managers, substantive principals, major shareholders holding more than 10% of the shares and subordinate companies that have been determined by judgment or are still in the department , Non-litigation or administrative litigation events, the results of which may have a significant impact on shareholders 'equity or securities prices, should disclose their disputed facts, the amount of the target, the date of the start of the lawsuit, the main parties involved in the litigation and the handling situation as of the date of publication of the annual report: Not applicable.

N. Other important risks and countermeasures:

Information security risk: In order to implement information security management, the company has formulated information security management related operating rules and implemented information work plan accordingly. In addition to strictly managing employee application system access and file data permissions and security maintenance, the program has also built firewalls, mail anti-virus and anti-hacking, and backup plan operations to control and audit personnel use permissions and records to reduce company Information security risks.

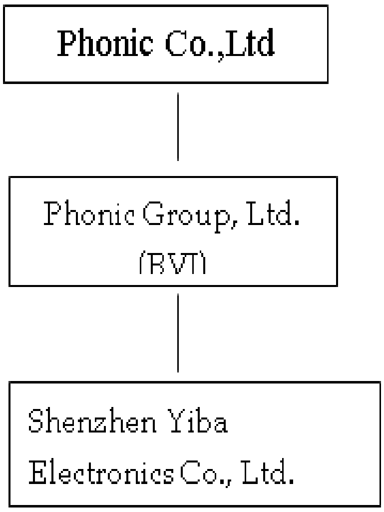
7.Other important matters: None.

VIII. Special Items

1. Related business information

A. Relationship company profile

Relationship organization chart



B. Basic information of each related company

Unit：in Thousands of Dollars

Enterprise Name	Date of establishment	AAddress	Paid-up capital	Major business or production project
Phonic Corporation (BVI)	Nov. 03, 2000	2ndFloor, Abbott Building, Road Town, Tortola,British Virgin Islands	US$271	Holding company
Shenzhen Yiba Electronics Co., Ltd.	Nov. 02, 2011	Tuyang Industrial Zone, Kwaiyong Town, Shenzhen, Guangdong, China	HK$5,000	Professional audio production

C. Presumed to have the same stockholder information as the control and affiliation

Unit：in Thousands of Dollars; shares; %

Presumptive reason	**Name or Namee**	**Holding shares**		**Date of establishment**	**Address**	**Paid-up capital**	**Main Operating Project**
		Number of shares	Shareholding ratio				
Not applicable							

D. The overall relationship between the enterprises and the industries covered by the Operating Office

The industries covered by the overall relationship business are mainly covered by:

(1) The industry: design, production and sales of professional audio products.

(2) General investment industry.

The main operating companies are mainly Operating or production projects. For details, please refer to the previous section, and the basic information list of each related enterprise.

E. Directors, Supervisor and President information for each relationship company

Company Name	position	Name or representative	Holding shares	
			Number of shares/investment amount	Number of shares/investment amount
Phonic Group, Ltd. (BVI)	Chairman	Phonic Group, Ltd. representative ：WANG , MIN-LIE	270,912 shares	100.00%
Shenzhen Yiba Electronics Co., Ltd.		Phonic Group, Ltd. (BVI) representative ：WANG , MIN-LIE	HK$5,000,000	100.00%

F. Overview of the operations of various related companies

Unit：NT$ thousands

Company Name	Capital amount	Total assets	Total liabilities	Net worth	Operating revenue	Operating Gains(Loss)	Net income(loss)	EPS (NT) (after tax)
Phonic Group, Ltd. (BVI)	16,373	26,248	15,595	10,653	45,053	(14,928)	(13,694)	(50.55)
Shenzhen Yiba Electronics Co., Ltd.	19,419	25,582	97,795	(72,213)	45,053	(7,823)	(14,024)	—

2.The most recent annual and temperate annual report is printed on the date of the private equity securities transaction：
Not applicable.

3.The Company’s Shares Held or Disposed by Subsidiaries from last year up to the Annual Report being Published：
Not applicable.

4.Other necessary supplementary notes：None.

IX. The most recent year and the end of the annual report, if there is a securities transaction Act Article 36, paragraph 3, paragraph 2, has a significant impact on the stockholder Equity, or the price of the securities：Not applicable.

Phonic Corporation

Chairman: TAN, HUNG-HSIANG