Stock code: 3067

Phonic Corporation
2022 Annual Report

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Phonic Corporation
Annual Report is available at:
http://www.twphonic.com

Notice to readers
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 of the Company

Spokesman:
Name: Kao, Wei-Hung
Title: Senior Manager
Telephone: (02)2659-2166
E-mail: ir@twphonic.com

Deputy Spokesman:
Name: Shen, Pi-Chi
Title: Special Assistant
Telephone: (02)8768-2628
E-mail: ericshen@phonic.com

2. Address and Telephone Number of the Corporation, Branch Office and Factory:

Head Office:
Address: 6F-1, No. 36, Alley 38, Lane 358, Ruiguang Rd., Neihu District, Taipei City 114, Taiwan (R.O.C.)
Telephone: 02)2659-2166
Branch Office: None.
Factory: None.

3. Stock Transfer Agent:

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
Telephone: (02)2586-5859

4. Certified Public Accountants for the Latest Annual Financial Report

Name of Accountants: Wang, Jia Siang, Jhuo, Ching Chyuan
Name of Accounting Firm: Crowe (TW)CPAs
Address: 10F., No. 369, Fuxing N. Rd., Songshan Dist., Taipei City 105, Taiwan (R.O.C.)
Website: http://www. crowe.tw
Telephone: (02)6606-0288

5. Information of Overseas Securities Exchange: N/A.

6. Corporate Website: http://www.phonic.com

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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 2023. Thanks to the shareholders for their love and support.

The 2022 business report and outlook in 2023 are summarized as follows:

I. 2022 Annual Business Report

(1) Implementation Results of the Business Plan

The 2022 consolidated operating income was NT$97,607,000.--, and the consolidated non-operating net income was total NT$2,417,000.--; the 2022 consolidated operating costs and expenses were total NT$104,198,000.--, the consolidated net loss before tax was NT$4,174,000.--, the consolidated net loss after tax was NT$ $6,937,000.--, and the consolidated after-tax loss per share was NT$0.35.--.

(2) Budget Implementation

The Company is not publishing financial forecasts for 2022, so it is not applicable.

(3) Cash flow:

Expressed in thousands of New Taiwan Dollars

Item	2021	2022
Cash Inflow (Outflow)Generated from Operating Activities	3,881	21,487
Cash Inflow (Outflow)Generated from Investing Activities	161,196	(352)
Cash Inflow (Outflow)Generated from Financing Activities	28,095	(3,791)

U

(4) Analysis of Profitability

Unit: Expressed in thousands of New Taiwan Dollars

Item	2021	2022
Return on Assets (%)	38.14	(1.99)
Return on Equity (%)	45.87	(2.79)
Operating Income to Capital Stock (%)	(12.84)	(3.30)
Profit Before Tax to Capital Stock (%)	49.64	(2.09)
Profit Margin (%）	161.09	(7.11)
Earnings per Share (NT$)	4.71	(0.35)

(5) Research and Development Status

1. Introducing new harmonic functions that are musically related to the original sound, reproducing new sounds with unparalleled depth and clarity.
2. Continue to develop and optimize fully automatic digital products, audio-visual products with streaming media functions and portable audio system products.

2. Summary of 2023 Business Plan

(1) Operating policy:

1. Consolidate the existing domestic and foreign markets, and continue to expand new customer sources.
2. In response to market demand in the post-epidemic era, actively promote various applications of portable audio systems.
3. Optimize the functions and cost performance of existing products, increase the shipments of high-margin products and sales mix, so as to improve the Company's overall profit.

(2) Expected sales volume and its basis:

The Company does not need to announce financial forecasts in 2022, so it is not applicable.

(3) Important production and marketing policies:

1. In-depth understanding of market demand in order to establish a niche for product differentiation and enhance Phonic's professional brand image.
2. Develop models and products with market competitiveness, continue to seize international market share, and increase the overall revenue and profit of the group.
3. Effectively integrate and optimize global sales channels according to sales strategies.
4. Gradually improve the flexibility and efficiency of the production process and supply chain.

3. Future Development Strategy of The Company

Looking forward to 2023, as the impact of the COVID-19 pandemic has been effectively controlled, many countries around the world have entered the stage of complete unblocking. It is expected that various entertainment consumption and large-scale mass activities will gradually return to pre-epidemic levels, and even usher in retaliatory consumption The tide of growth; in addition to continuously optimizing the functions and cost performance of existing products, the Company continues to expand its technical knowledge to other fields of professional audio, and introduces new products with differentiated niches to maintain the market competitiveness of the Phonic professional brand In addition, the Company will also respond to changes in market demand after the epidemic, close to consumers' daily entertainment needs, and actively develop competitive products to effectively grasp business opportunities in existing and potential markets and expand market share.

4. Impacts Affected by the External Competitive Environment, Regulatory Environment and Overall Business Environment

The professional audio market has benefited from growing digitalization and portable in size. The Company will also devote itself to the research and development optimization of related products and the expansion of international marketing channels, and deeply understand the changes in market demand, so as to provide customers competitive products which meet their quality, cost, delivery and service etc. requirements.

In 2023, although the world will be affected by the Russia-Ukraine war and the new US-China Cold War, resulting in increased inflation and slower overall economic growth in various countries, scholars and industry research reports still predict that the professional audio market will continue to grow; the Company will implement the annual The business plan is to face the challenges and business opportunities after the epidemic, and to take into account the principles of safe operation and stable growth, to increase the Company's profits, and to repay the love and support of all shareholders.

Chairman:	Manager:	Chief Accounting Officer:
Chou, Chin-Wen	**Wang, Min-Lie**	**Kao, Wei-Hung**

2. Company Profile

2.1 Date of Incorporation: November 22, 1973

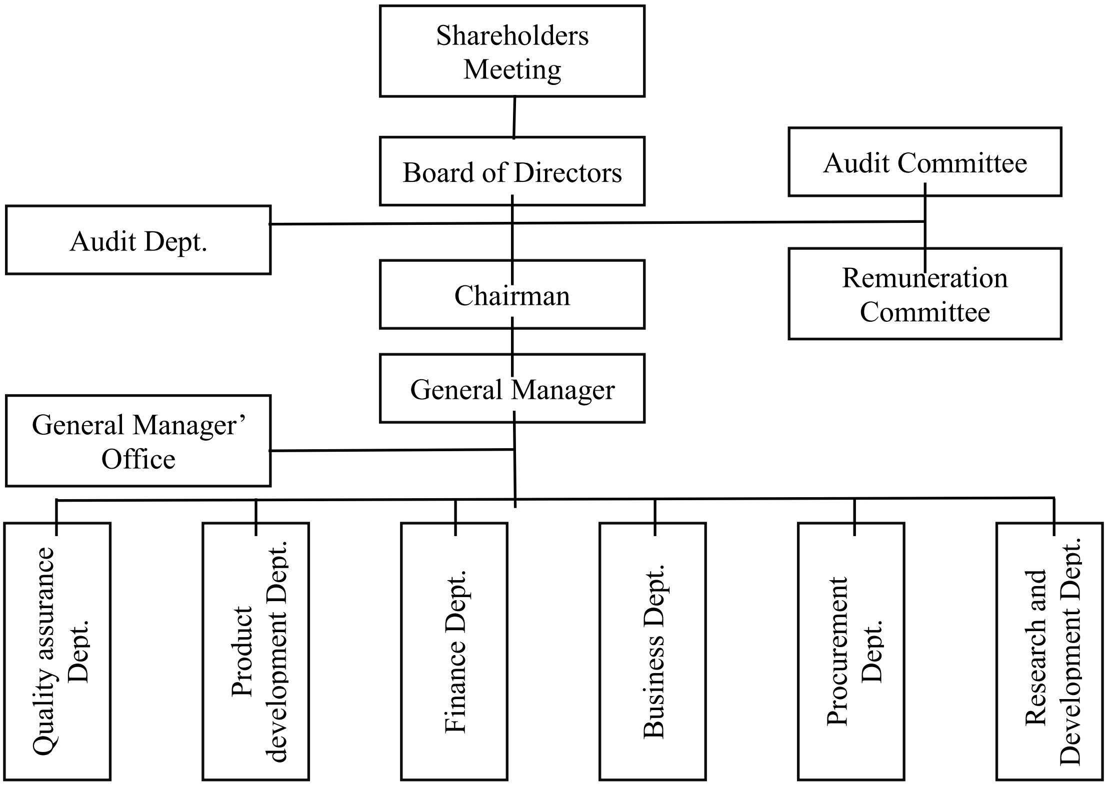
2.2 Company History:

1973	The Company was registered in Wenchang Street, Taipei City, with a paid-in capital of NT$1,000,000.
1976	Increased capital to NT$5,000,000.
1982	Increased capital to NT$10,000,000.
1986	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 (1 ping = 3.305 square meters)of Haihu Industrial Zone and increased the capital to NT$100,000,000.
1990	Increased capital to NT$150,000,000.
1992	Approved to conduct an initial public offering (IPO)for the issued shares to increase capital.
1995	Purchased the office building of Dongxing Road, Taipei City. Establish professional audio equipment of PHONIC's own brand.
2000	Retained Earnings and Capital surplus Transferred to common stock. Capital increased to NT$176,000,000.
2001	Retained Earnings Transferred to common stock. Capital increased to NT$203,615,000.
2002	Retained Earnings Transferred to common stock. Capital increased to NT$236,066,000.
2003	Retained Earnings Transferred to common stock. Capital increased to NT$252,660,000. Company's stock has been officially listed in the TPEX market in October.
2004	Retained Earnings Transferred to common stock. Capital increased to NT$290,252,000.
2016	Started sales promotion to global marketing with a new brand of “Asystems”.
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 NT$90,252,000. Paid-in capital after capital reduction is NT$200,000,000.

3. Corporate Governance Report

3.1 Organization

3.1.1 Organization Chart



3.1.2 Major Corporate Functions

Department	Functions
General Manager's Office	Handle MIS, personnel, general affairs and undertake orders from General Manger.
Audit Department	Plan and perform audits and tracking improvements for internal control operations.
Quality Assurance Department	Promote the Company's quality assurance and safety regulations implementation and management technology settings, inspections, and improve product quality to achieve quality assurance.
Business Department	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.
Research and Development Department	Research and development of product design and improvement operations according to market demand; introduction of product transfer operations before mass production.
Product Development Department	New product definition, development and shape design.
Finance Department	Manage the Company's financial planning, fund scheduling management, cashier management, accounting, taxation, cost control and business analysis.
Procurement Department	Responsible for the procurement and storage management of raw materials and equipment.

3.2 Directors, Supervisors and Management Team

3.2.1 Board Members

Information Regarding Board Members

Title	Nationality or Place of Registration	Name	Sex / Age	Date Elected/ Appointed	Term (Years)	Date First Elected	Shares Held when Elected		Shares Currently Held		Shares Currently Held by Spouse & Minors		Shareholder by Nominee Arrangement		Selected Education and Professional Qualification Past Positions Current Positions at Organizations	Selected Current Positions at Phonic and Other Companies	Executives, Directors or Supervisors who are spouses or within two degrees of kinship			Note
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chair-man	ROC	Kangjian Investment Co., Ltd. Representative: Chou, Chin-Wen (Note 1)	M 50~60	02.24.2021 *02.24.2021	3	10.20.2002 *12.25.2020	10,934,811 *0	37.67 *0	11,636,315 (Note 2) *0	58.18 *0	0	0	0	0	MBA of Wharton School of the University of Pennsylvania.	1. Chairman of Taiwan Power Tech Co., Ltd. 2. Chairman of Kangjian Investment Co., Ltd. 3. Director of Tai Ling Biotech Inc 4. Chairman of Kangyao Investment Co., Ltd.	None	None	None	
Director	ROC	Kangjian Investment Co., Ltd. Representative: Tang, Hung-Hsiang (Note 1)	M 60~70	02.24.2021 *02.24.2021	3	10.20.2002 *12.25.2020	10,934,811 *0	37.67 *0	11,636,315 (Note 2) *0	58.18 *0	0	0	0	0	1. General Manager of Chunyu Electronics (Suzhou)Co., Ltd. 2. General Manager of OCOM COMMUNICATIONS, INC. (Suzhou Branch) 3. Bachelor of Business Administration, Fu Jen Catholic University	1. Chairman of Top Powder Technologies Co., Ltd.	None	None	None	

Title	Nationality or Place of Registration	Name	Sex / Age	Date Elected/ Appointed	Term (Years)	Date First Elected	Shares Held when Elected		Shares Currently Held		Shares Currently Held by Spouse & Minors		Shareholder by Nominee Arrangement		Selected Education and Professional Qualification Past Positions Current Positions at Organizations	Selected Current Positions at Phonic and Other Companies	Executives, Directors or Supervisors who are spouses or within two degrees of kinship			Note
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Director	ROC	Kangjian Investment Co., Ltd. Representative: Wang, Min-Lie	M 70~80	02.24.2021 *02.24.2021	3	10.20.2002 *09.29.1976	10,934,811 *1,671,611	37.67 *5.76	11,636,315 (Note2) *1,151,832 (Note2)	58.18 *5.76	0	0	372,442	1.86	1. Policy Advisor of Taiwan Electrical and Electronic Industries Association 2. Department of Electronic Engineering, Chung Yuan University 3. MBA of Oklahoma City University 4. MBA of Institute of Business Administration, National Chengchi	1. Serves also as the General Manager of Phonic Corp. 2. Chairman of Rongyi Investment Co., Ltd. 3. Chairman of Cura Fun Asia Corp.	None	None	None	
Director	ROC	Kangjian Investment Co., Ltd. Representative: Hsieh, Tsu-Wei	M 60~70	02.24.2021 *02.24.2021	3	10.20.2002 *02.24.2021	10,934,811 *0	37.67 *0	11,636,315 (Note2) *0	58.18 *0	0	0	0	0	1. Finance Manager/ Motech Industries Inc. 2. Finance Manager of Spirox Corp. 3. Vice President of Finance of Premier Technology Co., Ltd. 4. Bachelor of Business Administration, National Chengchi University	1. Corporate Representative Director of Taiwan Power Tech Co., Ltd. 2. Director of Inkism Int'l Co., Ltd. 3. Corporate Representative Director of Tai Ling Biotech Inc.	None	None	None	
Independent Director	ROC	Lin, Ying-Che	M 60~70	02.24.2021	3	02.24.2021	0	0	0	0	0	0	0	0	1. CEO of Marketech International Corp. 2. Adviser of Financial Supervisory Commission (FSC) 3. MBA of Graduate Institute of Public Finance, National Chengchi University	Advisor of the Topco Scientific Co., Ltd.	None	None	None	

Title	Nationality or Place of Registration	Name	Sex / Age	Date Elected/ Appointed	Term (Years)	Date First Elected	Shares Held when Elected		Shares Currently Held		Shares Currently Held by Spouse & Minors		Shareholder by Nominee Arrangement		Selected Education and Professional Qualification Past Positions Current Positions at Organizations	Selected Current Positions at Phonic and Other Companies	Executives, Directors or Supervisors who are spouses or within two degrees of kinship			Note
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Independent Director	ROC	Chiu, Li-Mei	F 50~60	02.24.2021	3	02.24.2021	0	0	0	0	0	0	0	0	1. Deputy Finance Manager of Pou Chen Corporation 2. Finance Manager of Motech Industries Inc. 3. Deputy Audit Manager of Crowe (TW)CPAs	CPA of Chu-Hui Audit Form	None	None	None	
Independent Director	ROC	Yao, Shun-Yen	M 40~50	02.24.2021	3	02.24.2021	0	0	0	0	0	0	0	0	1. Project manager of Taiwan Semiconductor Manufacturing Co., Ltd. 2. Strategic consultant of American Business Boston Consulting Co., Ltd. 3. Business consultant of Accenture Consulting Co., Ltd. 4. Master of Business Administration, Lausanne School of Management, Switzerland 5. Master of Electrical Engineering and Computer Science, Cornell University, USA	1. Investment Director of CID Group Ltd. 2. Independent Director of LOUISA Professional Coffee LTD.. 3. Entire Technology Co., Ltd. Corporate Representative Director 4. Supervisor of Entire Technology Co., Ltd. 5. Corporate Representative Director of ENTIRE HOLDING GROUP LTD. 6. Corporate Representative Director of ENTIRE MATERIALS CO., LTD 7. Director of Chin Yang Solar Co., Ltd. 8. Director of Hua Yang Solar Co., Ltd. 9. Director of , SUZHOU HALO PHARMATECH CO.,LTD.	None	None	None	

*The date of the representative’s personal election (taking office), the date of the first election, the number of shares held and the shareholding ratio at the time of election, the number of shares held and the shareholding ratio at present.

Note1: The Board of Directors of the Company re-elected Chairman on November 9, 2022. Tang, Hung-Hsiang, the representative of Kangjian Investment Co., Ltd., resigned after the re-election, and was replaced by Chou, Chin-Hsiang, the representative of Kangjian Investment Co., Ltd. Wen assumes the position of Chairman.

Note2: The Company will handle Capital reduction for deficit offset in 2021, and the current number of shares held refers to the number of shares held after the capital reduction for new shares.

Table 1: Major Shareholder of the Corporate Shareholders

May 8, 2023

Name of Corporate Shareholders	Major shareholder of the Corporate Shareholders
Kangjian Investment Co., Ltd.	Taiwan Powder Technologies Co., Ltd. (100%)

Table 2: The Major Shareholder of Table 1 is the Corporate Shareholders' Major Shareholder

May 8, 2023

Name of Juridical Person	Major Shareholders of a Juridical Person
Taiwan Powder Technologies Co., Ltd.	Victory Powder Limited (20.85%) Siyu Investment Co., Ltd. (8.84%) HPM Labs Co., LTD. (3.98%) Zou Jingwen (2.80%) Chen Qin (2.26%) Qide Investment Co., Ltd. (2.21%) Lu Yongzhong (2.13%) Chen Moli (1.92%) Yoshimura Investment Co., Ltd. (1.92%) 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 Public Companies Concurrently Serving as an Independent Director Serving as an Independent Director
Zhou, Jingwen	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company Main Experience (Education): MBA of Wharton School of the University of Pennsylvania.	Not Applicable	0
Wang, Min-Lie	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company Main Experience (Education): 1. Policy Advisor of Taiwan Electrical and Electronic Industries Association 2. Department of Electronic Engineering, Chung Yuan University 3. MBA of Oklahoma City University 4. MBA of Institute of Business Administration, National Chengchi University	Not Applicable	0
Tang, Hung-Hsiang	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company Main Experience (Education): 1. General Manager of Chunyu Electronics (Suzhou)Co., Ltd. 2. General Manager of OCOM COMMUNICATIONS, INC. (Suzhou Branch) 3. Bachelor of Business Administration, Fu Jen	Not Applicable	0
Hsieh, Zuwei	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company Main Experience (Education): 1. Finance Manager of Motech Industries Inc. 2. Finance Manager of Spirox Corp. 3. Vice President of Finance of Premier Technology Co., Ltd. 4. Bachelor of Business Administration, National Chengchi University	Not Applicable	0

<table>
<tr>
<td>Chiu, Li-Mei
（Independent Director）</td>
<td>Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company

Certified Public Accountant and Professional or Technical Specialist Who Has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company

Main Experience (Education):
1. Deputy Finance Manager of Pou Chen Corporation
2. Finance Manager of Motech Industries Inc.
3. Deputy Audit Manager of Crowe (TW)CPAs</td>
<td rowspan="3">Have complied with the provisions of Article 3 and Article 4 of the “ Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies” regarding maintaining independence and service restrictions:
(1)The person, spouse, and relatives within the second degree are not directors, supervisors, or employees of the Company or affiliated companies.
(2)The person, spouse, and relatives within the second degree (or in the name of others)do not hold shares in the Company.
(3)Not serving as a director, supervisor or employee of a Company that has a specific relationship with the Company.
(4)There is no amount of remuneration received for providing business, legal, financial, accounting and other services to the Company or affiliated companies in the last two years.</td>
<td>0</td>
</tr>
<tr>
<td>Lin,Ying-Zhe
（Independent Director）</td>
<td>Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company

Main Experience (Education):
1. CEO of Marketech International Corp.
2. Adviser of Financial Supervisory Commission (FSC)
3. MBA of Graduate Institute of Public Finance, National Chengchi University</td>
<td>0</td>
</tr>
<tr>
<td>Yao, Shun-Yen
（Independent Director）</td>
<td>Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company

Main Experience (Education):
1. Project manager of Taiwan Semiconductor Manufacturing Co., Ltd.
2. Strategic consultant of American Business Boston Consulting Co., Ltd.
3. Business consultant of Accenture Consulting Co., Ltd.
4. Master of Business Administration, Lausanne School of Management, Switzerland
5. Master of Electrical Engineering and Computer Science, Cornell University, USA</td>
<td>1</td>
</tr>
</table>

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

Board Diversity and Independence

The Company's "Corporate Governance Best Practice Principles" has standardized the composition of the Board of Directors and the capabilities they should possess as a whole, and has established a diversity policy for board members and development needs to formulate appropriate diversification policies, such as the following two-oriented standards:

1. Basic conditions and values: gender, age, nationality and culture, etc.
2. Professional knowledge and skills: professional background (such as law, accounting, industry, finance, marketing or technology), professional skills and industry experience, etc.

Members of the Board of Directors should generally have the knowledge, skills and accomplishments necessary to perform their duties. In order to achieve the ideal goal of corporate governance, the Board of Directors as a whole should have the following capabilities:

1. Operational Judgment
2. Accounting and Financial Analysis Skills
3. Management Ability
4. Crisis Management Skills
5. Industry Knowledge
6. International Market Outlook
7. Leadership
8. Decision-Making Ability

The implementation of diversity among members of the Board of Directors of the Company is summarized as follows:

The Company currently has 7 directors, 3 of them are Independent Directors (43%), 1 female director (14%), and 1 employee director (14%); the tenure of the 2 Independent Directors have less than 3 years, and the other one has less than 9 years. The Company pays attention to gender equality of board members, and the goal is to have at least one female director.

The members of the Board of Directors have work experience and expertise in business management, industry knowledge, financial and strategic management.

Implementation of the Diversity Policy for Board Member

Title		Chairman	Director	Director	Director	Independent Director	Independent Director	Independent Director
Name		Zhou, Jingwen	Wang, Min-Lie	Tang, Hung-Hsiang	Hsieh, Zuwei	Chiu, Li-Mei	Lin, Ying-Zhe	Yao, Shun-Yen
Gender		Male	Male	Male	Male	Female	Male	Male
Age		50-60	70-80	60-70	60-70	50-60	60-70	40-50
Employed by Phonic			V					
Independent Directors' Term of Office	< 3 years					V		V
	7-9 Years						V	
Professional Knowledge and Expertise								
Business		Vˇ	V	ˇV	ˇV	ˇV	Vˇ	Vˇ
Technology		ˇV	ˇV	Vˇ	ˇV		ˇV	Vˇ
Finance/Accounting					ˇV	V		ˇV
Legal							Vˇ	
Skills and Experience								
Leadership Skill		Vˇ	V	ˇV	ˇV	ˇV	Vˇ	Vˇ
Strategic Decision-making		Vˇ	V	ˇV	ˇV	ˇV	Vˇ	Vˇ
Industry Experience		Vˇ	V	ˇV	ˇV	ˇV	Vˇ	Vˇ
Financial		Vˇ	V	ˇV	ˇV	ˇV	ˇ	Vˇ
Operating and Manufacturing		Vˇ	V	ˇV				
Business Development		Vˇ	V	ˇV	ˇV	ˇV	Vˇ	Vˇ
Environmental Sustainability		Vˇ	V	ˇV	ˇV	ˇV	Vˇ	Vˇ
Social Engagement		Vˇ	V	ˇV	ˇV	ˇV	Vˇ	Vˇ

3.2.2 Information Regarding Management Teams

April 28, 2023

Title	Nationality or Place of Registration	Name	Sex	Date Elected	Shares Currently Held		Shares Currently Held by Spouse & Minors		Shareholder by Nominee Arrangement		Selected Education and Professional Qualification Past Positions Current Positions at Non-profit Organizations	Selected Current Positions at Phonic and Other Companies	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
General Manager	ROC	Wang, Min-Lie	M	62.11.22	1,151,832	5.76	0	0	372,442	1.86	1. Policy Advisor of Taiwan Electrical and Electronic Industries Association 2. Department of Electronic Engineering, Chung Yuan University 3. MBA of Oklahoma City University 4. MBA of Institute of Business Administration, National Chengchi University	1. Chairman of Rongyi Investment Co., Ltd. 2. Chairman of CURA FUN Asia Corporation	None	None	**None**
Sales Manager	ROC	Lin, Han-Yue	M	94.07.25	1,378	0.01	0	0	0	0	1. Sales Manager of High Point Technology Inc. 2. MBA, University of the Pacific	None	None	None	None
Chief Auditor	ROC	Su, Hui-Wen	F	112.03.17	0	0	0	0	0	0	1. Finance Department of Jiasheng Technology Consulting Co., Ltd. 2. Project Management Department of Jiajie Biotechnology Co., Ltd. 3. Shih Chien University Accounting Department	None	None	None	None
Finance VP	ROC	Kao, Wei-Hung	M	111.11.09	0	0	0	0	0	0	1. Audit Manager of Lang Inc. 2. Chief of Share Transfer Dept. of Taiwan Star 3. Chief Auditor of PWC Taiwan 4. Chung Cheng University, Institute of Accounting and Finance	None	None	None	None

3.2.3 If the Chairman and the General Manager or the equivalent (top manager)are the same person and if they are each other are spouses or first-degree relatives, the reason, rationality, necessity and countermeasures should be explained: N/A.

3.3 Remuneration Paid to Directors, Supervisors, President and Vice President During the Last Fiscal Year

3.3.1 Remuneration paid to the Directors (including Independent Directors) in 2022

Unit: NT$ thousand / Thousand shares

Title	Name	Remuneration								(A+B+C+D)as a % of Net Income		Relevant Remuneration Received by Directors Who are Also Employees								(A+B+C+D)as a % of Net Income		Remuneration Paid to Directors from an Invested Company Other than the Company's Subsidiary
		Base Remuneration (A)		Severance Pay (B)		Remuneration of Directors (C)		Allowances (D)				Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Remuneration of Employees (G)						
		From Phonic	From All Consolidated Entities	From Phonic	From All Consolidated Entities	From Phonic	From All Consolidated Entities	From Phonic	From All Consolidated Entities	From Phonic	From All Consolidated Entities	From Phonic	From All Consolidated Entities	From Phonic	From All Consolidated Entities)	From Phonic		From All Consolidated Entities)		From Phonic	From All Consolidated Entities	
																Cash	Shares	Cash	Shares			
Chairman	Chou, Chin-Wen	0	0	0	0	0	0	0	0	0.00	0.00	0	0	0	0	0	0	0	0	0.00	0.00	None
Director	Wang, Min-Lie	0	0	0	0	0	0	0	0	0.00	0.00	1,771	1,771	0	0	0	0	0	0	-25.53	-25.53	None
Director	Tang, Hung-Hsiang	0	0	0	0	0	0	0	0	0.00	0.00	0	0	0	0	0	0	0	0	0.00	0.00	None
Director	Hsieh, Tsu-Wei	0	0	0	0	0	0	0	0	0.00	0.00	0	0	0	0	0	0	0	0	0.00	0.00	None
Independent Director	Chiu, Li-Mei	360	360	0	0	0	0	0	0	-5.19	-5.19	0	0	0	0	0	0	0	0	-5.19	-5.19	None
Independent Director	Lin, Ying-Che	360	360	0	0	0	0	0	0	-5.19	-5.19	0	0	0	0	0	0	0	0	-5.19	-5.19	None
Independent Director	Yao, Shun-Yen	360	360	0	0	0	0	0	0	-5.19	-5.19	0	0	0	0	0	0	0	0	-5.19	-5.19	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 responsibilitie risks, investment time and other factors: according to Article 28 of the Company's Articles of Incorporation , No profit was made for the year, so no director's remuneration was paid.
2. The remuneration received by the Company's Directors for services rendered (such as serving as non-employee consultants of the parent Company/all consolidated entities/all re-invested entities)to From All Consolidated Entities other than those disclosed in the schedule above: N/A

3.3.2 Remuneration of General Manager of the Company in 2022

Expressed in Thousands of New Taiwan Dollars

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	1,771	1,771	0	0	0	0	0	0	0	0	-25.53	-25.53	0

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

3.3.3 Remuneration of the Top Five Remuneration Executives of TWSE/TPEX Listed Companies

Expressed in Thousands of New Taiwan Dollars

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	1,771	1,771	0	0	0	0	0	0	0	0	-25.53	-25.53	0
Finance Dept . Deputy Manager	Lin, Shih-Chun	1,635	1,635	0	0	0	0	0	0	0	0	-23.57	-23.57	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.

3.3.4 Implementation Status of Payment of Bonuses To Employee and Remuneration To Managers:

The Company's after-tax net loss for 2022 is NT$6,937,000. According to Article 28 of the Company's Articles of Incorporation, no bonus and remuneration will be paid to employees and directors, and it has been approved by the remuneration committee and the Board of Directors.

3.3.5 Comparative Analysis of The Total Amount of Remuneration Paid To The Directors, Supervisors, Audit Committee Members, General Managers And Vice General Managers of The Company In The Most Recent Two Years As A Percentage of The Net Profit After Tax of Individual Financial Reports of The Company And Explanation of The Policy, Standard and Combination of Remuneration, Procedures For Determining Remuneration, and Its Correlation With Business Performance And Future Risks:

The Ratio of The Total Remuneration Paid In The Last Two Years To The After-Tax Net Profit:

Percentage of Total Remuneration Paid After-Tax Net Profit	2021	2022
Directors	1.55%	-41.10%
General Manager and Vice General Manager	0.40%	-25.53%

The policy of the Company and all companies in the consolidated financial statements to pay the Company's Directors, Supervisors, General Manager and Vice General Manager is based on the scope of power and responsibility of the position in the Company and the contribution to the Company's operating goals. In addition to referring to the Company's overall operating performance, it also refers to the individual's contribution to the Company's performance.

3.4 Implementation of Corporate Governance

3.4.1 Board of Directors Meeting Status

Phonic Corporation (Phonic)'s Chairman of the Board of Directors convened five (5) meetings in 2022. The directors' attendance status is summarized as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate in Person (%)(B/A)	Remarks
Chairman	Kangjian Investment Co., Ltd. Representative: Chou, Chin-Wen	1	4	20%	1. 02.24.2021 Re-election of Director 2. 11.09.2022 Election of new Chairman
Director	Kangjian Investment Co., Ltd. Representative: Wang, Min-Lie	0	5	0%	02.24.2021 Re-election of Director
Director	Kangjian Investment Co., Ltd. Representative: Tang, Hung-Hsiang	5	0	100%	1. 02.24.2021 Election of new Chairman 2. 11.09.2022 Re-election of Chairman
Director	Kangjian Investment Co., Ltd. Representative: Hsieh, Tsu-Wei	4	1	80%	02.24.2021 Election of new directors
Independent Director	Chiu, Li-Mei	5	0	100%	02.24.2021 Election of new directors
Independent Director	Lin, Ying-Che	4	1	80%	02.24.2021 Re-election of Director
Independent Director	Yao, Shun-Yen	5	0	100%	02.24.2021 Election of new directors

Other mentionable items:

1. In case of any of the following circumstances in the operation of the Board of Directors, the date and terms of the Board of Directors, the contents of the proposal, all independent directors' opinions and the Company's response to the independent directors' opinions shall be stated:
   (1) The Matters referred to in Article in Article 14-3 of the Securities and Exchange Act: Please refer to Page 40-41 Summary of Important Resolutions adopted by the Board of Directors.
   (2) Other Board decisions subject to objections or a qualified opinion by the independent director and recorded in record or written statement except previously stated: N/A
2. If there is Directors' avoidance of motions in conflict of interest, the Directors' names, contents of motion, causes for avoidance and voting should be specified: N/A.

3. TWSE/GTSM listed companies shall disclose information such as the evaluation cycle, period,

scope, method and content of the board's self-evaluation (or peer evaluation)and shall complete the form of the Implementation Status of the Board of Directors:

Board of Directors' Performance Evaluation Implementation Status

Evaluation Cycle	Evaluation Period
Evaluation Period	From January 1, 2022 to December 31, 2022
Scope of Evaluation	Evaluation of performance of the Board of Directors, evaluating the performance of the board members, and evaluating the performance of functional committees
Method of valuation	Internal assessment of the Board of Directors, Self-assessment by each board member, and Internal assessment of the Functional Committee
Evaluation Aspect	The Company shall take into consideration its condition and needs when establishing the criteria for evaluating the performance of the Board of Directors, which should cover, at a minimum, the following five aspects: 1. Participation in the operation of the Company; 2. Improvement of the quality of the Board of Directors' decision making; 3. Composition and structure of the Board of Directors; 4. Election and continuing education of the directors; and 5. Internal control. The criteria for evaluating the performance of the board members (on themselves or peers), should cover, at a minimum, the following six aspects: 1. Alignment of the goals and missions of the Company; 2. Awareness of the duties of a director; 3. Participation in the operation of the Company; 4. Management of internal relationship and communication; 5. The director's professionalism and continuing education; and 6. Internal control. The criteria for evaluating the performance of functional committees should cover, at a minimum, the following five aspects: 1. Participation in the operation of the Company; 2. Awareness of the duties of the functional committee; 3. Improvement of quality of decisions made by the functional committee; 4. Makeup of the functional committee and election of its members and 5. Internal control.

The performance evaluation results of the Company's Board of Directors in 2022 are between 5 points "strongly agree" and 4 points "agree". Most of the directors agree with the operation of various evaluation indicators. The overall operation of the evaluation board and various functional committees is good, which meets the requirements of corporate governance, and effectively strengthens the functions of the Board of Directors and protects the rights and interests of shareholders.

4. Goals for strengthening the functions of the Board of Directors in the current year and the most

recent year (such as setting up an Audit Committee, improving information transparency, etc.)and evaluation of implementation:

(1)The Board of Directors of the Company has set up two functional committees, the Audit Committee and the Remuneration Committee, they are composed of Independent Directors to assist the Board of Directors in performing their supervisory duties.

(2)The Company discloses relevant information in accordance with legal requirements and implements a spokesperson system, so that various important information can be disclosed in a timely and appropriate manner, so as to protect the rights and interests of shareholders.

3.4.2 Audit Committee Meeting Status:

1. 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 Act since June 2020.

2. A total of 5 audit committee meetings (A)have been convened in 2022 with the Independent Directors' attendance shown as follows::

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate in Person (%)(B/A)	Remarks
Independent Director	Chiu, Li-Mei	5	0	100%	02.24.2021 Election of new directors
Independent Director	Lin, Ying-Che	4	1	80%	02.24.2021 Re-election of Directors
Independent Director	Yao, Shun-Yen	5	0	100%	02.24.2021 Election of new directors

Composition and Operation of the Audit Committee:

The Audit Committee of the Company consists of 3 independent directors. In addition to implementing relevant laws and regulations, it aims to assist the Board of Directors in:

1. fulfilling the proper expression of its supervision of the Company’s financial statements,
2. the appointment (dismissal)and independence and performance of the external auditor,
3. the effective implementation of the Company’s internal control,
4. the Company’s compliance with relevant laws and regulations and
5. the management and control of the Company’s existing or potential risks

Other mentionable matters:

1. In case of any of the following situations in the operation of the Audit Committee, the Audit Committee’s convening date, period, proposal content, independent director’s objection, reservation or major proposal content, the Audit Committee’s resolution result and the Company’s handling of the Audit Committee's comments shall be disclosed:

   (1) The Matters Requiring Consent referred to in Article in Article 14-5 of the Securities and Exchange Act:

   Audit Committee Meeting Status in 2022 is summarized as follows:

Audit Committee Meeting Date (Term/Sitting)	Description of the Proposals	Matters referred to in Article 14-5 of the Securities and Exchange Act	Audit Committee 's Resolutions	The Company's Responses to audit committee Members
01.07. 2022	Proposal of changing accounting firm and accountants	V	Approved and acknowledged by all audit committee members in attendance	Approved and acknowledged by all Board of Directors in attendance
03.25.2022	Report of the evaluation results of 2021 performance of the Board of Directors	V	Approved and acknowledged by all audit committee members in attendance	Approved and acknowledged by all Board of Directors in attendance
	Adoption of the Internal Audit Report	V		
	Approval of the 2021 Statement of Internal Control System of the Company	V		
	Adoption of the 2022 business report and financial statements	V		
	Adoption of the Proposal for distribution of 2021 Profits	V		
	Adoption of the Proposal for Removal and Amendment to the Operational Procedures for Acquisition and Disposal of Assets	V		
05.10.2022	Adoption of the Internal Audit Report	V	Approved and acknowledged by all audit committee members in attendance	Approved and acknowledged by all Board of Directors in attendance
	Report of the 2022 Q1 consolidated financial statements of the Company	V		
	Adoption of the Proposal for appointment of the 2022 CPAs for the Company.	V		
08.09.2022	Adoption of the Internal Audit Report	V	Approved and acknowledged by all audit committee members in attendance	Approved and acknowledged by all Board of Directors in attendance
	Report of the 2022 Q2 consolidated financial statements of the Company	V		
11.09.2022	Adoption of the Internal Audit Report	V	Approved and acknowledged by all audit committee members in attendance	Approved and acknowledged by all Board of Directors in attendance
	Report of the 2022 Q3 consolidated financial statements of the Company	V		
	Adoption of the Proposal for 2023 Audit Plan of the Company	V		
	Adoption of the Proposal for Changing the Company’s financing officer, accounting officer, corporate governance officer and spokesman.	V		
	Adoption of the Proposal for Procedures for Handling Material Inside Information	V		

(2) Except for the above-mentioned items, other resolutions of the Board of Directors that have been opposed or reserved by the Independent Director and have records or written statements: None.

2. If there is any Independent Directors’ avoidance of motions in conflict of interest, the Directors’ names, contents of motion, causes for avoidance and voting should be specified: N/A

3. Communications between the Independent Directors and the Company’s Chief Internal Auditor and the CPAs:

(1) The Internal Auditing Officer of the Company regularly submits the audit report to the Independent Director for review, and reports on the implementation of the audit business to the Audit Committee and the Board of Directors on a quarterly basis.

(2) When the audit committee of the Company convenes a meeting, if there is any discussion on the Company's financial report and accountants' audit and certification related matters, the accountants are invited to attend the meeting. The accountants will report to the Independent Directors on the financial status, internal control audit status and key audit items, and will explain the impact of legal revisions on the Company's accounting. In case of major events, other forms of real-time communication can also be used.

(3) Summary of Communications between the Independent Directors and the Internal Auditors in 2022

Meeting Date	Communication Highlights	Recommendations and Results
03.25.2022 Audit Committee	1. Adoption of the 2021 Q4 Internal Audit Report 2. Adoption of the 2021 Statement of Internal Control System of the Company	No Objections
05.10.2022 Audit Committee	1. Adoption of the 2022 Q1 Internal Audit Report	No Objections
08.09.2022 Audit Committee	1. Adoption of the 2022 Q2 Internal Audit Report	No Objections
11.09.2022 Audit Committee	1. Adoption of the 2022 Q3 Internal Audit Report 2. Adoption of the Proposal for 2023 Audit Plan of the Company;	No Objections

(4) Summary of communications between Independent Directors and the CPA in 2022

Date	Communication Highlights	Recommendations and Results
03.25.2022 Audit Committee	1. Adoption of the 2021 business report and financial statements 2. Adoption of the Proposal for distribution of 2021 Profits	No Objections
05.10.2022 Audit Committee	1. Report of the 2022 Q1 consolidated financial statements of the Company	No Objections
08.09.2022 Audit Committee	1. Report of the 2022 Q2 consolidated financial statements of the Company	No Objections
11.09.2022 Audit Committee	1. Report of the 2022 Q3 consolidated financial statements of the Company	No Objections

3.4.3 Corporate Governance Implementation Status and Deviations from "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons

Assessment Item	Implementation Status (Note)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and the reasons
	Yes	No	Summary	
1. Does Company establish and disclose the Corporate Governance Best-Practice Principles based on "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"?	V		The Company has established its "Corporate Governance Best Practice Principles". On March 17, 2023, it was revised by the resolution of the Board of Directors and disclosed on the Company's website and on the TWSE MOPS.	N/A
2. Shareholding structure & shareholders' rights (1) Does Company establish an internal operating procedure to deal with shareholders' suggestions, doubts, disputes and litigations, and implement based on the procedure?	V		In order to ensure the rights and interests of shareholders, the Company has set up spokespersons and deputy spokespersons, and a dedicated unit is established and responsible for shareholder suggestions, doubts, disputes and litigation matters.	N/A
(2) Does Company possess the list of its major shareholders as well as the ultimate owners of those shares?	V		The Company possess the list of its major shareholders as well as the ultimate owners of those shares through filing of the list of its management team (directors, supervisors, managers and major shareholders holding 10% of the shares)shareholding changes and the register of the shareholders provided by the stock transfer affairs agencies to keep abreast of the actual control list.	N/A
(3) Does Company establish and execute the risk management and firewall system within its conglomerate structure?	V		Assets and financial management rights and responsibilities between the Company and affiliated companies are quite clear, and are handled in accordance with relevant regulations..	N/A
(4)Does Company establish internal rules against insiders trading with undisclosed information?	V		The Company has formulated "Procedures for the Prevention of Insider Trading", and indeed informed the Company's insiders to strictly follow it.	N/A

3. Composition and responsibilities of the Board of Directors (1) Does the Board of Directors formulate and implement a diversified approach for the member composition?	V		The Company has established the "Corporate Governance Best Practice Principles" and the "Rules for Director Elections", the composition of the Board of Directors should be diversified. The Company also has formulated an appropriate diversification policy based on its own operation, business model and development needs. Furthermore, members of the Board of Directors should generally have the knowledge, skills and accomplishments necessary to perform their duties in order to achieve the ideal goal of corporate governance.	N/A
(2) Does Company, in addition to the establishment of the Remuneration Committee and Audit Committee by laws, voluntarily establish other types of functional committees?	V		The Company has established a Remuneration Committee and an Audit Committee according to law, and other Functional Committees are established according to the actual needs of the Company.	N/A
(3) Does Company set methods of evaluating the performances of the Board of Directors perform the evaluation regularly on a yearly basis and report the performance evaluation results to the Board of Directors as references for individual director's remuneration and nomination?	V		On March 15, 2010, the Company passed the resolution of the Board of Directors to define the scope of "the methods of evaluating the performances of the Board of Directors", including the performance evaluation of the overall Board of Directors, individual director members and functional committees. The evaluation results are sent to the Remuneration Committee for analysis and then reported to the Board of Directors, and used as a reference for individual directors' remuneration and nomination for renewal.	N/A
(4)Does Company regularly evaluate the independence of the Certified Public Accountant (CPA)?	V		The CPA of the Company issues a "Statement of Independence" every year. The Company evaluates the independence and suitability of the Certified Public Accountant every year in accordance with Article 47 of the Certified Public Accountant Act and the "Independence of Inspection and Review" in accordance with the "Norm of Professional Ethics for Certified Public Accountant of the Republic of China No. 10.	N/A

4. Does the TWSE/TPEx listed companies arrange adequate Corporate Governance personnel and assign Corporate Governance supervisor to be responsible for corporate governance related affairs (including but not limited to providing information required by the Directors and/or Supervisors to execute the business, assist directors and supervisors to comply with laws and regulations, processing the Board Meeting and shareholders' meeting related matters pursuant to laws and regulation, generating minutes of the Board Meetings and shareholders' meetings, etc.)?	V		The Company has a Corporate Governance Officer and assigns corporate governance supervisor to be responsible for providing the Board of Directors and its functional committees members with the information needed to perform business, handling matters related to the Board of Directors and shareholders' meetings according to law, and handling Company registration and change registration , making minutes of the Board of Directors and shareholder meetings, etc.	N/A
5. Does Company establish communication channel with interested parties (including but not limited to shareholders, employees, customers and suppliers), set up an Interested Parties Zone on the Company's website, and duly respond to important corporate social responsibility issues concerned by the interested parties?	V		The Company maintains smooth communication channels with stakeholders, including shareholders, employees, customers, suppliers and other Company stakeholders.	N/A
6. Does Company appoint professional service agency to process affairs of the shareholders' meeting?	V		The Company has appointed the "Yuanta Securities Agent for Stock Affairs" as its professional service agency to process affairs of the shareholders' meeting	N/A
7. Information disclosure (1)Does Company set up a website to disclose information concerning financial operations and corporate governance?	V		The Company has set up a website (www.twphonic.com)to disclose information concerning financial operations, corporate governance and shareholders' meeting etc.	N/A
(2)Does Company adopt other means of disclosing information (such as setting up an English website, assigning someone to take charge of the collection and disclosure of the Company's information, implementing the Spokesperson system, posting Corporate Conference process on the Company's website)?	V		The Company has appointed a spokesperson and deputy spokesperson to implement the executive spokesperson system. It does not hold legal person briefing sessions regularly.	N/A

3) Does Company declare and file annual financial report within two months after the end of the fiscal year, and declare and file the financial reports and monthly Implementation Status for the first, second, and third quarter within the required deadline?		V	At present, the Company does not announce and file the annual financial report within two months after the end of the fiscal year; however, the annual and first, second, and third quarter financial reports and the operating conditions of each month are announced and filed in advance before the prescribed deadline.	The Company will evaluate the feasibility of announcing and filing the annual financial report within two months after the end of the fiscal year.
8. Does Company possess other important information (including but not limited to employee rights, employee care, investor relations, supplier relations, rights of the interested parties, trainings of the directors and supervisors, execution status of risks manage policies and risks measurement standards, execution status of customer policies, liability insurance purchased by the Company for the Directors and Supervisors, etc.)that can help in understanding the corporate governance operating status?	V		1. The Company spares no effort to safeguard employee rights, employee care, investor relations, supplier relations, and stakeholder rights. 2. Status of directors' training: The Company actively encourages directors to participate in the training of professional knowledge courses. (Note)The implementation of risk management policies and risk measurement standards: for further details please refer to annual report 6, risk matters should be analyzed and evaluated. 3. Implementation of customer policy: The Company's quality policy is rooted in the root, continuous improvement, full participation, and customer-oriented. 4. The Company subscribes liability insurance for directors every year, and regularly reports the insurance period, insurance amount and other related insurance policy contents to all directors at the Board of Directors.	N/A
9. Please state the status of improvement for issues identified in the corporate governance evaluation results issued by the Corporate Governance Center of Taiwan Stock Exchange Corporation in the last fiscal year and propose priority enhancements and Procedures for those that have not yet improved. The Company is committed to strengthening corporate governance and continuously improving the unscored items. The specific strengthening items and measures in the near future are: 1. The Company has established a corporate governance webpage in 2022 to provide investors and shareholders with more convenient access to corporate governance and financial information. 2. The Company has successively completed relevant normative measures of corporate governance to implement the spirit of corporate governance.				

Note: Whether the operation status is ticked "Yes" or "No", it should be stated in the summary description column,

3.4.4. Composition, Responsibilities and Operation of the Remuneration Committee:

1. Information Regarding Remuneration Committee Members

<table>
<tr><th>Title</th><th>Name</th><th>Criteria
Professional Qualification and Experience</th><th>Independence Status</th><th>Number of Other Public Companies Concurrently Serving as an Independent Director Serving as an Independent Director</th></tr>
<tr><td>Independent Director (Convener)</td><td>Chiu, Li-Mei</td><td>Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company

Certified Public Accountant and Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company

Main Experience (Education):
1. Deputy Finance Manager of Pou Chen Corporation
2. Finance Manager of Motech Industries Inc.
3. Deputy Audit Manager of Crowe (TW)CPAs</td><td rowspan="3">Have complied with the provisions of Article 3 and Article 4 of the “ Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies” regarding maintaining independence and service restrictions:
(1)The person, spouse, and relatives within the second degree are not directors, supervisors, or employees of the Company or affiliated companies.
(2)The person, spouse, and relatives within the second degree (or in the name of others)do not hold shares in the Company.
(3)Not serving as a director, supervisor or employee of a Company that has a specific relationship with the Company.
(4)There is no amount of remuneration received for providing business, legal, financial, accounting and other services to the Company or affiliated companies in the last two years.</td><td>None</td></tr>
<tr><td>Independent Director</td><td>Lin, Ying-Che</td><td>Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company
Main Experience (Education):
1. CEO of Marketech International Corp.
2. Adviser of Financial Supervisory Commission (FSC)
3. MBA of Graduate Institute of Public Finance, National Chengchi University</td><td>None</td></tr>
<tr><td>Independent Director</td><td>Yao, Shun-Yen</td><td>Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company
Main Experience (Education):
1. Project manager of Taiwan Semiconductor Manufacturing Co., Ltd.
2. Strategic consultant of</td><td>1</td></tr>
</table>

		American Business Boston Consulting Co., Ltd. 3. Business consultant of Accenture Consulting Co., Ltd. 4. MBA of Lausanne School of Management, Switzerland		

2. Functions of the Remuneration Committee

The committee shall faithfully perform the following functions and powers with the attention of a good administrator, and submit its recommendations to the Board of Directors for discussion.

(1) Formulate and regularly review the policies, systems, standards and structures of directors and managers' performance evaluation and remuneration.
(2) Regularly evaluate and determine the remuneration of directors and managers.
When performing the functions and powers of the preceding paragraph, the committee shall follow the following principles:

(1) The performance evaluation and remuneration of directors and managers should refer to the normal payment situation of the industry, and consider the rationality of the relationship with individual performance, Company operating performance and future risks.
(2) Directors and managers should not be led to engage in behaviors that exceed the Company's risk appetite in pursuit of compensation.
(3) The ratio of dividends for short-term performance of directors and senior managers and the timing of payment of partial variable remuneration should be determined by considering the characteristics of the industry and the nature of the Company's business.

3. Remuneration Committee Members' Attendance

(1) There are 3 members in the Remuneration Committee of the Company.

(2) The term of office of the committee members: from March 15, 2021 to February 23, 2024

A total of two (2) (A) Remuneration Committee meetings have been held in 2022. The attendance record of the Remuneration Committee members was summarized as follows:

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate (%) 【B/A】	Remarks
Convener	Chiu, Li-Mei	2	0	100%	
Committee Member	Lin, Ying-Che	2	0	100%	
Committee Member	Yao, Shun-Yen	2	0	100%	
Other mentionable items: 1. If the Board of Directors declines to adopt or modifies a recommendation of the remuneration committee, it should specify the date of the meeting, session, content of the motion, resolution by the Board of Directors, and the Company's response to the remuneration committee's opinion (e.g. the remuneration passed by the Board of Directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified): N/A. 2. Resolutions of the remuneration committee objected to by members or subject to a qualified opinion and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: N/A.					

(3) Remuneration Committee Implementation Status

Meeting Date (Term/Sitting)	Proposals and Discussions	Results of Remuneration Committee Resolutions	The Company's handling of the remuneration's committee's Opinion
08.09.2022	Proposal for payment of the 2022 annual remuneration to Managers	Approved and acknowledged by all Remuneration Committee members in attendance	Action has been taken pursuant to the adopted resolution
11.09.2022	Proposal for payment of the 2023 manager remuneration and employee bonus of the Company	Approved and acknowledged by all Remuneration Committee members in attendance	Action has been taken pursuant to the adopted resolution

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

Assessment Item	Implementation Status			Non-Implementation and its reason(s)
	Yes	No	Summary	
1. Does 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	The Company does not have a governance structure for sustainability development and a dedicated (or ad-hoc)sustainable development organization with Board of Directors authorization. However, the Company will start from itself and spare no effort in environmental protection and related social responsibility activities.	None
2. Does 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	Although the Company has not yet established relevant policies or strategies, it will still practice corporate social responsibility in accordance with the following principles: 1. Implement and promote corporate governance. 2. Develop a sustainable environment. 3. Maintain social welfare. 4. Strengthen corporate social responsibility.	N/A
3. Environmental Topic (1) Has the Company set an environmental management system designed to industry characteristics?	V		The raw materials currently used have complied with the specifications of the EU Environmental Directive (RoHS).	N/A
(2) Is the Company committed to improving resource efficiency and to the use of renewable materials with low environmental impact?	V		1. When implementing business activities, protect the environment appropriately in accordance with relevant environmental protection laws and regulations, in order to achieve the goal of environmental sustainability. 2. Committed to improving the utilization efficiency of various resources, and using recycled materials that have a low impact on the environment, so that the earth's resources can be used sustainably.	N/A
(3) Does Company evaluate current and future climate change potential risks and opportunities and take procedures related to climate related topics?	V		The purpose of the establishment of the Company is to promote the development of circular economy, pay great attention to issues related to climate change, and encourage the reuse of resources in the daily office environment.	N/A
(4) Does Company collect data for greenhouse gas emissions, water usage and waste quantity in the past two years, and set greenhouse gas emissions reduction, water usage reduction and other waste management policies?	V		Greenhouse gases pose serious challenges to the earth's ecology. Based on a link in the industrial supply chain, the Company regularly conducts surveys on the Company's carbon emissions, and selects energy-saving and carbon-reducing targets for improvement, reduces resource consumption, and contributes to the reduction of greenhouse gases.	N/A

4. Social Topic (1) Does Company set policies and procedures in compliance with regulations and internationally recognized human rights principles?	V		According to the Labor Standards Act and other relevant laws and regulations, formulate personnel management rules and employee work rules, and handle employee labor insurance, health insurance and pension matters in accordance with the law.	N/A
(2)Has the Company established appropriately managed employee welfare Procedures (include salary and Remuneration, leave and others), and link operational performance or achievements with employee salary and Remuneration?	V		The employee salary and compensation policy are determined based on personal ability, contribution to the Company, performance, competitiveness and consideration of the Company's future operating risks. Pursuant to the Article 28 of the Company's articles of incorporation if the Company makes a profit in the year, the Company's shall allocate no less than 2% as employee remuneration and no more than 1% as director's remuneration. The remuneration of employees mentioned in the preceding paragraph may be paid in stock or cash, and the recipients of the payment may include employees of affiliated companies who meet the requirements set by the Board of Directors.	N/A
(3) Does Company provide employees with a safe and healthy working environment, with regular safety and health training?	V		Provide a safe and healthy working environment for employees, and strive to improve and reduce the hazard factors to employee safety and health, so as to prevent occupational disasters.	N/A
(4)Has the Company established effective career development training plans?	V		The Company provides relevant professional education and training to enrich employees' career skills. The Company also encourages employees to evaluate their own interests, skills, values and goals and communicate personal career intentions with managers to plan future career plans.	N/A
(5)Does Company's product and service comply with related regulations and international rules for customers' health and safety, privacy, sales, labeling and set policies to protect consumers' or customers' rights and consumer appeal procedures?	V		1. The Company follows the "Consumer Protection Act" regulations, and upholds responsibility for products and marketing ethics, and implements the implementation of consumer rights policies. 2. The Company follows government regulations and industry-related norms to ensure product and service quality. 3. When the Company conducts product or service marketing and advertising, it follows government regulations and relevant international standards, and promises not to deceive, mislead, cheat or any other behavior that undermines consumer trust and damages consumer rights.	N/A
(6) Does Company set supplier management policy and request suppliers to comply with related standards on the topics of environmental, occupational safety and health or labor right, and their implementation status?	V		1. The Company has included "environmental safety and health status" as one of the inspection items in the supplier on-site evaluation form. 2. In the contract signed between the Company and the supplier, there is a clause that clearly stipulates that if there is a violation of social responsibility, or other circumstances that have a significant adverse impact on society, the Company can terminate or cancel the contract.	N/A
5. Does Company refer to international reporting rules or guidelines to publish Sustainability Report to disclose non-financial information of the Company? Has the said Report		V	The Company has not compiled Sustainability Report yet, and will prepare timely in the future considering international trends and market changes.	N/A

acquire third party verification or statement of assurance?				
6. If the Company has established its sustainable development code of practice according to “Listed Companies Sustainable Development Code of Practice,” please describe the operational status and differences: In order to practice corporate social responsibility and promote economic, environmental and social progress, and achieve the goal of sustainable development, the Company refers to the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies" jointly formulated by TWSE and TPEX. and formulate this code for compliance with.				
7. Other important information to facilitate better understanding of the Company’s implementation of sustainable development: Environmental protection and safety and hygiene: The Company has high service quality, which not only helps customers increase the service life of the work piece and improve the 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 management. The goal is to 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 the purpose of pollution prevention.				

3.4.6 Deviations from the “Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons

Assessment Item	Implementation Status (Note 1)			Non-Implementation and its Reason(s)
	Yes	No	Summary	
1. Establishment of ethical operation policies and plans (1) Does Company set ethical operation policies authorized by the Board of Directors and specify the ethical operating policies and practices and the commitment of the Board of Directors and management level to actively implement operating policies practices in Articles of Incorporation and external documents?	V		The Company cooperates with the government to actively promote the core values of corporate integrity and integrity, and refers to "the Ethical Corporate Management Best Practice Principles for the TWSE/TPEX Listed Companies" on March 17, 2023 to redefine the Company's "Ethical Corporate Management Best Practice Principles” to cooperate with practical operation and complete the content of the code. This code has been approved by the Board of Directors and submitted to the 2023 Annual Shareholders’ Meeting report.	N/A
(2) Does Company establish assessment mechanism for risk of unethical conducts, regularly analyze and evaluate business activities with high risk of unethical conducts within the scope of business, and formulates an unethical conducts prevention plan to at least covers the preventive Procedures for behaviors identified in Paragraph 2, Article 7 of the “Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies”?	V		The Company from time to time promotes that all employees should promptly inform the management when they find any violations of policies and ethics .	N/A
(3) Does Company establish appropriate precautions against high-potential unethical conducts, stipulate operating procedures, code of conduct, punishment for violation and complaint filing system in various plans, implement accordingly and regularly review and revise the plan thereof?	V		The Company has set up an exclusive contact person, telephone number and electronic reporting mailbox. Any dishonest behavior by Company personnel will be handled by a dedicated unit in accordance with the complaint procedures of the "Code of Integrity Management".	N/A
2. Implementation of ethical operation (1) Does Company evaluate ethical records of the counterparties, and specify provision of ethical conduct in the contract it entered into with its transaction counterparties?	V		When the Company deals with business activities or signs important documents such as contracts with others, it must be reviewed by the relevant authority and dedicated unit , and it must be approved by the person with the right to make decisions, so as to operate business activities with integrity.	N/A

(2) Does Company establish dedicated unit under the Board of Directors to promote corporate ethical operation and regularly (at least once a year)report the status of its implementation of ethical operation policies and unethical conducts prevention plan and supervisory to the Board of Directors?	V		The Company cooperates with the government to actively promote the core value of corporate integrity and integrity, and refers to the "the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" on March 17, 2023 to redefine the Company's " Ethical Corporate Management Best Practice Principles" ", in order to cooperate with the actual operation and complete the content of the code. This code has been approved by the Board of Directors and submitted to the 2023 Annual Shareholders' Meeting report.	N/A
(3) Does Company formulate, provide and implement policies to prevent conflict of interests and suitable channel to express opinion / statement?	V		Board members and managers shall not participate in decision-making or voting if there is a possibility of a conflict of interest with any decision-making or transaction.	N/A
(4) Does Company establish effective accounting system and internal control system and have the internal audit unit formulating relevant audit plan based on the results of assessment on risk of unethical conduct, while examining the compliance with the unethical conduct prevention plan (or commissioning an accountant to perform the examination)?	V		In order to ensure the implementation of honest management, the Company has established an effective accounting system and internal control system, and internal auditors regularly check the compliance of various systems.	N/A
(5)Does Company regularly hold internal and/or external training on ethical operation?	V		In the daily business of the Company, we pay attention to the implementation of the principle of integrity by employees. We send relevant promotional materials by e-mail from time to time.	N/A
3. Implementation Status of the Company's allegation reporting system (1) Does Company set specific reporting allegations and reward system, establish convenient reporting allegations channel, and assign appropriate dedicated personnel to process the allegations?	V		The Company has established the "Accusation Management Regulations" and set up a dedicated contact person, contact phone number and electronic reporting mailbox.	N/A
(2)Does Company set standards operating procedures, post-investigation Procedures and related confidentiality mechanisms to be taken to process allegations?	V		The Company has formulated the "Management Measures for Whistle blowing Operations" and has established procedures for handling whistle blowing cases, follow-up measures after the investigation is completed, and related confidentiality mechanisms.	N/A
(3)Does Company adopt Procedures to protect those who reported allegations from improper treatment due to the allegations?	V		The Company has formulated the "Regulations on the Management of Whistle blowing Operations" and has established protection measures for whistleblowers.	N/A
4. Strengthen information disclosure Does Company disclose its set Ethical Corporate Management Best Practice Principles contents and effectiveness in promotion on its website and Market Observation Post System?	V		Integrity is the core foundation of the Company's corporate culture, and the four core values "innovation, differentiation, value, and high growth" are developed with integrity. For related information, please refer to the business philosophy of the Company's website.	N/A

5. Where the Company has formulated its own Ethical Corporate Management Best Practice Principles based on the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies", please specify the differences between the two: Regarding the operation and implementation of the Company's Ethical Corporate Management Best Practice Principles, please refer to the descriptions under item 3.4.5 of this Annual Report "Corporate Governance Implementation Status and Deviations from "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons.
6. Other important information that may facilitate the understanding about the status of the Company's ethical operation: (such as: The Company's review and revise its own Ethical Corporate Management Best Practice Principles) The Company takes honesty as the foundation, and is committed to promoting the core values of honesty and development within the Company, so that integrity can be deeply rooted in the behavior of every employee.

3.4.7 Corporate Governance Guidelines and Regulations

Please refer to the Company's website at: **http://www.twphonic.com**

Phonic Corporation Articles of Incorporation

Corporate Governance Best Practice Principles

Sustainable Development Best Practice Principles

Rules for Director Elections

Rules of Procedure for Board Directors Meeting

Audit Committee Organizational Regulations

Remuneration Committee Organizational Regulations

Operational Procedures for Acquisition and Disposal of Assets

Rules of Procedure for Loaning of Company Funds and Endorsements and Guarantees

Rules of Procedure for Shareholder Meetings

Methods of evaluating the performances of the Board of Directors

3.4.8 Other important information that can enhance the understanding of corporate governance operation:

1. Continuing educational training of the director of the Company pursuant to the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEx Listed Companies" in 2022 was summarized as follows:

Title	Name	Host By	Training/Speech Title	Duration
Independent Director	Chiu, Li-Mei	Accounting Research and Development Foundation	A professional training course on the concept analysis of general regulations on the disclosure of sustainability-related financial information	3.0 hours
			"Crime of Breach of Trust" Practical Cases and Legal Liability Analysis Professional Training Course	3.0 hours

2 . Continuing Education Training of Corporate Governance Officer in 2022:

Title	Name	Host By	Training/Speech Title	Duration
Corporate Governance Officer	Lin, Shih-Chun	Securities and Futures Institute	"Directors and Supervisors (Including Independent Directors) and Corporate Governance Officer Practice Advanced Seminar - Talking about Emerging Financial Technology Crimes and Anti-Money Laundering from a Corporate Perspective"	3.0

3.4.9 Internal Control System Execution Status

3.4.9.1 Statement of Internal Control System

Phonic Corporation
Statement of Internal Control System

March 17, 2023

Based on the findings of a self-assessment, Phonic Corporation (Phonic) states the following with regard to its internal control system during the year 2022:

1. Phonic's Board of Directors and management are responsible for establishing, implementing, and maintaining an adequate internal control system. Internal control system is designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance and safeguarding of assets), reliability, timeliness, transparency and regulatory compliance of our reporting, and compliance with applicable rulings, laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and Phonic takes immediate remedial actions in response to any identified deficiencies
3. Phonic evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the "Regulations"). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5)monitoring activities. Each component also includes several items which can be found in the Regulations
4. Phonic has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations
5. Based on the findings of such evaluation, Phonic believes that, on December 31, 2022, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency and regulatory compliance of reporting, and compliance with applicable rulings, laws and regulations
6. This Statement is an integral part of Phonic 's annual report and prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act
7. This statement was reviewed by the Audit Committee of the Company and was passed by the Board of Directors (total 7 directors present) in their meeting held on March 17, 2023, with none of them expressing dissenting opinions, and the remainder all affirming the content of this Statement

Phonic Corporation
Chairman: **Chou, Chin-Wen**
General Manager: **Wang, Min-Lie**

3.4.9.2. If a CPA was Engaged to Conduct a Special Audit of Internal Control System, Provide Its Audit Report: N/A

3.4.10 If the Company and its internal staff have been punished according to law in the recent year and up to the date of publication of the annual report, or the Company and its internal staff have been punished for violating the provisions of the internal control system, and the punishment result may have a significant impact on shareholders' rights and interests or securities prices, the contents of the punishment, major deficiencies and improvement shall be listed: None

3.4.11 Important resolutions adopted by the shareholders' meeting and the board meeting in the most recent year and up to the publication date of the annual report:

1. Major Resolutions of The Shareholders' Regular and Special Meetings

<table>
<tr><th>Date</th><th>Major Resolutions</th><th>Resolution Results</th></tr>
<tr><td rowspan="2">06.17.2022 Regular Meeting of Shareholders</td><td>1. Adoption of the 2021 business report and financial statements;
2. Adoption of the Proposal for distribution of 2021 Profits;
3. Adoption of the Proposal for Amendment to the Company's Articles of Incorporation;
4. Adoption of the Proposal for Amendment to the Rules of Procedure for Shareholder Meetings;
5. Adoption of the Proposal for Removal and Amendment to the Operational Procedures for Acquisition and Disposal of Assets;</td><td>Proposals 3 to 5 were approved by shareholders present.</td></tr>
<tr><td colspan="2">Execution of resolutions after the meeting:
1. The application of amendments of the Articles of Incorporation of the Company has been registered by the Commercial Office of the Taipei City Government on August 4, 2021.</td></tr>
</table>

2. Summary of Important Resolutions of The Board Of Directors:

Date	Major Resolutions
01.07.2022	Passed on the proposal of changing accounting firms and accountants
03.25.2022	1. Approval of the 2021 Statement of Internal Control System of the Company; 2. Adoption of the 2021 business report and financial statements; 3. Adoption of the Proposal for distribution of 2021 employee bonus and director remuneration; 4. Adoption of the Proposal for distribution of 2021 Profits; 5. Adoption of the Proposal for Amendment to the Company's Articles of Incorporation; 6. Adoption of the Proposal for Amendment to the Rules of Procedure for Shareholder Meetings; 7. Adoption of the Proposal for Removal and Amendment to the Operational Procedures for Acquisition and Disposal of Assets; 8. Approval of The Proposal of Adopting The Date, Time, Place And Reasons For Convening The 2022 Regular Meeting of Shareholders;
05.10.2022	1. Report of the 2022 Q1 consolidated financial statements of the Company; 2. Adoption of the Proposal for appointment of the 2022 CPAs for the Company.
08.09.2022	1. Report of the 2022 Q2 consolidated financial statements of the Company;
11.09.2022	1. Report of the 2022 Q3 consolidated financial statements of the Company; 2. Adoption of the Proposal for 2023 Audit Plan of the Company; 3. Adoption of the Proposal for election of Chairman. 4. Adoption of the Proposal for Changing the Company's financing officer, accounting officer, corporate governance officer a d spokesman. 5. Adoption of the Proposal for implementation plan of 2023 salary compensation and remuneration.

03.17.2023	1. Adoption of the 2022 business report and financial statements; 2. Adoption of the Proposal for distribution of 2022 Profits; 3. Adoption of the Proposal for distribution of 2022 employee bonus and director remuneration; 4. Approval of the 2022 Statement of Internal Control System of the Company;. 5. Adoption of the Proposal for appointment and Assessment of the Independency of the 2023 CPAs for the Company; 6. Adoption of the Proposal for Removal and Amendment to the Company's "Ethical Corporate Management Best Practice Principles"; 7. Adoption of the Proposal for Removal and Amendment to the Company's " Corporate Governance Best Practice Principles"; 8. Adoption of the Proposal for Removal and Amendment to the Company's "Rules of Procedure for Board of Directors' Meeting"; 9. Adoption of the Proposal for establishing the Company's "Sustainable Development Best Practice Principles"; 10. Adoption of the Proposal for appointment of the Audit Chief Officer of the Company; 11. Approval of The Proposal of Adopting The Date, Time, Place And Reasons For Convening The 2023 Regular Meeting of Shareholders; 12. Approval of The Proposal of Registration of the Change of the Company's address.

3.4.12 In the most recent year and up to the publication date of the annual report, whether the directors have different opinions on the important resolutions adopted by the Board of Directors or whether there is a record or written statement: None.

3.4.13 Summary of resignation and removal of Chairman, general manager, accounting supervisor, financial supervisor, internal audit supervisor, corporate governance supervisor and research and development supervisor of the Company in the most recent year and as of the publication date of the annual report:

May 8, 2023

Title	Name	Take Office Date	Resignation Date	Reason for Resignation
Chief Accounting Officer Chief Financial Officer Corporate Governance Officer	Lin, Shih-Chun	03.15.2021	11.09.2022	Quit
Chairman	Tang, Hung-Hsiang	02.24.2021	11.09.2022	Re-appointment
Internal Auditing Officer	Ding, Min-Feng	03.25.2019	12.27.2022	Job Rotation

3.5 Audit Fee Information

3.5.1 Audit Fees:

Audit Fee Information

Expressed in Thousands of New Taiwan Dollars

Accounting Firm	Name of CPA	Audit Period	Audit Fee	Non-Audit Fee	Total	Remarks
Crowe (TW) CPAs	Wang, Jia-Siang Jhuo, Ching-Chyuan	01.01.2022~ 12.31.2022	1,800	0	1,800	

3.5.2 If the audit fee paid by the accounting firm in the replacement year is less than the audit fee in the previous year, the amount of audit fees before and after the replacement and the reason should be disclosed: None.

3.5.3 If the audit public fee has decreased by more than 10% compared with the previous year, the amount, proportion and reason of the audit public fee reduction shall be disclosed: None.

3.6 Information Regarding the Change of Accountant

In the last two years, the external audit firm "Crowe (TW) CPAs" has made job rotation internally, and the Company did not change its appointed external accounting firm.

3.7 The Company's Chairman, President, Chief Financial Officer or Chief Accounting Officer Who Has Worked for the CPA's Firm or Its Affiliates during the Last Fiscal Year: None

3.8 Any Transfer of Shareholdings and Changes in Equity Pledge from the Directors, Managers and Shareholder(s) Holding More Than 10% of the Shares in the Most Recent Years

3.8.1 Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders

Title	Name	2022		As of April 28, 2023	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Corporate Representative Director and Major Shareholder	Kangjian Investment Co., Ltd.	0	0	0	0
Corporate Representative Director and Chairman	Chou, Chin-Wen	0	0	0	0
Corporate Representative Director	Wang, Min-Lie	(5,779)	0	0	0
Corporate Representative Director	Hsieh, Tsu-Wei	0	0	0	0
Corporate Representative Director	Tang, Hung-Hsiang	0	0	0	0
Independent Director	Lin, Ying-Che	0	0	0	0
Independent Director	Chiu, Li-Mei	0	0	0	0
Independent Director	Yao, Shun-Yen	0	0	0	0

3.9 Relationship among the Top 10 Shareholders

Relationship among the Top 10 Shareholders

April 28, 2023

Name	Current Shareholding		Spouse's/ minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Note
	Shares	%	Shares	%	Shares	%	Shares	%	
Kangjian Investment Co., Ltd.	11,636,315	58.18%	0	0	0	0	None	None	
Kangjian Investment Co., Ltd. Representative: Chou, Chin-Wen	0	0	0	0	0	0	None	None	
Kangjian Investment Co., Ltd. Representative: Wang, Min-Lie	1,151,832	5.76%	0	0	372,442	1.86%	Rongyi Investment Co., Ltd.	Stakeholder	
Kangjian Investment Co., Ltd. Representative: Tang, Hung-Hsiang	0	0	0	0	0	0	None	None	
Kangjian Investment Co., Ltd. Representative: Hsieh, Tsu-Wei	0	0	0	0	0	0	None	None	
Taiwan Power Tech Co., Ltd.	1,104,555	5.52%	0	0	0	0	None	None	
Chuang, Li-Wen	547,110	2.74%	0	0	0	0	None	None	
Rongyi Investment Co., Ltd.	372,442	1.86%	0	0	0	0	Wang, Min-Lie	Stakeholder	
Hsu, Chun	363,132	1.82%	0	0	0	0	None	None	
Kai Tse Investment Co., Ltd.	343,863	1.72%	0	0	0	0	None	None	
Cao, Jin-Ling	285,958	1.43%	0	0	0	0	None	None	
Chiang, Li-Wen	263,219	1.32%	0	0	0	0	None	None	
Chang, Chih-Kai	250,000	1.25%	0	0	0	0	None	None	

3.10 The Number of Shares Held by the Company, the Directors, Supervisors, Managers, and Businesses Directly or Indirectly Controlled by The Company in the Same Joint Venture, and the Combined Shareholding Percentage

Comprehensive Shareholding Ratio

Unit: Share；%

Investee Company	Shareholding of Phonic Corporation		Investments of directors, supervisors, managers, and directly or indirectly controlled enterprises		Comprehensive Investment	
	Shares	Percentage	Shares	Percentage	Shares	Percentage
Phonic Group, Ltd.	270,912	100%	－	－	270,912	100%
Shen Zhen Instrument Pa Electronic Co., Ltd	-	100%	－	－	-	100%

Note: It refers to the investment of the Company using the equity method.

4. Capital Information

4.1 Capital and Shares

4.1.1 Source of Shares

1. Historical Fund-Raising

Expressed in Thousands of New Taiwan Dollars；Shares

Year/ Month	Par Value (NT$)	Authorized Capital		Paid-up Capital		Remark		
		Shares	Amount (NT$)	Shares	Amount (NT$)	Source of Capital (Shares)	Capital Increased by Assets Other than Cash	Others
1973 / 03	10	100,000	1,000	100,000	1,000	Capital for registration of Incorporation		
1976 / 09	10	500,000	5,000	500,000	5,000	Seasoned Equity Offering NT$4,000,000		
1982 / 02	10	1,000,000	10,000	1,000,000	10,000	Seasoned Equity Offering NT$ 5,000,000	—	—
1988 / 01	10	3,000,000	30,000	3,000,000	30,000	Seasoned Equity Offering NT$20,000,000	—	—
1989 / 09	10	10,000,000	100,000	10,000,000	100,000	Seasoned Equity Offering NT$70,000,000	—	—
1990 / 12	10	15,000,000	150,000	15,000,000	150,000	Seasoned Equity Offering NT$50,000,000	—	—
2000 / 11	—	25,400,000	254,000	17,600,000	176,000	Earnings transferred to common stocks NT$23,700,000 Employee Bonus transferred to common stocks NT$489,000 Capital surplus transferred to common stocks NT$1,811,000	—	Note 1
2001 / 11	—	25,400,000	254,000	20,361,500	203,615	Earnings transferred to common stocksNT$26,400,000 Employee Bonus transferred to common stocks NT$1,215,000	—	Note 2
2002 / 9	—	25,400,000	254,000	23,606,600	236,066	Earnings transferred to common stocks NT$30,542,000 Employee Bonus transferred to common stocks NT$1,909,000	—	Note 3
2003 / 8	—	25,400,000	254,000	25,266,000	252,660	Earnings transferred to common stocks NT$14,164,000 Employee Bonus transferred to common stocks NT$2,430,000	—	Note 4
2004 / 8	—	38,000,000	380,000	29,025,240	290,252	Earnings transferred to common stocks NT$35,372,000 Employee Bonus transferred to common stocks NT$2,220,000	—	Note 5
2021 / 10	—	38,000,000	380,000	20,000,000	200,000	Capital reduction for deficit offset NT$90,252,000	—	Note 6

Note 1: Approved by Financial Supervisory Commission dated 08.21.2000 Ref. (89)FSC- (1)No. 71552.
Note 2: Approved by Financial Supervisory Commission dated 08.30.2001 Ref. (90)FSC- (1)Zi No. 154871.
Note 3: Approved by Financial Supervisory Commission dated 07.19.2002 Ref. FSC- (1)Zi No. 0910140342.
Note 4: Approved by Financial Supervisory Commission dated 07.15.2003 Ref. FSC- (1)Zi No. 0920131650.
Note 5: Approved by the Securities and Futures Bureau dated 07.19.2004 Ref. FSC- (1)Zi No. 0930132149.
Note 6: Approved by TPEX dated 10.07.2021 Ref. FSC-No. 1100010853.

2. Type of Shares Issued

Share Type	Authorized Capital			Remarks
	Issued Shares	Un-issued shares	Total Shares	
Registered Common Stock	20,000,000	18,000,000	38,000,000	Stocks offered by a TPEX Listed Company

3. General information about the reporting system: N/A.

4.1.2 Status of Shareholders

April 28, 2023

Status / Quantity	Govern-ment Agencies	Financial Institutions	Other Judicial Persons	Individuals	Foreign Institutions and Foreigners	Total
Number of shareholders	-	-	69	571	1	642
Shareholding (shares)	-	-	13,463,774	6,535,152	289	20,000,000
Percentage (%)	-	-	67.32%	32.68%	0%	100%

Note: The TWSE/GTSM listed Companies and the Emerging Stock Companies should disclose the shareholding ratio of their mainland investors; mainland investors refer to the mainland people, juristic person, and groups stipulated in Article 3 of the Mainland China People's Investment Permit Regulations in Taiwan, other institutions or companies investing in third regions

4.1.3 Distribution of Shareholding

1. Common Share

April 28, 2023

Shareholding Range	Number of Shareholders	Shareholding (Shares)	Percentage
1 ~ 999	423	90,498	0.45
1,000 ~ 5,000	112	230,778	1.15
5,001 ~ 10,000	33	241,761	1.21
10,001 ~ 15,000	13	160,224	0.8
15,001 ~ 20,000	8	138,276	0.69
20,001 ~ 30,000	11	253,887	1.27
30,001 ~ 40,000	4	139,825	0.7
40,001 ~ 50,000	7	325,270	1.63
50,000 ~ 100,000	14	1,076,071	5.38
100,001 ~ 200,000	5	586,964	2.93
200,001 ~ 400,000	8	2,316,634	11.58
400,001 ~ 600,000	1	547,110	2.74
600,001 ~ 800,000	0	0	0
800,001 ~ 1,000,000	0	0	0
1, 000,001 or over	3	13,892,702	69.47
Total	642	20,000,000	100.00

2. Preferred Share: None.

4.1.4 Major Shareholders

April 28, 2023

Shareholders \ Shares	Shareholding (Shares)	Percentage
Kangjian Investment Co., Ltd.	11,636,315	58.18%
Wang, Min-Lie	1,151,832	5.76%
Taiwan Powder Tech. Co., Ltd.	1,104,555	5.52%
Chuang, Li-Wen	547,110	2.74%
Rongyi Investment Co., Ltd.	372,442	1.86%
Hsu, Chun	363,132	1.82%
Kai Tse Investment Co., Ltd.	343,863	1.72%
Cao, Jin-Ling	285,958	1.43%
Chiang, Li-Wen	263,219	1.32%
Chang, Chih-Kai	250,000	1.25%

4.1.5 Market Price, Net Worth, Earnings and Dividends per Common Share

Item \ Year			2022	2021
Market Price Per Share (Note 1)	Highest Market Price		43.00	42.75
	Lowest Market Price		30.00	24.50
	Average Market Price		38.82	29.73
Net Worth Per Share （Note 2）	Before Distribution		12.26	12.60
	After Distribution		12.26	12.60
Earnings Per Share (EPS)	Weighted Average Shares (thousand shares)		20,000,000	20,000,000
	Earnings Per Share（Note 3）		(0.35)	4.71
Dividend Per Share	Cash Dividends		—	—
	Stock Grants	—	—	—
		—	—	—
	Accumulated Undistributed Dividends（Note 4）		—	—
Return on Investment	Price/Earnings Ratio（Note 5）		—	6.29
	Price/Dividend Ratio（Note 6）		—	—
	Cash Dividend Yield (Note 7)		—	—

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

Note 2: Please refer to the number of issued shares at the end of the year and fill in the distribution according to the resolution of the Shareholders' Meeting in the next year.

Note 3: If retroactive adjustment is required due to gratis distribution , etc. the earnings per share before and after adjustment should be listed.

Note 4: If the conditions for the issuance of equity securities stipulate that the unpaid dividends of the current year can be accumulated to be distributed in the year with surplus, the accumulated unpaid dividends up to the current year should be disclosed separately.

Note 5: Price / Earnings Ratio = average closing price per share of the year / earnings per share.

Note 6: Price /Dividend Ratio = average closing price per share of the year / cash dividends per share.

Note 7: Cash Dividend Yield = cash dividend per share / average closing price per share of the year.

4.1.6 Dividend Policy and Implementation Status

1. The dividend policy stipulated in the Articles of Incorporation of the Company:
   The Company's dividends are based on the provisions of the Company Act and the Company's Articles of Incorporation , in line with the Company's capital planning and the principle of achieving stable business goals. The process, method and amount of future dividend distribution are as follows:

   (1) Dividend Distribution Process:
   The Company's dividend distribution process is at the end of each business year in accordance with the Company Act. Considering the Company's profit status and future operating needs, a Proposal for Distribution of Profits is drawn up and submitted to the shareholders' meeting for approval.

   (2) Dividend Distribution Method:
   The Company's dividend payment methods will be coordinated by three methods: Earnings transferred to common stocks, capital surplus transferred to common stock, and cash dividends.

   (3) Dividend Distribution Policy:
   The dividend distribution ratio of the Company is based on the principle that the distribution of cash dividends is not less than 20%, and the rest is distributed as stock dividends.

2. Proposed Distribution of Dividend at the shareholders' meeting:
   The Company's Proposal for distribution of 2022 profits was approved by the Board of Directors on March 17, 2023. Considering the needs of the Company's future operation and development, it is not planned to be distributed this year, and the undistributed surplus of NT$ 20,805,019 will be retained at the end of the period.

4.1.7 The Impact of Stock Grants to Be Proposed at the Shareholders' Meeting on the Company's Business Performance and Earnings Per Share: N/A.

4.1.8 Employee Bonus and Directors and Supervisors' Remuneration

1. Pursuant to the Article 28 of the Company's articles of incorporation, the Company's annual pre-tax benefits of current period before deducting employee remuneration and director's remuneration shall allocate no less than 2% as employee remuneration and no more than 1% as director's remuneration. However, the Company still has accumulated losses (including in case of adjusting the amount of undistributed surplus), the make-up amount should be retained first. The remuneration of employees mentioned in the preceding paragraph may be paid in stock or cash, and the recipients of the payment may include employees of affiliated companies who meet the requirements set by the Board of Directors. The remuneration of directors referred to in the preceding paragraph may only be paid in cash. The first two items shall be implemented by a resolution of the Board of Directors and reported to the shareholders' meeting.

2. The Estimated Basis for Calculating the Employee Bonus and Directors' and Supervisors' Remuneration of the period and if the actual distribution amount is different from the estimated amount:

   If the actual distribution amount is different from the estimated amount, it will be entered as the current year's expense and the estimated method will be reviewed.

3. Profit Distribution for Employee Bonus and Directors' Remuneration approved in Board of Directors Meeting:

   (1) The amount of remuneration distributed to all employees, directors, and supervisors in cash or stock. If there is any discrepancy from the annual estimated amount of recognized expenses, the discrepancy, reason and handling situation shall be disclosed:
   The Board of Directors of the Company has approved that there will be no distribution of employee and director remuneration in 2022, and there will be no difference from the annual estimated amount of recognized expenses.

   (2) The amount of employee remuneration distributed by stock and the proportion to the total after-tax net profit and total employee remuneration of individual or individual financial reports in the current period: the Company does not distribute stock remuneration to employees.

4. The actual distribution of employee bonus and Directors and supervisors remuneration in the previous year (including the number of shares distributed, the amount and the stock price), and if there is any difference between the remuneration of employees, Directors and supervisors, the difference, the reason and the handling situation shall be stated:

   The Company's shareholders' meeting on June 17, 2022 resolved to distribute 2% of retained earnings (NT$616,483)as 2021 employees' bonuses and 1% of retained earnings (NT$308,241)as directors' remuneration, all of them will be paid in cash, and there is no difference from the annual estimated amount of recognized expenses.

4.1.9 The Company's Buyback (Repurchase)of Stock: N/A

4.2 Issuance of Corporate Bonds: N/A

4.3 Preferred Shares: N/A

4.4 Issuance of Global Depositary Shares: N/A

4.5 Status of Employee Stock Option Plan: N/A

4.6 Status of New Shares Issuance in Connection with Mergers and Acquisitions: N/A

4.7 Funding Plans and Implementation: N/A

5. Operational Highlights

5.1 Business Activities

5.1.1 Scope of Business

1. Major Scope of Business:
   CF01011 Medical Devices Manufacturing ;
   F108031 Wholesale of Medical Devices;
   ZZ99999 All business activities that are not prohibited or restricted by law, except those that are subject to special approval;
   F401021 Import of Telecommunications control radio frequency equipment

2. Main Products, Revenue and Business Weight in 2022

Expressed in Thousands of New Taiwan Dollars

Products	Revenue	Weight（%）
Mixers	24,749	26
Power Amplifiers	46,495	48
Speakers	10,595	11
Others	15,768	16
Total	97,607	100

3. Current products provided by the Company
(1) Mixers (Mixers)
(2) Powered Amplifiers (Power Amplifiers)
(3) Powered Mixers (Powered Mixers)
(4) Speakers(Speakers)
(5) Signal Processors (Signal Processors)
(6) Test Equipment
(7) Commercial Video & Audio Equipment

4. New products to be developed by the Company's planning:

(1) Civilian product - sound toning circuit module:
Transistor, vacuum tube and analog tape recorders produced in different years have their classic and unique sound. In the real world, the warmth of traditional analog machines and the unique familiarity of tape machines cannot 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 ingeniously restore the classic sound color, making the sound more full and immersive.

(2) Digital matrix processor for advanced engineering:
The digital matrix processor needs to have the ability to integrate the audio system in multiple areas. Among them, intuitive graphic interface design is an important key no matter for retail, education, or various commercial environment installation needs. Users can configure and manage the entire audio solution through the intuitive interface of the software application program. The research and development focus of this series can be divided into two categories. The first category has different digital audio processing and network expansion capabilities. The second type of built-in high-efficiency Class-D power amplifier can be used in concert tours or for commercial fixed-installation audio systems to overcome implementation. The series consists of different output powers, modularization, and flexible input and output connection

capabilities for the installation environment.

5.1.2 Industry Overview

1. Current status and development of the industry

In order to adjust the manufacturing structure and improve the technical level, the government screens out emerging industries that are suitable for the development of our country according to the principles of market potential, added value, technical level and pollution level, the consumer electronics industry is one of them. The consumer electronics industry is mainly divided into four categories: audio products, video products, other consumer electronics and important precision components.

Consumer electronic audio products initially produced radios. After vacuum tube radios, record players and portable tape recorders, due to the gradual expansion of the product market and technological innovation, the audio product market showed a booming scene in the 1960s and 1970s. Its mainstream products such as portable stereos, CD stereos, and VCRs are popular. Later, due to rising land prices and wages in Taiwan, production costs gradually increased, and as the industry matured, the competitive advantage was no longer there. Therefore, the number of manufacturers began to decrease or their production bases were transferred to mainland China or Southeast Asia, while the remaining manufacturers were transferred to professional audio with higher added value. Since the 1980s, due to the rapid growth of the global economy, people's living standards have improved, industrial technology has developed day by day, entertainment consumption levels have become increasingly diverse, entertainment venues such as PUBs, large and small concerts and nightclubs have flourished, and the rapid development of the PC industry has driven music. The vigorous development of production and audio control and processing software has greatly lowered the entry threshold for music and has become affordable entertainment for everyone. Therefore, the technology of audio and video products has changed from analog to digital and professional. for the multimedia industry. Europe, the United States, Japan and other advanced countries have higher living standards and higher national consumption income than other regions. Therefore, as the birthplace of consumer entertainment trends, many digital music-related software and hardware have been classified as 3C products, and appear in the big supermarkets, become an important sales commodity, and also become the main source of profit for the OEM manufacturers of digital audio products in our country. In recent years, people's purchasing power has increased significantly with the growth of wages, while the same and similar products have become cheaper with the improvement of production technology, which proves that music performance and production are no longer exclusive to a few rich people A skill that has been fully popularized as a national sport.

According to the music industry (Music Industry; MI) information collected and compiled by the CIA Word Fact book, the top five major markets in the world in the past ten years are the United States, Japan, Germany, China and the United Kingdom. These five countries cover more than 70% of the occupancy rate on the global market.. The most important thing for automated audio-visual engineering equipment is technical ability and stable quality. At present, first-class manufacturers are concentrated in the United States and Japan. The Company has gradually accumulated the same technical strength as first-class manufacturers. Since 2015, with the gradual rise of, the combination of audio and video has become a market trend. The Company is committed to developing related audio and video products to meet market demand and provide the best solution.

2. The relationship between the upstream, midstream and downstream in industry
There are many kinds of upstream raw materials for audio and video products, including electronics related industries, semiconductor industry, metal stamping, plastic raw materials, wood products and packaging materials industries, while the downstream products are domestic and foreign distributors, professional audio equipment companies, professional audio chain stores, etc. The relationship between the upstream, midstream and downstream in industry is summarized as follows:

Upstream		Midstream		Downstream	
Electronic Related Industries Semiconductor Industry Metal Stamping Industry Plastic Raw Material Products Industry Wood Products Industry Packaging Material Industry	→	Professional Sound Design Manufacturer		Distributors at Home and Abroad Professional Audio Equipment Companies at Home and Abroad Professional Audio Chain Stores at Home and Abroad Others (Sound Design Engineering, Etc.)	→

3. Various development trends of products

The product development trend will be divided into the following three types:
(1) Combination and application of new technologies: In response to the increasingly popular personal computer music and audio-visual entertainment environment, digitalization of products, new audio interfaces, etc. will be the mainstream trend in the future.
(2) Modern appearance: Just like other popular communication and computer products, ID design will play a more important role in product sales.
(3) Mobility: Since professional audio products are no longer only used on the stage or recording studio, the use of mobility will drive another wave of growth.

4. Competitive situation
In the lower-price market, manufacturers from emerging countries such as mainland China compete with each other. However, due to product functions, quality, and brand awareness of these manufacturers are far lower than those of the Tier 1 manufacturers, there is no competition between the Tier 1 and Tier 2 manufacturers.

5.1.3 Know-how and R&D Overview

1. Research and development expenditures and successfully developed technologies or products as of the date of publication of the annual report:

Expressed in Thousands of New Taiwan Dollars

Year	2022	2021	2023 Q1
R& D Expenses	2,387	1,684	391

2. Successfully developed technologies or products

Products	Description
AM GE series	High-quality Mixers series, upgraded professional recording sound quality interface and fully optimized product I/O preamplifier and appearance.
iMX9090 series	Fully optimize the effects unit / VU meter and other operation interfaces to the high-end LED design, and fully upgrade the Amplifier function.

5.1.4 Long-Term and Short-Term Business Development Plans

1. Short-term Plan:
   (1) Marketing strategy:
   Promote the Company's products, increase market share, and enhance the brand image through the global network of agents.
   (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-visual equipment, develop digital professional audio and develop differentiated small audio-visual products for general consumers.

1. Long-term Plan:
   (1) Marketing strategy:
   Participate in important exhibitions in major foreign markets to increase brand status and sales, find potential customers and establish sales channels and differentiate products to avoid price-cutting competition.
   (2) Production strategy:
   Integrate internal and external resources and give full play to organizational capabilities to increase production capacity and strengthen the flexibility and efficiency of business development and production processes.
   (3) R&D strategy:
   Actively train R&D talents and accumulate core technologies to achieve professional audio leadership.

5.2 Market and Sales Overview

5.2.1 Market Analysis

1. The sales area of the Company's main products（2022）

Expressed in Thousands of New Taiwan Dollars

Type	Area	Amount	Percentage(%)
Domestic Sales	Taiwan	4,502	7.71
Export Sales	Asia	28,750	49.22
	America	37,027	63.39
	Europe	14,880	25.47
	Other areas	12,448	21.30
Total		97,607	100.00

2. Market share and future market supply and demand situation and growth
   :
   In addition to the traditional market, as computer products integrate multimedia functions together; recording and music editing are processed through computers; the rise of personal recording studio players; the development of new technologies has increased demand.

   Supply Side:
   For products using linear technology, mainland China and a few Taiwanese manufacturers quickly obtained OEM orders from European and American countries, but it still takes more than 5 years for these digital and wireless manufacturers to catch up with our Company. In addition, in The channel and marketing at the other end of the smile curve, our Company is the only manufacturer in Asia other than Yamaha that has these capabilities, which has created a situation where the Phonic brand competes with European and American brands on an equal

footing.

Growth Side:
The Company has built a global sales channel, has leading technical capabilities, and currently has a market share of less than 1%. As long as we continue to increase the number of professionals and work hard towards the established direction, the market share and stable profit growth are just around the corner.

3. Competitive Niche
The Company has many years of experience in the field of professional audio, and the production base is deeply cultivated in mainland China, which gives the Company a greater advantage. In addition, the main competitive advantage of the Company lies in the brand and sales channels. The establishment of a brand in the professional audio market generally requires It took decades to see its success. At present, Phonic has established a brand image at the same level as Mackie, Behringer and other international professional audio manufacturers, and has established sales channels in more than 90 countries around the world.

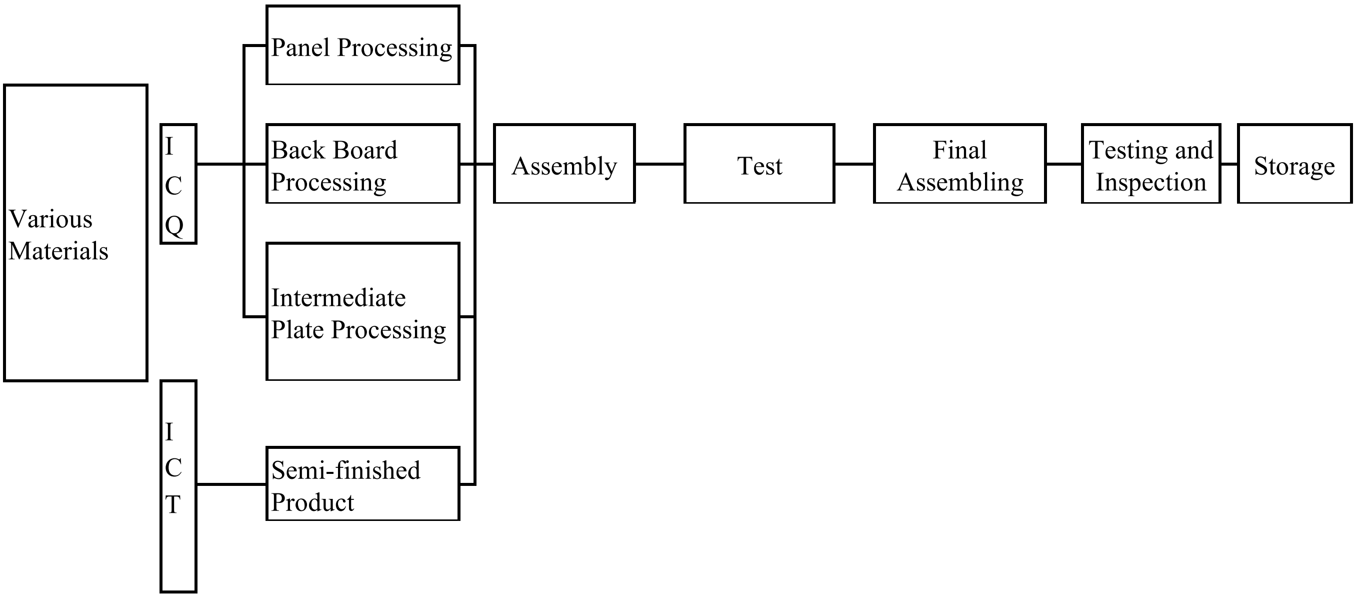
4. The Advantages and disadvantages of development prospects and countermeasures
   (1) Favorable factors
      a. Due to the expansion of demand, professional audio has started to grow again.
      b. Establish joint R&D teams and mechanisms in Taipei and Shenzhen respectively to effectively implement product R&D.
      c. Better CP value.
      d. Completed the brand reshaping, from intermediate quality to upper-middle quality.
   (2) Unfavorable factors and countermeasures
      Competitors from mainland China and Southeast Asia have entered the market with low prices.
      Countermeasures:
      a. Develop forward-looking products with market and application, and obtain a better market position.
      b. Through quality improvement and brand building, enter the middle and high price market.

5.2.2 Important Fields of Application and Production Processes of Major Products:

1. Important Fields of Application of Major Products:

Major Products	Fields of Application of Major Products
Mixers	A device that mixes multiple input audio sources and adds sound effects to process the mixed output. Example: Send multiple microphones, electric guitars, keyboards or CDs to Mixers for processing during a concert.
Powered Mixers	Combination of the function of Mixers and power amplifier.
Powered Amplifiers	Amplify the voltage and current of the signal of the front-end machine (Mixers), so that there is enough output power to drive the speaker.
Signal Processors	To process signals, such as equalizing signal sound quality, spatial surround signal processing, signal compression and expansion processing.
Fully Automatic Commercial Video and Audio Equipment	Covers sound processing and image processing, used in medium and large scale projects.

2. **Production process**



5.2.3 Supply Status of Main Raw Materials

Material	Suppliers	Supply Area	Supply Status
IC Transistor	Ivytech Corporation, Avnet Asia Pte Ltd., etc.,	Taiwan	Sufficient supply
VR, Variable Resistor	Forward Electronics Co., Ltd etc.	Taiwan	Sufficient supply

5.2.4 List of Major Suppliers in the Last Two Calendar Years

1. **Major Customers in the Last Two Calendar Years**

Expressed in Thousands of New Taiwan Dollars

Item	2021				2022			
	Company Name	Amount	Percent %	Relation with Issuer	Company Name	Amount	Percent %	Relation with Issuer
1	3OU10	12,076	20.67	None	1PU15	21,382	21.91	None
2	1PA29	4,482	7.67	None	30U10	14,926	15.29	None
3	1PA128	604	1.03	None	1PA133	10,375	10.63	None
	Other	41,252	70.63	—	Other	50,24	52.17	—
	Net Sales	58,414	100.00	—	Net Sales	97,607	100.00	—

Analysis of increase and decrease in changes:
The COVID-19 Pandemic is stabilizing, public entertainment activities are unblocked, and the demand in the audio market is increasing. Coupled with keen price competition in the market place, the number of customer orders and net sales have grown significantly compared to last year.

2. Major Suppliers in the Last Two Calendar Years

Expressed in Thousands of New Taiwan Dollars

Item	2021				2022			
	Company Name	Amount	Percent %	Relation with Issuer	Company Name	Amount	Percent %	Relation with Issuer
1	P050082	3,230	7.19	None	P050082	4,149	6	None
2	P100048	2,472	5.50	None	P140002	3,281	4.77	None
3	P140002	1,789	3.98	None	P110057	2,835	4.12	None
	Others	37,430	83.33	—	Others	58,468	85.07	—
	Net Purchase	44,921	100.00	—	Net Purchase	68,733	100.00	—

Analysis of increase and decrease in changes:
The COVID-19 Pandemic is stabilizing, public entertainment activities have been unblocked, and the demand in the audio market has increased. Coupled with fierce price competition, the number of customer orders and Net Sales have increased significantly compared to last year, which has led to an increase in net purchases.

5.2.5 List of Major Production Capacity and Value in the Last Two Calendar Years

Expressed in Thousands of New Taiwan Dollars

Year / Production / Products	2022			2021		
	Production Capacity	Output	Production Value	Production Capacity	Output	Production Value
Mixers	6,447	5,480	15,539	4,216	3,584	11,453
Amplifiers	15,551	13,219	34,802	9,023	7,670	20,666
Speakers	3,462	2,943	5,510	0	0	0
Other	560	476	1,914	246	209	1,248
Total	26,020	22,118	57,765	13,485	11,463	33,367

5.2.6 List of Sales Quantity and Value in the Last Two Calendar Years

Expressed in Thousands of New Taiwan Dollars

Year / Sales / Products	2022				2021			
	Domestic Sales		Export		Domestic Sales		Export	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Mixers	359	1,876	7,113	19,177	300	1,248	4,467	12,055
Amplifier	154	1,000	13,937	52,264	440	3,048	8,729	32,877
Speakers	4	27	2,937	11,453	0	0	904	2,510
Others	510	2,770	3,416	9,040	831	1,085	8,436	5,601
Total	1,027	5,673	27,403	91,934	1,571	5,381	22,536	53,043

Note: Others refer to microphones, raw materials and components purchased by the Company, which are not produced by the Company. Due to the wide variety, they will not be disclosed.

5.3 Number of Employees in The Last Two Years

Number of Employees in The Last Two Years

May 8, 2023

Year		2021	2022	As of May 8, 2023
Number of Employees	Managers & Officers	4	4	4
	General Staffs	2	3	3
	General Employees	8	10	9
	Total	14	17	16
Average Age		50	48.5	49.6
Average Years of Service		9.67	8.56	9.28
Education	Ph, D.	-	-	-
	Masters	21.43%	24%	25%
	Bachelor's Degree	71.43%	71%	69%
	Senior High School	7.14%	6%	6%
	Below Senior High School	-	-	-

5.4 Environmental Protection Expenditure

In the most recent year and up to the date of publication of the annual report, the losses suffered due to environmental pollution (including compensation and environmental protection audit results in violation of environmental protection laws and regulations, the date of punishment, the name of the punishment, the violation of laws and regulations, the content of violations of laws and regulations, and the content of punishment should be listed), and disclose the estimated amount and response measures that may occur at present and in the future. If it cannot be reasonably estimated, the fact that it cannot be reasonably estimated should be explained: N/A

5.5 Labor Relations

5.5.1 Employee Benefits Measures:

In order to improve employee welfare, the Company allocated employee welfare funds according to the law, and established the Employee Welfare Committee (approval number Taipei City-Employee-Welfare- 662, dated November 18, 1985). The welfare items include::

1. National Health Insurance (according to labor insurance regulations), employee group insurance.
2. Providing gifts and bonuses for three national festivals (Dragon Boat Festival, Mid-Autumn Festival and Chinese Lunar New Year Festival), Year-end Dinner and Lottery Parties
3. Staff marriage, maternity allowance, birthday gifts.
4. Payments for hospitalization, disability.
5. Payments for funeral condolences (including condolence money for the death of parents, spouse, children).
6. Travel subsidies.
7. Employee health check (according to Labor Standards Act).

5.5.2 Employee Education and Training:

In addition to employee education and training for new employees, the Company also dispatch their employees for external training or conducts internal training from time to time according to individual business needs.

Item	Class (Times)	Total Frequency	Total Hours	Total Fees
New Employee Education Training	0	0	0	0
Supervisory training	0	1	3	3,000
Professional Skill Training	0	2	24	15,329
Total	0	3	27	18,329

5.5.3 Pension System and its Implementation:

In order to stabilize the retirement life of employees and improve the service spirit on the job, the Company adopts the new "Labor Pension Act" system, so the employer allocates 6% of the total salary to the employee's personal account of the Labor Insurance Bureau every month.

5.5.4 Measures of labor-management agreement and measures to protect employee's rights and interests:

The Company signs relevant confidentiality contracts with employees when they take office and informs employees of the code of conduct, including the rights and obligations of both employers and employees.

5.5.5 Losses suffered by the Company due to labor disputes in the most recent year and up to the date of publication of the annual report (including labor inspection results that violate the Labor Standards Act, the date of punishment, the name of the punishment, the violation of laws and regulations, the content of violations of laws and regulations, and the content of punishment should be listed), and disclose the estimated amount and response measures that may occur at present and in the future, if it cannot be reasonably estimated otherwise, it shall explain the fact that it cannot be reasonably estimated: None

5.6 Information Security Management

5.6.1 Describe the information security risk management framework, information security policies, specific management plans and resources invested in 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:
   (1) The General Manager Office is responsible for coordinating the promotion of information security management related matters.
   (2) The company's personnel should abide by the company's information and confidentiality safety regulations.
   (3) The company's suppliers, third-party manufacturers and outsourced service providers should abide by the company's information security regulations.

(4) When an information security incident occurs, the information security contact person should be notified.
(5) Any behavior that endangers information security will be investigated for civil, criminal and administrative responsibilities depending on the severity of the case, or will be dealt with in accordance with the relevant regulations of the company.

3. Specific information security management plan and resources invested in information security management:
(1) Network and computer system security management.
(2) System access control, development and maintenance security management.
(3) Information asset security management.
(4) Set up network firewall and anti-virus software, set folder access permissions, and regularly update passwords.
(5) Regularly and irregularly clean and maintain the company's computer equipment, network equipment and servers.

5.6.2 Indicate the losses suffered due to major information security incidents in the most recent year and as of the date of publication of the annual report, the possible impacts and countermeasures. If it cannot be reasonably estimated, the fact that it cannot be reasonably estimated should be explained:

As of the publication date of the annual report in 2022, the Company has not suffered any major information security incidents, and has no related losses and impacts.

5.7 Important Contracts: N/A

6. Financial Information

6.1 Five Year Financial Summary

6.1.1 Condensed Balance Sheet and Consolidated Statement of Comprehensive Income

Condensed Balance Sheet from 2018 to 2022 (Consolidated)

Expressed in Thousands of New Taiwan Dollars

Item \ Year		Financial Summary for The Last Five Years (Note 1)				
		2022	2021	2020	2019	2018
Current assets		287,609	263,645	83,785	93,478	117,304
Property, plant and equipment		43,844	44,238	30,807	61,549	64,940
Right-of-use asset		2,203	4,559	3,015	—	—
Investment Property		—	—	55,728	26,628	26,819
Intangible assets		—	—	143	383	640
Other assets		1,918	4,142	4,398	3,269	8,518
Total assets		335,574	316,584	177,876	185,307	218,221
Current liabilities	Before distribution	60,433	30,452	18,908	21,245	32,221
	After distribution	(Note 3)	30,452	18,908	21,245	32,221
Non-current liabilities			34,101	690	529	6,543
Total liabilities	Before distribution	90,353	64,553	19,598	21,774	38,764
	After distribution	(Note 3)	64,553	19,598	21,774	38,764
Equities attributable to shareholders of the Parent						
Capital stock		200,000	200,000	290,252	290,252	290,252
Capital surplus transferred to common stocks		18,210	18,200	18,200	1,860	1,860
Retained earnings	Before distribution	40,829	47,766	(136,588)	(114,634)	(102,295)
	After distribution	(Note 3)	47,766	(136,588)	(114,634)	(102,295)
Other equity interests			(13,935)	(13,586)	(13,945)	(10,360)
Treasury stock			—	—	—	—
Non-controlling interest			—	—	—	—
Total equity	Before distribution	245,221	252,031	158,278	163,533	179,457
	After distribution	(Note 3)	252,031	158,278	163,533	179,457

Note 1: All dada for the last five years have been audited and certified by a CPA

Condensed Statement of Comprehensive Income from 2018 to 2022 (Consolidated)

Expressed in Thousands of New Taiwan Dollars

Item \ Year	Financial Summary for The Last Five Years (Note 1)				
	2022	2021	2020	2019	2018
Operating revenue	97,607	58,414	57,617	111,727	212,718
Gross Profit (Loss)	24,987	3,568	5,248	25,314	44,708
Operating Income (Loss)	(6,591)	(25,677)	(27,761)	(26,549)	(29,338)
Non-operating income and (expenses)	2,417	124,957	4,480	12,432	2,261
Net profit (loss)before tax	(4,174)	99,280	(23,281)	(14,117)	(27,077)
Income (Loss)from continuing operations	(6,937)	94,102	(23,278)	(17,634)	(27,255)
Loss on discontinued operations	—	—	—	—	—
Net Income (Loss)	(6,937)	94,102	(23,278)	(17,634)	(27,255)
Other comprehensive income (loss)(Net after tax)	117	(349)	1,683	1,710	(1,794)
Total comprehensive income (loss)for the period	(6,820)	93,753	(21,595)	(15,924)	(29,049)
Net income (loss)attributable to shareholders of the parent Company	(6,937)	94,102	(23,278)	(17,634)	(27,255)
Net income (loss)attributable to non-controlling interest	—	—	—	—	—
Comprehensive income (loss)attributable to shareholders of the parent Company	(6,820)	93,753	(21,595)	(15,924)	(29,049)
Comprehensive income (loss)attributable to non-controlling interests	—	—	—	—	—
Earnings per share (EPS)	(0.35)	4.71	(1.16)	(0.88)	(1.36)

Note 1: All dada for the last five years have been audited and certified by a CPA

Condensed Balance Sheet from 2018 to 2022 (Unconsolidated)

Expressed in Thousands of New Taiwan Dollars

Item \ Year		Financial Summary for The Last Five Years (Note 1)				
		2022	2021	2020	2019	2018
Current assets		265,425	251,642	65,997	73,898	80,058
Property, plant and equipment		41,780	41,966	27,198	56,393	57,858
Investment Property		—	—	55,728	26,628	26,819
Intangible assets		—	—	143	383	640
Other assets		15,828	14,160	28,283	34,244	169,671
Total assets		323,033	307,768	177,349	191,546	335,046
Current liabilities	Before distribution	47,892	23,959	18,381	27,669	149,082
	After distribution	(Note 2)	23,959	18,381	27,669	149,082
Non-current liabilities			31,778	690	344	6,507
Total liabilities	Before distribution	77,812	55,737	19,071	28,013	155,589
	After distribution	(Note 2)	55,737	19,071	28,013	155,589
Equities attributable to shareholders of the Parent						
Capital stock		200,000	200,000	290,252	290,252	290,252
Capital surplus transferred to common stocks		18,210	18,200	18,200	1,860	1,860
Retained earnings	Before distribution	40,829	47,766	(136,588)	(114,634)	(102,295)
	After distribution	(Note 2)	47,766	(136,588)	(114,634)	(102,295)
Other equity interests			(13,935)	(13,586)	(13,945)	(10,360)
Treasury stock						
Total equity	Before distribution	245,221	252,031	158,278	163,533	179,457
	After distribution	(Note 2)	252,031	158,278	163,533	179,457

Note 1: All dada for the last five years have been audited and certified by a CPA

Note 2: The figure after distribution in 2022 has not yet been resolved by the shareholders' meeting, so the amount after distribution is not indicated.

Condensed Statement of Comprehensive Income from 2018 to 2022 (Unconsolidated)

Expressed in Thousands of New Taiwan Dollars

Item \ Year	Financial Summary for The Last Five Years (Note 1)				
	2022	2021	2020	2019	2018
Operating revenue	86,185	52,769	52,450	101,961	196,405
Gross Profit (Loss)	15,445	11,390	5,350	24,062	45,539
Operating Income (Loss)	(9,059)	(10,750)	(19,584)	(13,004)	(9,358)
Non-operating income and (expenses)	4,885	110,030	(3,697)	(1,113)	(17,719)
Net profit (loss)before tax	(4,174)	99,280	(23,281)	(14,117)	(27,077)
Income (Loss)from continuing operations	(6,937)	94,102	(23,278)	(17,634)	(27,255)
Loss on discontinued operations	—	—	—	—	—
Net Income (Loss)	(6,937)	94,102	(23,278)	(17,634)	(27,255)
Other comprehensive income (loss)(Net after tax)	117	(349)	1,683	1,710	(1,794)
Total comprehensive income (loss)for the period	(6,820)	93,753	(21,595)	(15,924)	(29,049)
Earnings per share (EPS)	(0.35)	4.71	(1.16)	(0.88)	(1.36)

Note 1: All dada for the last five years have been audited and certified by a CPA

6.1.2 Names and Audit Opinions of the External Auditors (CPAs)for the Last Five (5)Years:

Year	The External Audit Firm	Name of CPAs	Audit Opinion
2022	Crowe (TW)CPAs	Wang, Jia-Siang , Jhuo, Ching-Chyuan	Unqualified 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

6.2 Five Year Financial Analysis

6.2.1 Financial Analysis (Consolidated)

Financial Analysis from 2018 to 2022

Items (Note 3)	Year（Note 1）	Financial analysis for the last Five years				
		2022	2021	2020	2019	2018
Financial structure (%)	Debt Ratio	26.92	20.39	11.02	11.75	17.76
	Ratio of long-term capital to property, plant and equipment	627.55	646.80	516.01	266.56	286.42
Solvency (%)	Current ratio	475.91	865.77	443.12	440.00	364.06
	Quick ratio	436.97	828.13	354.11	318.05	187.94
	Interest earned ratio (times)	(6.00)	409.56	(107.79)	—	(303.24)
Operating performance	Accounts receivable turnover (times)	17.02	6.57	6.05	5.50	8.05
	Average cash collection period	21.45	55.56	60.33	66.00	45.00
	Inventory turnover (times)	5.31	5.45	3.30	2.58	3.07
	Accounts payable turnover (times)	5.18	4.90	4.97	2.93	2.99
	Average days in sales	68.74	66.97	110.61	141.00	119.00
	Property, plant and equipment turnover (times)	2.22	1.56	1.25	1.77	2.67
	Total assets turnover (times)	0.30	0.24	0.32	0.55	0.83
Profitability	Return on total assets (%)	(1.99)	38.14	(12.72)	(8.74)	(10.55)
	Return on stockholders' equity (%)	(2.79)	45.87	(14.47)	(10.28)	(14.07)
	Pre-tax income to paid-in capital (%)	(2.09)	49.64	(8.02)	(4.86)	(9.33)
	Profit ratio (%)	(7.11)	161.09	(40.40)	(15.78)	(12.81)
	Earnings per share (NT$)	(0.35)	4.71	(1.16)	(0.88)	(1.36)
Cash flow	Cash flow ratio (%)	35.56	12.74	(36.09)	166.38	(215.63)
	Cash flow adequacy ratio (%)	(32.8)	(73.46)	(74.50)	(234.72)	(301.84)
	Cash reinvestment ratio (%)	6.83	1.21	(3.32)	16.52	(29.82)
Leverage	Operating leverage	(0.89)	0.41	0.21	(0.23)	(0.36)
	Financial leverage	0.92	0.99	0.99	1.00	1.00

Analysis of financial ratio differences for the last two years and reasons for Changes in financial ratio:

1. Financial structure: Due to the recovery of sales in the current period and the increase in customer orders, contract liabilities have increased significantly, resulting in an increase in the company's current liabilities.
2. Solvency: In the previous period, due to the disposal of real estate and investment real estate, the cash and equivalent cash increased significantly, and the net profit after tax was presented for the whole year, resulting in an increase in the current ratio, quick ratio and interest coverage ratio; this year, because no real estate was sold, Therefore, compared with the second period, there is a decline.
3. Operating performance: Due to the slowdown of the current epidemic and the recovery of the economy, the international shipping capacity gradually returned to normal, and customers were able to accept payments within the expected time, while the turnover rate of accounts receivable increased significantly, and the average number of cash collection days decreased.
4. Change in Profitability: Mainly due to the fact that the real estate and investment real estate sold in the

previous period made a profit for the whole year.

5. Cash flow: Affected by the slowdown of the COVID-19 Pandemic, customers have placed orders one after another, resulting in a sharp increase in sales. In addition, the gradual return of accounts receivable at the end of the previous period has turned the cash flow of Operating Activities into a net inflow in this period, resulting in a Cash flow ratio and cash reinvestment ratio both increased compared with the previous period.

Note 1: All dada for the last five years have been audited and certified by a CPA

Note 2: At the end of this table of the annual report, the following calculation formula should be listed:

1. Financial structure
   (1)Debt to assets ratio ＝total liabilities／total assets.
   (2)Long-term capital to property, plant and equipment ratio ＝ (total equity ＋ non-current liabilities)／net property, plants and equipment.
2. Solvency
   (1) Current ratio ＝ current assets／current liabilities.
   (2) Liquidity ratio ＝ (current assets - inventory - prepaid expenses)／current liabilities.
   (3)Interest protection multiples ＝earnings before interest and taxes／interest expenses of the period.
3. Operating performance
   (1) Receivables (including accounts receivable and note receivable from business operations)turnover ratio ＝ net sales revenue／average receivables (including accounts receivable and note receivable from business operations)balance of each period.
   (2) Average collection period ＝365／receivables turnover ratio.
   (3) Inventory turnover ratio ＝ cost of goods sold／average inventory.
   (4)Accounts payable (including accounts payable and note payable from business operations)turnover ratio ＝ cost of goods sold／average accounts payable (including accounts payable and note payable from business operations)balance of each period.
   (5)Days sales of inventory ＝365／inventory turnover ratio.
   (6)Property, plants and equipment turnover ratio ＝ net sales revenue／average net property, plants and equipment.
   (7) Total assets turnover ratio ＝ net sales revenue／average total assets.
4. Profitability
   (1) Return on asset ＝ [post-tax profit or loss ＋ interest expenses × (1 - tax rate)]／average total assets.
   (2)Return on equity ＝ post-tax profit or loss／average total equity.
   (3)Net profit margin ＝ post-tax profit or loss／net sales revenue
   (4)Earnings per share ＝ (profit or loss attributable to owner(s)of the parent Company - preference share dividends)／weighted-average number of shares issued, (Note 4)
5. Cash Flow
   (1)Cash flow ratio ＝net cash flow from operating activities／current liabilities.
   (2)Net cash flow adequacy ratio ＝ net cash flow from operating activities in the last 5 years／(capital expenditures ＋ increase in inventory＋ cash dividends)in the last 5 years.
   (3) Cash reinvestment ratio ＝ (net cash flows from operating activities - cash dividends)／(gross property, plants and equipment ＋long-term investment ＋ other non-current assets ＋ working capital), (Note 5)
6. Leverage
   (1) Operating leverage ＝ (net operating income - changes in operating costs and expenses)／operating profit (Note 6).
   (2) Financial leverage ＝ operating profit／(operating profit - interest expenses).

Note 3: The calculation formula for the above-mentioned earnings per share shall be measured with the following precautions:

1. It shall be based on weighted-average number of common shares instead of number of shares issued as of the end of the year.
2. Where there is capital addition or treasury share transaction, weighted-average number of shares shall be calculated after considering the circulation period.
3. Where there is Retained Earnings Transferred to Capital or Capital Increase by Capital Surplus, when calculating the earnings per share for the previous year and mid-year, it shall be retrospectively adjusted according to the proportion of capital increase without considering the issuing period of the capital increase.
4. If the preference share is a non-convertible cumulative preference share, its dividends (paid or not)of the

ear shall be subtracted from net profit after tax or added to net loss after tax, If the preference share is non-cumulative, the preference dividends shall be deducted from net profit after tax if there is a net profit after tax; if it is a loss, there is no need for adjustment.

Note 4: The following precautions shall be paid when measuring cash flow analysis:

1. Net cash flow from operating activities referred to the net cash inflow from operating activities shown in the cash flow statement.
2. Capital expenditure referred to the annual cash outflows for capital investment.
3. The increase in inventory is only listed when the ending balance is greater than the beginning balance, If the inventory decreases at the end of the year, the increase in inventory will be regarded as zero.
4. Cash dividends include cash dividends of common shares and preference shares.
5. Gross property, plants and equipment referred to the total property, plant and equipment before accumulated depreciation.

Note 5: The issuer shall classify various operating costs and operating expenses into fixed and variable categories. If estimation or subjective judgment is involved, the issuer shall pay attention to its rationality and maintain consistency.

Note 6: If the Company's shares have no par value or if the par value of each share is not NT$10, the aforementioned calculation of ratio involving paid-in capital shall be calculated based on the equity ratio of the balance sheet attributable to the owner(s)of the parent Company.

6.2.2 Financial Analysis (Unconsolidated)

Financial Analysis from 2018 to 2022

Items (Note 3)	Year（Note 1）	Financial analysis for the last Five years				
		2022	2021	2020	2019	2018
Financial structure (%)	Debt Ratio	24.09	18.11	10.75	14.62	46.44
	Ratio of long-term capital to property, plant and equipment	658.55	676.28	584.49	290.60	321.42
Solvency (%)	Current ratio	554.22	1050.30	359.05	267.08	53.70
	Quick ratio	543.19	1036.89	330.11	221.09	38.52
	Interest earned ratio (times)	(8)	556	—	—	(340.26)
Operating performance	Accounts receivable turnover (times)	15.15	5.97	5.54	5.03	7.44
	Average cash collection period	24.09	61.14	65.88	72.00	49.00
	Inventory turnover (times)	44.23	54.95	10.92	7.21	11.19
	Accounts payable turnover (times)	8.30	3.49	2.27	0.90	1.01
	Average days in sales	8.25	6.64	33.43	50.00	33.00
	Property, plant and equipment turnover (times)	2.06	1.53	1.25	1.78	2.73
	Total assets turnover (times)	0.27	0.22	0.28	0.39	0.53
Profitability	Return on total assets (%)	(2.09)	38.85	(12.62)	(6.70)	(7.39)
	Return on stockholders' equity (%)	(2.79)	45.87	(14.47)	(10.28)	(14.07)
	Pre-tax income to paid-in capital (%)	(2.09)	49.64	(8.02)	(4.86)	(9.33)
	Profit ratio (%)	(8.05)	178.33	(44.38)	(17.30)	(13.88)
	Earnings per share (NT$)	(0.35)	4.71	(1.16)	(0.88)	(1.36)
Cash flow	Cash flow ratio (%)	40.59	11.60	(52.70)	(132.31)	(39.42)
	Cash flow adequacy ratio (%)	(180.68)	(198.59)	(949.59)	(1,614.08)	(985.24)
	Cash reinvestment ratio (%)	6.90	0.96	(8.44)	(24.06)	(29.02)
Leverage	Operating leverage	0.31	0.38	(1.81)	(6.09)	(16.18)
	Financial leverage	0.95	0.98	1.00	1.00	0.99

Analysis of financial ratio differences for the last two years and reasons for Changes in financial ratio:

1. Financial structure: Due to the increase in long-term bank loans for the purchase of new offices in this period, the ratio of liabilities to assets and the ratio of long-term funds to real estate, plant and equipment increased compared with the previous period.
2. Solvency: (1) current ratio and quick ratio: due to the recovery of sales in the current period, the increase in customer orders and the increase in contract liabilities, the company’s current liabilities have increased. (2) Interest coverage ratio: due to the disposal of Investment Property in the previous period, the A large profit was made throughout the year, but there was no such situation in this period, and the profit protection ratio decreased compared with the previous period.
3. Operating performance: (1) Accounts receivable turnover and Average cash collection period: Due to the slowdown of the current epidemic and the recovery of the economy, the international shipping capacity has gradually returned to normal, customers can accept payments within the expected time, and there is a significant increase in the turnover rate of accounts receivable (2) Inventory turnover, Accounts receivable turnover and Average days in sales: At the end of the current period, in response to shipment orders at the beginning of the year, a large amount of material preparation and production began, resulting in a higher amount of inventory at the end of the period (3) Property, plant and equipment turnover and Total assets turnover: due to the slowdown of the epidemic situation, customers placed orders one after another, resulting in a sharp increase in sales.

4. Increase in Profitability compared to the previous period: Mainly due to the disposition of real estate and investment real estate in this period, this made the whole year profitable. 5. Cash flow: As the number of orders stabilized at the end of this period, the advance payment for goods increased compared with the previous period, which turned the cash flow of Operating Activities into a net inflow in this period, resulting in an increase in the cash flow ratios of this period compared with the previous period.

Note 1: All dada for the last five years have been audited and certified by a CPA

Note 2: At the end of this table of the annual report, the following calculation formula should be listed:

1. Financial structure
   (1)Debt to assets ratio ＝total liabilities／total assets.
   (2)Long-term capital to property, plant and equipment ratio ＝ (total equity ＋ non-current liabilities) ／net property, plants and equipment.
2. Solvency
   (1) Current ratio ＝ current assets／current liabilities.
   (2) Liquidity ratio ＝ (current assets - inventory - prepaid expenses)／current liabilities.
   (3)Interest protection multiples ＝earnings before interest and taxes／interest expenses of the period.
3. Operating performance
   (1) Receivables (including accounts receivable and note receivable from business operations)turnover ratio ＝ net sales revenue／average receivables (including accounts receivable and note receivable from business operations)balance of each period.
   (2) Average collection period ＝365／receivables turnover ratio.
   (3) Inventory turnover ratio ＝ cost of goods sold／average inventory.
   (4)Accounts payable (including accounts payable and note payable from business operations)turnover ratio ＝ cost of goods sold／average accounts payable (including accounts payable and note payable from business operations)balance of each period.
   (5)Days sales of inventory ＝365／inventory turnover ratio.
   (6)Property, plants and equipment turnover ratio ＝ net sales revenue／average net property, plants and equipment.
   (7) Total assets turnover ratio ＝ net sales revenue／average total assets.
4. Profitability
   (1) Return on asset ＝ [post-tax profit or loss ＋ interest expenses × (1 - tax rate)]／average total assets.
   (2)Return on equity ＝ post-tax profit or loss／average total equity.
   (3)Net profit margin ＝ post-tax profit or loss／net sales revenue
   (4)Earnings per share ＝ (profit or loss attributable to owner(s)of the parent Company - preference share dividends)／weighted-average number of shares issued, (Note 3)
5. Cash Flow
   (1)Cash flow ratio ＝net cash flow from operating activities／current liabilities.
   (2)Net cash flow adequacy ratio ＝ net cash flow from operating activities in the last 5 years／(capital expenditures ＋ increase in inventory＋ cash dividends)in the last 5 years.
   (3) Cash reinvestment ratio ＝ (net cash flows from operating activities - cash dividends)／(gross property, plants and equipment ＋long-term investment ＋ other non-current assets ＋ working capital), (Note 4)
6. Leverage
   (1) Operating leverage ＝ (net operating income - changes in operating costs and expenses)／operating profit (Note 5).
   (2) Financial leverage ＝ operating profit／(operating profit - interest expenses).

Note 3: The calculation formula for the above-mentioned earnings per share shall be measured with the following precautions:

1. It shall be based on weighted-average number of common shares instead of number of shares issued as of the end of the year.
2. Where there is capital addition or treasury share transaction, weighted-average number of shares shall be calculated after considering the circulation period.
3. Where there is Retained Earnings Transferred to Capital or Capital Increase by Capital Surplus, when calculating the earnings per share for the previous year and mid-year, it shall be retrospectively adjusted according to the proportion of capital increase without considering the issuing period of the capital increase.
4. If the preference share is a non-convertible cumulative preference share, its dividends (paid or not)of the ear shall be subtracted from net profit after tax or added to net loss after tax, If the preference share

is non-cumulative, the preference dividends shall be deducted from net profit after tax if there is a net profit after tax; if it is a loss, there is no need for adjustment.

Note 4: The following precautions shall be paid when measuring cash flow analysis:

1. Net cash flow from operating activities referred to the net cash inflow from operating activities shown in the cash flow statement.
2. Capital expenditure referred to the annual cash outflows for capital investment.
3. The increase in inventory is only listed when the ending balance is greater than the beginning balance, If the inventory decreases at the end of the year, the increase in inventory will be regarded as zero.
4. Cash dividends include cash dividends of common shares and preference shares.
5. Gross property, plants and equipment referred to the total property, plant and equipment before accumulated depreciation.

Note 5: The issuer shall classify various operating costs and operating expenses into fixed and variable categories. If estimation or subjective judgment is involved, the issuer shall pay attention to its rationality and maintain consistency.

Note 6: If the Company's shares have no par value or if the par value of each share is not NT$10, the aforementioned calculation of ratio involving paid-in capital shall be calculated based on the equity ratio of the balance sheet attributable to the owner(s)of the parent Company.

6.3 Audit Committee's Review Report in 2022 (Refer to Appendix 1)

6.4 Financial Statements of the Last Fiscal Year (Refer to Appendix 2)

6.5 Parent Company Only Financial Reports of the Company Audited and Certified by a Certified Public Accountants in the Most Recent Years (Refer to Appendix 3)

6.6 Financial Difficulties of the Company and its Affiliates in the Most Recent Years: N/A.

7. Financial Status and Operating Results

7.1 Financial Status

Expressed in Thousands of New Taiwan Dollars

Item \ Year	2022	2021	Difference	
			Amount	%
Current Assets	287,609	263,645	23,964	9.09
Property, Plant and Equipment	43,844	44,238	-394	-0.89
Right-of-Use Asset	2,203	4,559	-2,356	-51.68
Investment Property	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets	1,918	4,142	-2,224	-53.69
Total Assets	335,574	316,584	18,990	6.00
Current Liabilities	60,433	30,452	29,981	98.45
Noncurrent Liabilities	29,920	34,101	-4,181	-12.26
Total Liabilities	90,353	64,553	25,800	39.97
Capital Stocks	200,000	200,000	0	0
Capital Surplus Transferred To Common Stocks	18,210	18,200	10	0.05
Legal Surplus Reserve	3,082	-	3,082	100
Special Surplus Reserve	16,942	16,942	0	0
Retained Earnings (To Offset Losses)	20,805	30,824	-10,019	-32.50
Other Adjustments To Shareholders' Equity	-13,818	-13,935	117	-0.84
Total Shareholders' Equity	245,221	252,031	-6,810	-2.70

Explanation of the analysis of the changes in ratio of increase and decrease:

1. The Right-of-Use Asset has decreased by about 50% compared to last year. The main subsidiary signed a two-year factory lease contract in 2021. One year has passed, and the remaining half of the value is due.
2. Other Assets: It is caused by the decrease of deferred income tax assets.
3. Changes in Current Liabilities and Total Liabilities: Due to the recovery of sales in this period and the increase in customer orders, contract liabilities have increased significantly.
4. Legal Surplus Reserve: It is due to the legal surplus reserve in 2021.
5. Retained Earnings: due to a small loss in 2022.

7.2 Financial Performance

Expressed in Thousands of New Taiwan Dollars

Item \ Year	2022	2021	Difference	
	Amount	Amount	Amount	Amount
Total Operating Revenue	97,637	59,648	37,989	63.69
Less: Sales Return	-	1,225	-1,225	-100.00
Sales Allowance	30	9	21	233.33
Operating Revenue, Net	97,607	58,414	39,193	67.10
Operating Cost	72,620	54,846	17,774	32.41
Operating Gross Profit	24,987	3,568	21,419	600.31
Operating Costs	31,578	29,245	2,333	7.98
Operating Profit, Net	-6,591	-25,677	19,086	-74.33
Non-Operating Income And Expenses	2,417	124,957	-122,540	-98.07
Net Profit (Loss)Before Tax of Continuing Operations	-4,174	99,280	-103,454	-104.20
Income Tax Income (Expenses)	-2,763	-5,178	2,415	-46.64
Net Profit (Loss) After Tax of Continuing Operations	-6,937	94,102	-101,039	-107.37
Other Comprehensive Income (Net of Tax)	117	-349	466	-133.52
Total Comprehensive Profit And Loss	-6,820	93,753	-100,573	-107.27

Explanation of the analysis of the changes in ratio of increase and decrease:

1. Operating Revenue, Operating Cost, Operating Gross Profit and Operating Loss:
   Starting from 2022, the epidemic situation in Europe and the United States has been gradually unblocked, and various large-scale entertainment and gathering activities will be gradually get recovered, and customers will gradually place orders; and in the second half of the year, due to the slowdown of the epidemic situation in mainland China, the lockdown measures will be gradually loosened, and product manufacturing and delivery schedules will return to normal , take advantage of the normalization of international logistics freight rates and transport capacity, resulting in compensatory sales performance in the second half of the year, the annual revenue has also increased significantly, and operating costs have also increased synchronously with revenue, resulting in a substantial increase in the annual Operating Gross Profit. Operating losses were also significantly reduced.

2. Non-Operating Income And Expenses:
   It is mainly due to the sale of the land and buildings belonging to the Dongxing Road Office to Rongyi Investment in 2021, but there is no relevant interest in this period.

3. Net Profit Before Tax and Net Profit after Tax:
   Except for the fact that the global epidemic situation will slow down from 2022, which will lead to an increase in Operating Net Profit in this period, it is mainly due to the sale of the land and buildings belonging to the Tongxing Road office to Rongyi Investment Co., Ltd. in 2021, and there is no relevant interest in this period due to interests.

7.3 Cash Flow

7.3.1 Analysis of Cash Flow Changes In The Last Two Years

Expressed in Thousands of New Taiwan Dollars

Cash Balance, January 1, 2022	Annual net cash flow from Operating Activities	Annual net cash flow from Non-Operating Activities	Cash Balance, December 31, 2022
242,327	21,487	-4,046	259,768

1. Operating Activities: It is estimated that the net cash flow from Operating Activities in 2023 will remain roughly stable.
2. Investment Activities: Mainly the cash outflow for obtaining the office equipment.
3. Financing Activities: Mainly the cash outflow of repayment of long-term loans and lease payables.

7.3.2 Improvement plan for insufficient liquidity: None

7.3.3 Cash Flow Analysis for the Coming Year

Expressed in Thousands of New Taiwan Dollars

Cash Balance, Beginning of Year	Estimated Net cash flow from operating activities	Cash Outflow of the Year	Cash Balance (Insufficiency)Amount	Remedial Measures for Cash Insufficiency	
				Investment Plan	Financing Plan
256,659	21,000	4,000	273,659	-	-

7.4 Major Capital Expenditure Items on the Financial Operations during the Last Fiscal Year: N/A

7.5 Investment Policy in Last Year, Main Causes for Profits or Losses, Improvement Plans and the Investment Plan for the Coming Year

7.5.1 Investment Policy and Main Causes for Profits or Losses:

The Company indirectly invests in Shen Zhen Instrument Pa Electronic Co., Ltd. through Phonic Group, Ltd., mainly producing products of the company's own brand and OEM business. The products produced by Shen Zhen Instrument Pa Electronic Co., Ltd. are not sold domestically. Except for the “Phonic” brand in mainland China, the rest are directly or indirectly sold to our company. Accordingly, the number of production business of Shen Zhen Instrument Pa Electronic Co., Ltd. depends on the amount of orders received by the company. Shen Zhen Instrument Pa Electronic Co., Ltd.. The reason for the profit loss of the said Company in recent years is mainly due to the decrease in the number of orders received by the company, and the amount of orders placed has not reached the economic scale, resulting in losses.

7.5.2 Improvement Plans

The Company will review the production process and adopt an outsourcing policy for non-technical core businesses to reduce the scale of operations; in addition, it will actively develop the audio-visual integration engineering business to enhance business capabilities and improve loss-making situations.

7.5.3 Investment Plan for the Coming Year

The Company has recently continued to focus on business transformation, and it is expected to achieve a smooth balance of profit and loss this year. There is no new investment plan yet.

7.6 Analysis of Risk Management and Assessment in Recent Years and up to the Date of Publishing the Annual Report:

7.6.1 Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Procedures:

1. Effect of Changes in Interest Rates:
   (1) Impact on the company's profit and loss
   Interest rates continued to rise in the current period, resulting in an increase in the interest income of the company's bank deposits and interest expenses on long-term loans, but the difference between the two amounts is not significant.
   (2) The company's future countermeasures
   At this stage, we will continue to observe the overall economic situation, evaluate the timing of interest rate reversal, and reduce capital costs.

2. Effect of Change in Foreign Exchange Rates:
   (1) Impact on the company's profit and loss:
   The company's products are mainly exported, and its product exchange rate quotation is based on US dollars, and most of the main raw materials are purchased from domestic manufacturers, so exchange rate changes have an impact on the company's revenue and profit.
   (2) Specific measures in response to exchange rate changes
   A. When quoting, the business department will consider the price adjustments caused by exchange rate changes 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 currency account to adjust foreign exchange positions, and do a good job in exchange rate risk control.
   C. Continue to accelerate the recovery days of accounts receivable to reduce the exposure to exchange risk.

3. Effect of Changes due to Inflation on Corporate Finance:
   (1) Impact on the company's profit and loss:
   The annual growth rate of the overall producer price index is relatively low, the consumer price index is also low, and the inflation pressure is obviously low, so inflation has no significant impact on the company.
   (2) Future Response Procedures taken by the Company: None.

7.6.2 The main reasons for policy gains or losses in high-risk, highly leveraged investments, loans to others, endorsement guarantees and derivatives trading and future countermeasures:

1. As of the publication date of the annual report, the Company has not engaged in high-risk investment, high-leverage investment, capital loan to others, endorsement guarantee and derivative commodity transactions.
2. The Company has formulated the "Procedures for Acquisition or Disposal of Assets", "Methods for Loaning Funds to Others" and "Methods for Handling Endorsements and Guarantees", all of them have been adopted by the resolution at the shareholders' meeting. In the future, such procedures and methods will be adopted if required.

7.6.3 Future R&D plan and estimated R&D expenses: N/A

In the future, the Company is planning to develop multi-format and configurable high-resolution products such as Datavideo, Mixers, video signal synchronizer and digital effect device is expected to invest in R&D manpower, material usage, testing and other total costs will be about 5% to 10% of the turnover.

7.6.4 Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales: N/A

7.6.5 Effects of and Response to Changes in Technology and the Industry Relating to Corporate Finance and Sales:

PCs are widely used in recent years, 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.

7.6.6 The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Procedures: N/A

7.6.7 Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans: N/A.

7.6.8 Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans: N/A.

7.6.9. Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration: N/A

7.6.10 Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings of over 10%: N/A.

7.6.11 Effects of, Risks Relating to and Response to the Changes in Management Rights: N/A

7.6.12 Litigation or Non-Litigation Matters, the Company's Directors, supervisors, General Manager, substantial person in charge, major shareholders holding more than 10% of the shares, and major lawsuits that have been confirmed or are still pending in the subordinate Company, non-litigation or administrative disputes, the outcome of which may have a significant impact on shareholders' rights or securities prices, the facts in dispute, the amount of the subject matter, the date of commencement of the litigation, the main parties involved in the litigation and the handling status as of the publication date of the annual report: N/A

7.6.13 Other important risks and countermeasures: N/A

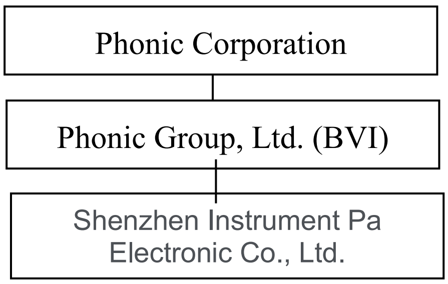
Information security risk: In order to implement information security management, the Company has formulated relevant operating rules for information security management and implemented information work plans based on this. In addition to strictly managing employee application system access and file data permissions and security maintenance, the plan also In addition, a firewall, email antivirus and hacker prevention, and backup plan operations have been built to control and audit personnel access rights and records to reduce Company information security risks.

7.7 Other Important Matters: N/A

8. Special Disclosure

8.1 Summary of Affiliated Companies in the Most Recent Years

8.1.1 Organization chart of related enterprises



Information of Affiliate Companies

Expressed in Thousands of New Taiwan Dollars

Company Name	Date of Establishment	Address	Paid-in Capital	Main business or production items
Phonic Group, Ltd. (BVI)	11.03.2000	2nd Floor, Abbott Building, Road Town, Tortola, British Virgin Islands	US$ $271	A holding company
Shenzhen Instrument Pa Electronic Co., Ltd.	11.2.2011	Tuyang Industrial Zone, Kwai Chung Town, Shenzhen City, Guangdong Province	HK$ $5,000	Specialized in manufacturing Audio products

8.1.3 Presumed to have control and subordination of the same shareholder information: N/A.

8.1.4 Industries Covered by Business Operations of Overall Affiliated Enterprises

The industries covered by the business operations of the overall affiliated enterprises mainly include:
(1) Main business: professional audio product design, production and sales.
(2) General investment industry.
For the main business or production items of each affiliated enterprise, please refer to the above disclosure 2, the list of basic information of each affiliated enterprise.

8.1.5 Directors, Supervisors and General Manager Information of Each Affiliated Company

Company Name	Title	Name or Representative	Shareholding	
			Shares/ Contribution Amount	Percentage
Phonic Group, Ltd. (BVI)	Chairman	Phonic Corporation Representative: Wang, Min-Lie	270,912 Shares	100%
Shenzhen Instrument Pa Electronic Co., Ltd		Phonic Group, Ltd. (BVI) Representative: Wang, Min-Lie	HK$5,000,000	100%

8.1.6 Operation overview of affiliated companies Expressed in Thousands of New Taiwan Dollars

Company Name / Item	Phonic Group, Ltd. (BVI)	Shenzhen Instrument Pa Electronic Co., Ltd
Capital Amount	16,373	19,419
Total Assets	14,312	29,643
Total Liabilities	0	99,087
Net Value	14,312	(69,444)
Operating Revenue	0	10,375
Operating Income (Loss)	(336)	2,804
Profit/(Loss)(after Tax)current Period	3,513	3,845
EPS (NT$)(After Tax)	0.01	

8.2 Private Placement Securities in the Most Recent Years: N/A

8.3 The Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Years: N/A

8.4 Other Necessary Supplementary Explanations: N/A

9. In the Most Recent Years and up to the Date of Publication of the Annual Report, Events Which Have A Material Impact on the Equity of Shareholders or the Price of Securities as Specified in Item 2.2 of Article 36 of the Securities Exchange Law: N/A.

Appendices

Appendix 1: Audit Committee Review Report of The Most Recent Annual Financial Report

Phonic Corporation

2022 Audit Committee's Review Report

The Board of Directors prepared the Company's 2022 Business Report, 2022 Consolidated and Parent Company Only Financial Statements and Proposal for 2022 Deficit Compensation. The above consolidated and parent company only financial statements have been audited by independent auditors, Mr. Wang, Jia-Siang and Mr. Jhuo, Ching-Chuan of Crowe (TW) CPAs Firm with an unqualified opinion. The aforementioned Business Report, Consolidated and Parent Company Only Financial Statements, and the Proposal for 2022 Deficit Compensation have been reviewed by the Company's Audit Committee. The Audit Committee found the same to be true and correct and there are no discrepancies. Therefore, this review report is hereby issued pursuant to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act und submitted for your kind approval.

To: The 2023 Annual General Shareholders' Meeting
Phonic Corporation

Convener of the Audit Committee

Independent Director: **Chiu**, **Li-Mei**

March 17, 2023

Appendix 2: Financial Report For The Most Recent Years, Including Audit Report Issued By CPAs, Balance Sheet For Two Years Comparison, Comprehensive Profit And Loss Statement, Statement of Equity Changes, Cash Flow Statement And Notes or Appendix

Phonic Corporation

Representation Letter

The entities that are required to be included in the combined financial statements of Phonic Corporation as of and for the year ended December 31, 2022, under the "*Criteria Governing 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 IFRS 10 - Consolidated Financial Statements".* In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Phonic Corporation and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,
Phonic Corporation

Chairman: **Chou, Chin-Wen**

March 17, 2023

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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, 2022 and 2021, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2022 and 2021, 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, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and 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 the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. 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, 2022. 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, 2022 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, 2022 and 2021, on which we have issued an unmodified opinion.

Crowe

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 Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we 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, 2022 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

Crowe (TW) CPAs
March 17, 2023

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, 2022 and 2021

(In Thousands of New Taiwan Dollars)

Assets	Notes	2022.12.31 Amount	%	2021.12.31 Amount	%
Current assets					
Cash and cash equivalents	6(1) and 12	$ 259,768	78	$ 242,327	76
Notes receivable, net	6(2) and 12	393	-	15	-
Accounts receivable, net	6(3) and 12	2,992	1	8,072	3
Other receivables	12	923	-	1,767	-
Inventories	6(4)	19,172	6	8,169	3
Prepayments		4,361	1	3,295	1
Total current assets		287,609	86	263,645	83
Non-current assets					
Property, plant and equipment	6(5), 7 and 8	43,844	13	44,238	14
Right-of-use assets	6(6) and 7	2,203	1	4,559	2
Deferred tax assets	6(19)	1,514	-	3,484	1
Prepayments for equipment		-	-	239	-
Refundable deposits	12	404	-	419	-
Total non-current assets		47,965	14	52,939	17
Total Assets		**$ 335,574**	**100**	**$ 316,584**	**100**

Liabilities and Equity	Notes	2022.12.31 Amount	%	2021.12.31 Amount	%
Current liabilities					
Contract liabilities - current	6(14)	$ 33,871	10	$ 7,908	2
Notes payable	12	66	-	94	-
Accounts payable	12	15,902	5	11,994	4
Other payables	12	5,603	2	6,476	2
Current tax liabilities		988	-	-	-
Lease liabilities - current	6(6) and 12	2,245	1	2,236	1
Current portion of long-term borrowings	6(9), 8 and 12	1,640	-	1,640	-
Other current liabilities		118	-	104	-
Total current liabilities		60,433	18	30,452	9
Non-current liabilities					
Long-term borrowings	6(9), 8 and 12	28,700	9	30,340	10
Deferred tax liabilities	6(19)	1,220	-	1,438	-
Lease liabilities - non-current	6(6) and 12	-	-	2,323	1
Total non-current liabilities		29,920	9	34,101	11
Total liabilities		90,353	27	64,553	20
Equity attributable to the shareholders of the Company					
Common stock	6(10)	200,000	60	200,000	63
Capital surplus	6(11)	18,210	5	18,200	6
Legal reserve	6(12)	3,082	1	-	-
Special reserve	6(12)	16,942	5	16,942	5
Accumulated earnings	6(12)	20,805	6	30,824	10
Exchange differences arising on translation of foreign operations	6(13)	(13,818)	(4)	(13,935)	(4)
Total equity		245,221	73	252,031	80
Total Liabilities and Equity		**$ 335,574**	**100**	**$ 316,584**	**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, 2022 and 2021
(In Thousands of New Taiwan Dollars)

	Notes	2022 Amount	2022 %	2021 Amount	2021 %
Net revenue	6(14) and 14	$ 97,607	100	$ 58,414	100
Cost of revenue	6(4), 6(8) and 6(18)	(72,620)	(74)	(54,846)	(94)
Gross profit		24,987	26	3,568	6
Operating expenses	6(7), 6(8), 6(8) and 7				
Marketing		(2,806)	(3)	(2,918)	(5)
General and administrative		(26,381)	(27)	(25,501)	(44)
Research and development		(2,387)	(3)	(1,684)	(3)
Expected credit (losses) gains	6(3)	(4)	-	858	2
Total operating expenses		(31,578)	(33)	(29,245)	(50)
Operating loss		(6,591)	(7)	(25,677)	(44)
Non-operating income and expenses					
Interest income	6(15)	719	1	169	-
Other income	6(7) and 6(16)	2,518	3	5,527	9
Other gains and losses	6(17)	(255)	-	119,504	205
Finance costs		(565)	(1)	(243)	-
Total non-operating income and expenses		2,417	3	124,957	214
Profit (loss) before income tax from continuing operations		(4,174)	(4)	99,280	170
Income tax expense	6(19)	(2,763)	(3)	(5,178)	(9)
Net profit (loss) for the year		(6,937)	(7)	94,102	161
Other comprehensive income (loss)	6(20)				
Items that will be reclassified subsequently to profit or loss					
Exchange differences arising on translation of foreign operations		146	-	(354)	(1)
Income tax related to items that will be reclassified to profit or loss		(29)	-	5	-
Other comprehensive (loss) income for the year, net of income tax		117	-	(349)	(1)
Total comprehensive income (loss) for the year		**$ (6,820)**	**(7)**	**$ 93,753**	**160**
Net income (loss) attributable to:					
Shareholders of the parent		**$ (6,937)**	**(7)**	**$ 94,102**	**161**
Noncontrolling interests		**$ -**	**-**	**$ -**	**-**
Total comprehensive income (loss) attributable to:					
Shareholders of the parent		**$ (6,820)**	**(7)**	**$ 93,753**	**160**
Noncontrolling interests		**$ -**	**-**	**$ -**	**-**
Earnings (loss) per share	6(21)				
Basic earnings (loss) per share		**$ (0.35)**		**$ 4.71**	
Diluted earnings (loss) per share		**$ (0.35)**		**$ 4.71**	

(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, 2022 and 2021
(In Thousands of New Taiwan Dollars)

	Equity attributable to the shareholders of the Company						
	Common Stock	**Capital Surplus**	**Legal reserve**	**Special Reserve**	**Accumulated Earnings**	**Exchange Differences arising on Translation of Foreign Operations**	**Total Equity**
Balance at January 1, 2021	$ 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
Appropriation of retained earnings：							
Legal reserve	-	-	3,082	-	(3,082)	-	-
Net loss for 2022	-	-	-	-	(6,937)	-	(6,937)
Other comprehensive income for 2022	-	-	-	-	-	117	117
Total comprehensive income (loss) for 2022	-	-	-	-	(6,937)	117	(6,820)
Exercising the right of claim for disgorgement	-	10	-	-	-	-	$ 10
Balance at December 31, 2022	**$ 200,000**	**$ 18,210**	**$ 3,082**	**$ 16,942**	**$ 20,805**	**$ (13,818)**	**$ 245,221**

(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, 2022 and 2021

(In Thousands of New Taiwan Dollars)

	2022	2021
Cash flows generated from (used in) operating activities:		
Profit (loss) before tax	$ (4,174)	$ 99,280
Adjustments for:		
Depreciation expense (including investment property)	2,947	4,698
Amortization expense	-	143
Expected credit loss (gain)	4	(858)
Gain on financial assets at fair value through profit or loss, net	-	(77)
Interest income	(719)	(169)
Interest expense	565	243
Gain on disposal of property, plant and equipment (including investment property)	66	(120,456)
Prepayments for equipment reclassified as expense	239	-
	3,102	(116,476)
Changes in operating assets and liabilities:		
Financial assets at fair value through profit or loss	-	5,828
Notes receivable, net	(378)	2,770
Accounts receivable, net	5,076	(306)
Other receivables	844	268
Inventories	(11,003)	3,780
Prepayments	(1,066)	1,586
Contract liabilities	25,963	7,219
Notes payable	(28)	34
Accounts payable	3,908	1,772
Other payables	(873)	1,849
Other current liabilities	14	13
Cash flows generated from operations	21,385	7,617
Interest received	719	169
Interest paid	(565)	(243)
Income tax paid	(52)	(3,662)
Net cash flows generated from operating activities	21,487	3,881
Cash flows generated from (used in) investing activities:		
Acquisition of property, plant and equipment	(437)	(41,971)
Proceeds from disposal of property, plant and equipment (including investment property)	64	202,988
Decrease in refundable deposits	21	177
Decrease in prepayments for equipment	-	2
Net cash flows (used in) generated from investing activities	(352)	161,196

(Continued)

Phonic Co., Ltd. and Subsidiaries

Consolidated Statements of Cash Flows

For the years ended December 31, 2022 and 2021

(In Thousands of New Taiwan Dollars)

	2022	2021
Cash flows from financing activities:		
(Decrease) increase in long-term borrowings	$ (1,640)	$ 31,980
Decrease in guarantee deposit received	-	(690)
Payment of lease liabilities	(2,161)	(3,195)
Exercising the right of claim for disgorgement	10	-
Net cash flows (used in) generated from financing activities	(3,791)	28,095
Effect of exchange rate changes on cash and cash equivalents	97	(321)
Net increase in cash and cash equivalents	17,441	192,851
Cash and cash equivalents, beginning of year	242,327	49,476
Cash and cash equivalents, end of year	**$ 259,768**	**$ 242,327**

(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, 2022 and 2021
(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 17, 2023.

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 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 these 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 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: An entity shall apply the Amendment to IFRS 9 to financial liabilities that are modified or exchanged during the annual reporting periods beginning on or after January 1, 2022. An entity shall apply the Amendment to IAS 41 to fair value measurements for annual reporting periods beginning on or after January 1, 2022. An entity shall apply the Amendment to IFRS 1 for annual reporting periods beginning on or after January 1, 2022.

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 1 "Disclosures of Accounting Policies"	January 1, 2023(Note A)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023(Note B)
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023(Note C)

Note A: An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2023

Note B: These amendments apply to changes in accounting estimates and changes in accounting policies that occur during annual reporting periods beginning on or after January 1, 2023.

Note C: An entity shall apply the amendments to transactions that occur on or after the beginning of the earliest comparative period presented. It also, at the beginning of the earliest comparative period presented, recognizes deferred taxes for all temporary differences related to leases and decommissioning obligations and recognizes the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.

Based on the Group’s assessment, the application 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, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024
Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”	January 1, 2024

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:

(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:

			Percentage of Ownership	
Name of Investor	**Name of Investee**	**Main Business**	**2022.12.31**	**2021.12.31**
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 amortized cost.

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

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

B. 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:

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

B. 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.

(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.

<u>Right-of-use assets</u>

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) 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.

(13) 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

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.

(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.

(14) 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.

(15) 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.

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.

(16) 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

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:

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

(b) 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.

(c) 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:

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

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

(c) 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

	2022.12.31	2021.12.31
Cash on hand	$ 68	$ 272
Check deposits	1,013	2,401
Demand deposits	234,119	239,654
Cash equivalents	24,568	-
	$ 259,768	**$ 242,327**

(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) Notes Receivable, Net

	2022.12.31	2021.12.31
Notes receivable	$ 393	$ 15
Less: loss allowance	-	-
Notes receivable, net	**$ 393**	**$ 15**

The notes receivable were not pledged.

(3) Accounts Receivable, Net

	2022.12.31	2021.12.31
Amortized at cost		
Gross carrying amount	$ 2,997	$ 8,073
Less: loss allowance	(5)	(1)
Accounts receivable, net	**$ 2,992**	**$ 8,072**

(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:

	2022.12.31			
	Weighted-average loss rate	**Carrying amount**	**Loss allowance (Lifetime ECL)**	**Amortized cost**
Current	0%	$ 1,466	$ -	$ 1,466
Past due 1 to 120 days	0%	1,871	-	1,871
Past due 121 to 300 days	0%	-	-	-
Past due over 301 days	9%	53	(5)	48
		$ 3,390	**$ (5)**	**$ 3,385**

	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**

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

	2022	2021
Balance at beginning of the year	$ 1	$ 859
Provisions (reversal)	4	(858)
Balance at end of the year	**$ 5**	**$ 1**

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.

(4) Inventories and Cost of Goods Cold

		2022.12.31		2021.12.31
Finished goods	$	5,111	$	11
Work in process		5,904		2,757
Raw materials		8,157		5,401
	$	**19,172**	**$**	**8,169**

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

		2022		2021
Cost of goods sold	$	74,008	$	52,352
Gain on valuation of inventories		(4,468)		(4,157)
Loss on inventory scrapped		3,062		6,707
Others		18		(56)
	$	**72,620**	**$**	**54,846**

(i) The net of reversals for inventories increased to net realizable value, which were also included in cost of sales, amounted to $4,468 and $4,157 for the years ended December 31, 2022 and 2021, respectively

(ii) As of December 31, 2022 and 2021, none of the inventories were pledged.

(6) Property, Plant and Equipment

		2022.12.31		2021.12.31
Land	$	35,011	$	35,011
Buildings		7,632		7,543
Machinery and equipment		34,965		34,372
Office equipment		4,436		4,361
Other equipment		4,808		4,738
Total cost		86,852		86,025
Less: accumulated depreciation		(43,008)		(41,787)
	$	**43,844**	**$**	**44,238**

cost	Land	Buildings	Machinery and equipment	Office equipment	Other equipment	Total
Balance at January 1, 2022	$ 35,011	$ 7,543	$ 34,372	$ 4,361	$ 4,738	$ 86,025
Additions	-	89	326	22	-	437
Disposals	-	-	(143)	-	-	(143)
Effect of exchange rate Changes	-	-	410	53	70	533
Balance at December 31, 2022	**$ 35,011**	**$ 7,632**	**$ 34,965**	**$ 4,436**	**$ 4,808**	**$ 86,852**
Accumulated depreciation						
Balance at January 1, 2022	$ -	$ 788	$ 32,192	$ 4,157	$ 4,650	$ 41,787
Depreciation expense	-	208	461	68	-	737
Disposals	-	-	(13)	-	-	(13)
Effect of exchange rate Changes	-	-	375	53	69	497
Balance at December 31, 2022	**$ -**	**$ 996**	**$ 33,015**	**$ 4,278**	**$ 4,719**	**$ 43,008**

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**

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

(b)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 2022. The transaction detail is included in note 6(7) and note7.

(6) Lease Agreement

(a) Right-of-use assets

	Cost	Accumulated Depreciation	Carrying Amount
Balance at January 1, 2022	$ 10,543	$ (5,984)	$ 4,559
Depreciation	-	(2,210)	(2,210)
Reduce	(6,072)	6,072	-
Effect of foreign exchange rate	(65)	(81)	(146)
Balance at December 31, 2022	**$ 4,406**	**$ (2,203)**	**$ 2,203**
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**

The Group had no significant sublease and impairment for the right-of-use assets for the years ended 31 December 31, 2022 and 2021.

(b) Lease liabilities

	2022.12.31	2021.12.31
Carrying Amount		
Current	$ 2,245	$ 2,236
Non-current	-	2,323
	$ 2,245	**$ 4,559**
The range of discount rate for the lease liabilities	**3.80%**	**3.80%**

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, 2022, there was no indication that the right-of-use assets were impaired, therefore the Group did not perform impairment test.

(7) 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	**$ -**	**$ -**	**$ -**

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

	2022	2021
Rental income from investment properties	**$ -**	**$ 2,952**
Direct operating expenses arising from the investment property that generated rental income during the period	**$ -**	**$ 453**

(b) 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 2022. Please refer to note 7 for the transaction details.

(8) Employee Benefits

Defined contribution plans

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.

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.

For the years ended December 31, 2022 and 2021, the Company recognized pension expenses of $1,189 and $1,106, respectively, in relation to the defined contribution plans.

(9) Long-term Borrowings

	2022.12.31	2021.12.31
Secured loans	$ 26,548	$ 27,983
Credit loans	3,792	3,997
	30,340	31,980
Less: current portion	(1,640)	(1,640)
	$ 28,700	**$ 30,340**
Interest rate range	**1.51%**	**1.10%**

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

(10) 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, 2022 and 2021.

As of December 31, 2022 and 2021, the Company's issued common stock consisted of 20,000 thousand shares, with per value of $10 per share, both amounted to $200,000.

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

	2022	2021
Balance at January 1	$ 20,000	$ 29,025
Capital reduction to offset accumulated deficits	-	(9,025)
Balance at December 31	**$ 20,000**	**$ 20,000**

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.

(11) Capital Surplus

	2022.12.31	2021.12.31
Gain on disposal of assets	$ 1,360	$ 1,360
Donated surplus	500	500
Exercising the right of claim for disgorgement	16,350	16,340
	$ 18,210	**$ 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.

(12) 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 appropriation of earnings for 2021 and the deficit compensation proposal for 2020 were approved by the shareholders in its meetings on June 17, 2022 and July 20, 2021, respectively. The aforementioned appropriation of earnings /deficit compensation proposal for 2021 and 2020 were consistent with the resolutions of the Board of Directors' meeting. The deficit compensation proposal for 2022 will be reported to the shareholders' meeting in June 2023.

(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.

(13) Others Equity

	Exchange difference on translation on foreign operations
Balance at January 1, 2022	$ (13,935)
Exchange difference arising on translation of foreign operations	146
Income tax effect	(29)
Balance at December 31, 2022	**$ (13,818)**
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)**

(14) Net Revenue

	2022	**2021**
Sale revenue	$ 97,637	$ 59,648
Less: sales returns and allowances	(30)	(1,234)
	$ 97,607	**$ 58,414**

(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:

	2022.12.31	2021.12.31
Sales and service revenue	$ 33,871	$ 7,908

For the years ended December 31, 2022 and 2021, the Group had recognized revenue from the beginning balance of current contract liabilities amounted to $6,110 and $450, respectively.

(15) Interest Income

	2022	2021
Bank deposit	$ 719	$ 45
Oversea corporate bond	-	124
	$ 719	$ 169

(16) Other Income

	2022	2021
Overdue payables recognized as income	$ 1,223	$ -
Refund of pension reserve	928	-
Rental	-	2,952
Government subsidy	-	311
Others	367	2,264
	$ 2,518	$ 5,527

(17) Other Gains and Losses

	2022	2021
Net foreign exchange gain (loss)	$ 298	$ (837)
(Loss) gain on disposal of property, plant and equipment (including investment property)	(66)	120,456
Net gains on financial assets and liabilities at FVTPL	-	77
Others	(487)	(192)
	$ (255)	$ 119,504

(18) Employee Benefits, Depreciation and Amortization

	2022		
	Recognized in cost of revenue	**Recognized in operating expenses**	**Total**
Employee benefits			
Salaries and wages	$ 8,210	$ 16,904	$ 25,114
Labor and health insurance	88	1,308	1,396
Pension	463	726	1,189
Other employee benefits	318	685	1,003
Depreciation	1,878	1,069	2,947
Amortization	-	-	-
	$ 10,957	**$ 20,692**	**$ 31,649**

	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**

(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) The Company recognized the remuneration to employees and directors as follows:

	2022	**2021**
Employee's remuneration	$ -	$ 616
Directors' remuneration	-	308
	$ -	**$ 924**

The amounts were calculated by the net profit before tax excluding employees' and directors remuneration of each year multiplied by the percentage of employees' and directors' remuneration as specified in the Company's Article of Incorporation. The amounts were accounted for under operating expenses in 2022 and 2021. The differences between the estimated amounts in the financial statements and the actual amounts approved by the Board of Directors, if any, shall be accounted for as a change in accounting estimate and recognized in next year.

(c) For 2022 and 2021, employee compensation and director remuneration accrued were consistent to amounts paid. For 2021, it was fully paid in cash. Related information is available at the Market Observation Post System website.

(19) Income Tax

(a) Income tax expense

(i) The components of income tax expense:

	2022	2021
Current income tax		
In respect of the current period	$ 1,040	$ -
Additional tax on undistributed earnings	-	-
Land value increment tax	-	3,662
	1,040	3,662
Deferred income tax		
The origination and reversal of temporary differences	1,723	1,516
Income tax expense	**$ 2,763**	**$ 5,178**

(ii) Income tax expense (benefit) recognized directly in other comprehensive income for the years ended December 31, 2022 and 2021 were follows:

	2022	2021
Exchange difference arising on translation of foreign operations	**$ 29**	**$ (5)**

(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, 2022 and 2021, was as follows:

	2022	2021
Profit (loss) before income tax	**$ (4,174)**	**$ 99,280**
Income tax expense (benefit) at the statutory rate	(835)	19,856
Effects of reconciliation items:		
Non-taxable income	-	(22,836)
Effects from items disallowed by tax regulation	491	3,152
Additional tax on undistributed earnings	1,040	-
Land value increment tax	-	3,662
Adjustment to prior year	-	(98)
Change in unrecognized temporary difference and tax losses	2,067	1,442
Income tax expense	**$ 2,763**	**$ 5,178**

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

	2022			
	Balance at January 1	Recognized in profit or loss	Recognized in other comprehensive income	Balance at December 31
Deferred income tax assets				
Recognized share of loss of subsidiaries and associates accounted for equity method	$ 3,484	$ (3,043)	$ (29)	$ 412
Temporary differences				
Allowance for inventory obsolescence	-	1,102	-	1,102
Total deferred income tax assets	3,484	(1,941)	(29)	1,514
Deferred income tax liabilities				
Temporary differences				
Unrealized exchange gain	(1,438)	218	-	(1,220)
Total deferred income tax liabilities	(1,438)	218	-	(1,220)
	$ 2,046	**$ (1,723)**	**$ (29)**	**$ 294**

	2021			
	Balance at January 1	Recognized in profit or loss	Recognized in other comprehensive income	Balance at December 31
Deferred income tax assets				
Recognized share of loss of subsidiaries and associates accounted for equity method	$ 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**

(d) Unrecognized deferred tax assets:

	2022.12.31	2021.12.31
Unused loss carryforwards	$ 14,915	$ 15,302
Deductible temporary differences	-	2,009
	$ 14,915	**$ 17,311**

(e) As of December 31, 2022 and 2021, the aggregate taxable temporary differences associated with investments in subsidiaries not recognized as deferred tax liabilities amounted to $0 and $2,340, respectively.

(f) Information of unused loss carryforwards

As of December 31, 2022, 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
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
2032	8,680	1,736
	$ 74,576	$ 14,915

(g) The Company’s income tax returns have been examined by the Tax Authority through 2020.

(20) Other Comprehensive Income (Loss)

	2022		
	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	$ 146	$ (29)	$ 117

	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)

(21) Loss Per Share

	2022	2021
Basic / Diluted Earnings (loss) per share:		
Earnings (loss) belonging to ordinary shareholders	$ (6,937)	$ 94,102
Weighted average number of shares outstanding (in thousands)	20,000	20,000
Basic / Diluted Earnings (loss) per share (Unit: NT$ Per Share)	$ (0.35)	$ 4.71

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, 2022 and 2021 were as follows:

	2022	2021
Salaries and other short-term employee benefits	$ 2,851	$ 1,461

8. ASSETS PLEDGED AS COLLATERAL

Pledged assets	Pledged to secure	2022.12.31	2021.12.31
Land and buildings	Long-term borrowings	$ 41,450	$ 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

	2022.12.31					
				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	$ 1,517	30.71	$ 46,588	1%	$ 466	$
RMB: NTD	30	4.408	134	1%	1	
Financial liabilities						
Monetary items						
RMB: NTD	$ (3)	4.408	$ (13)	1%	$ -	$

	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%	$ -	$ -

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, 2022 and 2021.

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 gain (loss) were $298 and $(837) for the years ended December 31, 2022 and 2021, 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’s exposure to changes in interest rates is mainly from floating-rate long-term debt obligations. Any changes in interest rates will cause the effective interest rates of long-term borrowings to change and thus cause the future cash flows to fluctuate over time.

Assuming the amount of floating-rate debts at the end of the reporting period had been outstanding for the entire year and all other variables were remained constant, an increase or a decrease in the interest rate by 0.25% would have resulted in a decrease or an increase in the net profit before tax for the years ended December 31, 2022 and 2021 by $76 and $80, 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, 2022 and 2021, accounts receivable from the top 10 customers represent 47% and 84% 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).

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

	2022.12.31					
Non-derivative financial liabilities	**Less than 6 Months**	**6－12 Months**	**1－5 Years**	**Over 5 Years**	**Contractual Cash flows**	**Carrying Amount**
Notes payable	$ 66	$ -	$ -	$ -	$ 66	$ 66
Accounts payable (including related parties)	15,902	-	-	-	15,902	15,902
Other payables	5,603	-	-	-	5,603	5,603
Long-term borrowings (including current portion)	1,046	1,040	8,100	24,411	34,597	30,340
Lease liabilities	1,142	1,142	-	-	2,284	2,245
	$ 23,759	**$ 2,182**	**$ 8,100**	**$ 24,411**	**$ 58,452**	**$ 54,156**

	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	989	7,736	25,686	35,405	31,980
Lease liabilities	1,182	1,182	2,363	-	4,727	4,559
	$ 20,740	**$ 2,171**	**$ 10,099**	**$ 25,686**	**$ 58,696**	**$ 55,103**

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

	2022.12.31	2021.12.31
Financial assets		
Financial assets measured at amortized cost		
Cash and cash equivalents	$ 259,768	$ 242,327
Notes and accounts receivable	3,385	8,087
Other receivables	923	1,767
Refundable deposits	404	419
Financial liabilities		
Financial liabilities measured at amortized cost		
Notes and accounts payable	$ 15,968	$ 12,088
Other payables	5,603	6,476

(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, long-term borrowings approximate their fair values.

(c) Fair value hierarchy information

The Group's financial instruments measured at fair value were under a recurring basis.

(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.

(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, 2022 and 2021, 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: None

(g) Total purchases from or sales to related parties amounting to at least $100 million or 20% of the paid-in capital: Please see Table 1 attached

(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:

	2022			
	Trade department	**Manufacturing department**	**Reconciliation and elimination**	**Consolidated**
Sales from external customers:	$ 86,185	$ 11,422	$ -	$ 97,607
Sales from segments	-	70,864	(70,864)	-
Total revenue	**$ 86,185**	**$ 82,286**	**$ (70,864)**	**$ 97,607**
Segment loss or profit	**$ (9,059)**	**$ 2,468**	**$ -**	**$ (6,591)**
Segment total assets	**$ 308,721**	**$ 113,399**	**$ (86,546)**	**$ 335,574**

	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**

(3) Geographic information

Revenue from external customers were as follows:

	2022	**2021**
America	$ 37,027	$ 21,356
China	10,375	5,381
Hong Kong	9,463	-
India	8,912	3,858
Guatemala	7,642	5,058
Taiwan	4,502	5,381
Israel	4,178	3,664
Chile	3,060	3,980
Others	12,448	9,736
	$ 97,607	**$ 58,414**

(4) Major customer information

	2022		**2021**	
	Amount	**Percentage**	**Amount**	**Percentage**
1PU15	$ 21,382	22%	$ 5,277	9%
3OU10	14,926	15%	12,076	21%
1PA133	10,375	11%	5,381	9%
1PA102	9,463	10%	-	-
1PA12	8,912	9%	3,858	7%
1PU04	7,642	8%	5,705	10%
1PA29	3,269	3%	4,482	8%
	$ 75,969	**78%**	**$ 36,779**	**64%**

Phonic Co., Ltd. and Subsidiaries

Purchases from or Sales to Related Parties of at Least NT$100 Million or 20% of the Paid-in Capital
December 31, 2022
(Amounts in Thousands of New Taiwan Dollars)

TABLE 1

Purchaser/ seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote
Phonic Co., Ltd.	Shenzhen Yiba Electronic Co. Ltd.	Subsidiary	Purchases	$ 70,864	96.04%	Note1	$ -	$ -	$ (3,403)	43,51%	-
Shenzhen Yiba Electronic Co. Ltd.	Phonic Co., Ltd.	Parent company	Sales	$ 70,864	86.12%	Note1	$ -	$ -	$ 3,403	98.61%	-

Note1: Periodical settlement offset the mutual obligation.
Note2: All inter-company transactions among Phonic Co., Ltd. and its subsidiaries have eliminated in the consolidated.

Phonic Co., Ltd. and Subsidiaries
Receivables from Related Parties Amounting to at Least $100 Million or 20% of the Paid-in Capital
December 31, 2022
(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	$ 86,613	—	$ —	—	$ —	$ —

Note1: All inter-company transactions among Phonic Co., Ltd. and its subsidiaries have eliminated in the consolidated financial statements.

Phonic Co., Ltd. and Subsidiaries
Intercompany Relationship and Significand Intercompany Transactions
For the Year Ended December 31, 2022
(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	$ 53	Periodical settlement offset the mutual obligation	-
1	Phonic Group, Ltd.	Shenzhen Yiba Electronic Co., Ltd	3	Accounts receivable	83,616	Periodical settlement offset the mutual obligation	25%
2	Shenzhen Yiba Electronic Co., Ltd	Phonic Co., Ltd.	2	Accounts receivable	3,403	Periodical settlement offset the mutual obligation	1%
2	Shenzhen Yiba Electronic Co., Ltd	Phonic Co., Ltd.	2	Sales	70,864	Periodical settlement offset the mutual obligation	73%

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, 2022
(Amounts in Thousands of New Taiwan Dollars)

TABLE 4

Investor	Investee	Location	Main business activities	Initial investment amount		Balance as of December 31, 2022			Net Income (Losses) of the Investee	Share of Profits/Losses of Investee	Note
				December 31, 2022	December 31, 2021	Number of Shares	Percentage of Ownership	Carrying Value			
Phonic Co., Ltd.	Phonic Group, Ltd.	BVI	Investment	$ 16,373	$ 16,373	270,912	100%	$ 14,312	$ 3,513	$ 3,513	—

Phonic Co., Ltd. and Subsidiaries
Information on Investment in Mainland China
For the Year Ended December 31, 2022
(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, 2022	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2022	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, 2022	Accumulated Inward Remittance of Earnings as of December 31, 2022
					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	$ 3,845	100%	$ 3,845	$	$ —

Accumulated Investment in Mainland China as of December 31, 2022	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)	$ 147,133

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 NTD $ 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 3 for significant transactions between the Company and the mainland China investee indirectly invested through the third region for the year ended December 31, 2022.

(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, 2022 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, 2022

(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.

Appendix 3: The Company's Unconsolidated Financial Report That Has Been Audited And Certified By A CPA For The Most Recent Years

Crowe

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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, 2022 and 2021, and the statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2022 and 2021, 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, 2022 and 2021, 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 the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the 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, 2022. 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, 2022 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 Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

As part of an audit in accordance with the Standards on Auditing of 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. Obtain 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, 2022 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

Crowe (TW) CPAs
March 17, 2023

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, 2022 and 2021
(In Thousands of New Taiwan Dollars)

Assets	Notes	2022.12.31 Amount	2022.12.31 %	2021.12.31 Amount	2021.12.31 %
Current assets					
Cash and cash equivalents	6(1) and 12	$ 256,659	79	$ 238,996	78
Notes receivable, net	6(2) and 12	393	-	15	-
Accounts receivable, net	6(3) and 12	2,944	1	8,024	3
Other receivables	12	148	-	1,394	-
Inventories	6(4)	2,751	1	448	-
Prepayments		2,530	1	2,765	1
Total current assets		265,425	82	251,642	82
Non-current assets					
Investments accounted for using the equity method	6(5)	14,312	5	10,653	3
Property, plant and equipment	6(6)、7 and 8	41,780	13	41,966	14
Deferred tax assets	6(19)	1,514	-	3,484	1
Refundable deposits	12	2	-	23	-
Total non-current assets		57,608	18	56,126	18
Total Assets		**$ 323,033**	**100**	**$ 307,768**	**100**

Liabilities and Equity	Notes	2022.12.31 Amount	2022.12.31 %	2021.12.31 Amount	2021.12.31 %
Current liabilities					
Contract liabilities - current	6(14)	$ 33,411	11	$ 7,722	3
Notes payable	12	66	-	94	-
Accounts payable	12	4,299	1	2,348	1
Accounts payable to related parties	7 and 12	3,456	1	6,778	2
Other payables	12	3,914	1	5,273	2
Current tax liabilities		988	-	-	-
Current portion of long-term borrowings	6(9), 8 and 12	1,640	1	1,640	-
Other current liabilities		118	-	104	-
Total current liabilities		47,892	15	23,959	8
Non-current liabilities					
Long-term borrowings	6(9), 8 and 12	28,700	9	30,340	10
Deferred tax liabilities	6(19)	1,220	-	1,438	-
Total non-current liabilities		29,920	9	31,778	10
Total liabilities		77,812	24	55,737	18
Equity					
Common stock	6(10)	200,000	62	200,000	65
Capital surplus	6(11)	18,210	6	18,200	6
Legal reserve	6(12)	3,082	1	-	-
Special reserve	6(12)	16,942	5	16,942	6
Accumulated earnings	6(12)	20,805	6	30,824	10
Exchange differences arising on translation of foreign operations	6(13)	(13,818)	(4)	(13,935)	(5)
Total equity		245,221	76	252,031	82
Total Liabilities and Equity		**$ 323,033**	**100**	**$ 307,768**	**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, 2022 and 2021
(In Thousands of New Taiwan Dollar, Except for Earnings (Loss) Per Share)

		2022			2021		
	Notes		**Amount**	**%**		**Amount**	**%**
Net revenue	6(14)	$	86,185	100	$	52,769	100
Cost of revenue	6(4), 6(8), 6(18) and 7		(70,740)	(82)		(41,379)	(78)
Gross profit			15,445	18		11,390	22
Operating expenses	6(7), 6(8), 6(18) and 7						
Marketing			(2,350)	(3)		(2,269)	(4)
General and administrative			(19,763)	(23)		(19,045)	(36)
Research and development			(2,387)	(3)		(1,684)	(3)
Expected credit (losses) gains	6(3)		(4)	-		858	1
Total operating expenses			(24,504)	(29)		(22,140)	(42)
Operating losses			(9,059)	(11)		(10,750)	(20)
Non-operating income and expenses							
Interest income	6(15)		711	1		153	-
Other income	6(7) and 6(16)		1,079	1		3,586	7
Other gains and losses	6(17)		24	-		120,164	227
Finance costs			(442)	-		(179)	-
Share of losses of subsidiaries and associates			3,513	4		(13,694)	(26)
Total non-operating income and expenses			4,885	6		110,030	208
Profit (loss) before income tax from continuing operations			(4,174)	(5)		99,280	188
Income tax expense	6(19)		(2,763)	(3)		(5,178)	(10)
Net profit (loss) for the year			(6,937)	(8)		94,102	178
Other comprehensive income (loss)	6(20)						
Items that will be reclassified subsequently to profit or loss							
Exchange differences arising on translation of foreign operations			146	-		(354)	-
Income tax related to items that may be reclassified subsequently to profit or loss			(29)	-		5	-
Other comprehensive (loss) income for the year, net of income tax			117	-		(349)	-
Total comprehensive income (loss) for the year		**$**	**(6,820)**	**(8)**	**$**	**93,753**	**178**
Earnings (loss) per share	6(21)						
Basic earnings (loss) per share		**$**	**(0.35)**		**$**	**4.71**	
Diluted earnings (loss) per share		**$**	**(0.35)**		**$**	**4.71**	

(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, 2022 and 2021

(In Thousands of New Taiwan Dollars)

	Common Stock	Capital Surplus	Legal reserve	Special Reserve	Accumulated Earnings	Exchange Differences arising on of Foreign	Total Equity
Balance at January 1, 2021	$ 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
Legal reserve	-	-	3,082	-	(3,082)	-	-
Net loss for 2022	-	-	-	-	(6,937)	-	(6,937)
Other comprehensive income for 2022	-	-	-	-	-	117	117
Total comprehensive income (loss) for 2022	-	-	-	-	(6,937)	117	(6,820)
Exercising the right of claim for disgorgement	-	10	-	-	-	-	10
Balance at December 31, 2022	**$ 200,000**	**$ 18,210**	**$ 3,082**	**$ 16,942**	**$ 20,805**	**$ (13,818)**	**$ 245,221**

(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, 2022 and 2021

(In Thousands of New Taiwan Dollars)

	2022	2021
Cash flows generated from (used in) operating activities:		
Profit (Loss) before tax	$ (4,174)	$ 99,280
Adjustments for:		
Depreciation expense (including investment property)	288	832
Amortization expense	-	143
Expected credit loss (gain)	4	(858)
Gain on financial assets and liabilities at fair value through profit or loss, net	-	(77)
Interest income	(711)	(153)
Interest expense	442	179
(Loss) gain on disposal of property, plant and equipment (including investment property)	66	(120,822)
Share of losses of subsidiaries and associates	(3,513)	13,694
	(3,424)	(107,062)
		-
Changes in operating assets and liabilities:		
Financial assets at fair value through profit or loss	-	5,828
Notes receivable, net	(378)	2,770
Accounts receivable, net	5,076	(306)
Inventories	(2,303)	610
Other receivables	1,246	(87)
Prepayments	235	1,496
Contract liabilities	25,689	7,069
Notes payable	(28)	34
Accounts payable	1,951	547
Accounts payable to related parties	(3,322)	(5,841)
Other payables	(1,359)	2,114
Other current liabilities	14	15
Cash flows generated from operations	19,223	6,467
Interest received	711	153
Interest paid	(442)	(179)
Income tax paid	(52)	(3,662)
Net cash flows generated from operating activities	19,440	2,779
Cash flows used in investing activities:		
Proceeds from disposal of property, plant and equipment (including investment property)	64	202,892
Acquisition of property, plant and equipment	(232)	(41,942)
Decrease in refundable deposits	21	2
Net cash flows (used in) generated from investing activities	(147)	160,952

(Continued)

Phonic Co., Ltd.

Parent Company Only Statements of Cash Flows

For the years ended December 31, 2022 and 2021

(In Thousands of New Taiwan Dollars)

	2022	2021
Cash flows from financing activities:		
(Decrease) increase in long-term borrowings	$ (1,640)	$ 31,980
Decrease in guarantee deposit received	-	(690)
Exercising the right of claim for disgorgement	10	-
Net cash flows (used in) generated from financing activities	(1,630)	31,290
Net increase in cash and cash equivalents	17,663	195,021
Cash and cash equivalents, beginning of year	238,996	43,975
Cash and cash equivalents, end of year	**$ 256,659**	**$ 238,996**

(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, 2022 and 2021
(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 17, 2023.

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 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 these 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 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: An entity shall apply the Amendment to IFRS 9 to financial liabilities that are modified or exchanged during the annual reporting periods beginning on or after January 1, 2022. An entity shall apply the Amendment to IAS 41 to fair value measurements for annual reporting periods beginning on or after January 1, 2022. An entity shall apply the Amendment to IFRS 1 for annual reporting periods beginning on or after January 1, 2022.

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 2023.

New standards, interpretations and amendments endorsed by the FSC and effective from 2023 are as follows:

New IFRSs	Effective Date Announced by IASB
Amendments to IAS 1 "Disclosures of Accounting Policies"	January 1, 2023(Note A)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023(Note B)
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023(Note C)

Note A: An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2023.

Note B: These amendments apply to changes in accounting estimates and changes in accounting policies that occur during annual reporting periods beginning on or after January 1, 2023.

Note C: An entity shall apply the amendments to transactions that occur on or after the beginning of the earliest comparative period presented. It also, at the beginning of the earliest comparative period presented, recognizes deferred taxes for all temporary differences related to leases and decommissioning obligations and recognizes the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.

Based on the Company's assessment, the application 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, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	January 1, 2024
Amendments to IFRS 16 "Lease Liability in a Sale and Leaseback"	January 1, 2024

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.

(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.

(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 amortized cost.

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

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

B. 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:

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

B. 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.

(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.

<u>Right-of-use assets</u>

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) 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.

(13) 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

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.

(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.

(14) 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.

(15) 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.

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.

(16) 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

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:

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

(b) 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.

(c) 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:

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

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

(c) 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

	2022.12.31	2021.12.31
Cash on hand	$ 34	$ 71
Check deposits	1,013	2,401
Demand deposits	231,044	236,524
Cash equivalents	24,568	-
	$ 256,659	**$ 238,996**

(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) Notes Receivable, Net

	2022.12.31	2021.12.31
Notes receivable	$ 393	$ 15
Less: loss allowance	-	-
Notes receivable, net	**$ 393**	**$ 15**

The notes receivable were not pledged.

(3) Accounts Receivable, Net

	2022.12.31	2021.12.31
Amortized at cost		
Gross carrying amount	$ 2,949	$ 8,025
Less: Loss allowance	(5)	(1)
Accounts receivable, net	**$ 2,944**	**$ 8,024**

(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:

	2022.12.31			
	Weighted-average loss rate	Carrying amount	Loss allowance (Lifetime ECL)	Amortized cost
Current	0%	$ 1,466	$ -	$ 1,466
Past due 1 to 120 days	0%	1,871	-	1,871
Past due 121 to 300 days	0%	-	-	-
Past due over 301 days	100%	5	(5)	-
		$ 3,342	**$ (5)**	**$ 3,337**

	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**

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

	2022	2021
Balance at beginning of the year	$ 1	$ 859
Provision (reversal)	4	(858)
Balance at end of the year	**$ 5**	**$ 1**

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.

(4) Inventories and Cost of Goods Sold

	2022.12.31	2021.12.31
Finished goods	$ 52	$ 11
Raw materials	2,699	437
	$ 2,751	**$ 448**

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

	2022	2021
Cost of goods sold	$ 73,225	$ 41,388
Loss on inventory scrapped	2,052	6,025
Gain on valuation of inventories	(4,537)	(6,034)
	$ 70,740	**$ 41,379**

(b) The net of reversal for inventories written increased to net realizable value, which were also included in cost of revenue, amounted to $4,537 and $6,034 for the years ended December 31, 2022 and 2021, respectively.

(c) As of December 31, 2022 and 2021, none of the inventories were pledged.

(5) Investments Accounted for Using the Equity Method

(a) The Company's subsidiary is listed as follow:

			2022.12.31		2021.12.31	
Name of Investee	**Main Business**	**Operation Location**	**Percentage of Ownership**	**Carrying Amount**	**Percentage of Ownership**	**Carrying Amount**
Phonic Group, Ltd.	Investment	BVI	100%	$ 14,312	100%	$ 10,653

(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.

(6) Property, Plant and Equipment

	2022.12.31	2021.12.31
Land	$ 35,011	$ 35,011
Buildings	7,632	7,543
Office equipment	749	749
Machinery and equipment	6,589	6,589
Total cost	49,981	49,892
Less: accumulated depreciation	(8,201)	(7,926)
	$ 41,780	**$ 41,966**

Cost	Land	Buildings	Office equipment	Machinery and equipment	Total
Balance, January 1, 2022	$ 35,011	$ 7,543	$ 749	$ 6,589	$ 49,892
Additions	-	89	-	143	232
Disposals	-	-	-	(143)	(143)
Balance, December 31, 2022	**$ 35,011**	**$ 7,632**	**$ 749**	**$ 6,589**	**$ 49,981**
Accumulated depreciation					
Balance, January 1, 2022	$ -	$ 788	$ 549	$ 6,589	$ 7,926
Depreciation	-	208	67	13	288
Disposals	-	-	-	(13)	(13)
Balance, December 31, 2022	**$ -**	**$ 996**	**$ 616**	**$ 6,589**	**$ 8,201**

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**

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

(b) 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(7) and Note 7 for the transaction detail.

(7) 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	$ -	$ -	$ -

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

	2022	2021
Rental income from investment property	$ -	$ 2,952
Direct operating expenses arising from the investment property that generated rental income during the period	$ -	$ 453

(b) 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 2022. Please refer to Note 7 for the transaction.

(8) Employee Benefits

Defined contribution plans

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, 2022 and 2021, the Company recognized pension expenses of $610 and $491, respectively, in relation to the defined contribution plans.

(9) Long-term Borrowings

	2022.12.31	2021.12.31
Secured loans	$ 26,548	$ 27,983
Credit loans	3,792	3,997
	30,340	31,980
Less: current portion	(1,640)	(1,640)
	$ 28,700	$ 30,340
Interest rate range	1.51%	1.10%

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

(10) 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, 2022 and 2021.

As of December 31, 2022 and 2021, the Company's issued common stock consisted of 20,000 thousand shares with per value of $10 per share, both amounted to $200,000.

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

	2022	2021
Balance at January 1	$ 20,000	$ 29,025
Capital reduction to offset accumulated deficits	-	(9,025)
Balance at December 31	**$ 20,000**	**$ 20,000**

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.

(11) Capital Surplus

	2022.12.31	2021.12.31
Gain on disposal of assets	$ 1,360	$ 1,360
Donated surplus	500	500
Exercising the right of claim for disgorgement	16,350	16,340
	$ 18,210	**$ 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.

(12) 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 appropriation of earnings for 2021 and the deficit compensation proposal for 2020 were approved by the shareholders in its meetings on June 17, 2022 and July 20, 2021, respectively. The aforementioned appropriation of earnings/deficit compensation proposal for 2021 and 2020 were consistent with the resolutions of the Board of Directors' meeting. The deficit compensation proposal for 2022 will be reported to the shareholders' meeting in June 2023.

(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.

(13) Others Equity

	Exchange differences on translation on foreign operations
Balance at January 1, 2022	$ (13,935)
Exchange difference arising on translation of foreign operations	146
Income tax effect	(29)
Balance at December 31, 2022	**$ (13,818)**
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)**

(14) Net Revenue

	2022	2021
Sales revenue	$ 86,215	$ 53,426
Less: sales returns and allowances	(30)	(657)
	$ 86,185	**$ 52,769**

(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:

	2022.12.31	2021.12.31
Sales and service revenue	**$ 33,411**	**$ 7,722**

For the years ended December 31, 2022 and 2021, the Company had recognized revenue from the beginning balance of current contract liabilities amounted to $5,957 and $540, respectively.

(15) Interest Income

	2022	2021
Bank deposit	$ 711	$ 29
Oversea corporate bond	-	124
	$ 711	**$ 153**

(16) Other Income

	2022	2021
Refund of pension reserve	$ 928	$ -
Overdue payables recognized as income	151	-
Rental	-	2,952
Others	-	634
	$ 1,079	**$ 3,586**

(17) Other Gains and Losses

	2022	2021
Net foreign exchange gain (loss)	$ 103	$ (735)
Gain (loss) on disposal of property, plant and equipment (including investment property)	(66)	120,822
Net gain on financial assets and liabilities at FVTPL	-	77
Others	(13)	-
	$ 24	**$ 120,164**

(18) Employee Benefits, Depreciation and Amortization

	2022		
	Recognized in cost of revenue	**Recognized in operating expenses**	**Total**
Employee benefits			
Salaries and wages	$ -	$ 12,211	$ 12,211
Labor and health insurance	-	1,286	1,286
Pension	-	610	610
Director's remuneration	-	1,080	1,080
Other employee benefits	-	543	543
Depreciation	-	288	288
Amortization	-	-	-
	$ -	**$ 16,018**	**$ 16,018**

	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**

For the years ended December 31, 2022 and 2021, the information on numbers of employees and employee benefit expense of the Company was as follow:

(a) The numbers of employees in the Company were 20 and 18, respectively. The directors who have not served as employees were both 6.

(b) The average employee benefits expense were $1,046 and $1,199 in 2022 and 2021, respectively.

(c) The average salaries and wages were $871 and $900 in 2022 and 2021, respectively.

(d) The average salaries and wages was adjusted by (3)%.

(e) 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.

(f) The Company recognized the remuneration to employees and directors as follows:

	2022	2021
Employee's remuneration	$ -	$ 616
Directors' remuneration	-	308
	$ -	**$ 924**

The amounts were calculated by the net profit before tax excluding employees' and directors remuneration of each year multiplied by the percentage of employees' and directors' remuneration as specified in the Company's Article of Incorporation. The amounts were accounted for under operating expenses in 2022 and 2021. The differences between the estimated amounts in the financial statements and the actual amounts approved by the Board of Directors, if any, shall be accounted for as a change in accounting estimate and recognized in next year.

(g) For 2022 and 2021, employee compensation and director remuneration accrued were consistent to amounts paid. For 2021, it was fully paid in cash. Related information is available at the Market Observation Post System website.

(19) Income Taxes

(a) Income tax expense

i. The components of income tax expense:

	2022	2021
Current income tax		
In respect of the current period	$ -	$ -
Additional tax on undistributed earnings	1,040	-
Land value increment tax	-	3,662
	1,040	3,662
Deferred income tax		
The origination and reversal of temporary differences	1,723	1,516
Income tax expense	**$ 2,763**	**$ 5,178**

ii. Income tax expense (benefit) recognized directly in other comprehensive income for the years ended December 31, 2022 and 2021 were as follows:

	2022	2021
Exchange difference arising on translation of foreign operations	**$ 29**	**$ (5)**

(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, 2022 and 2021, was as follows:

	2022	2021
Profit (loss) before income tax	$ (4,174)	$ 99,280
Income tax expense (benefit) at the statutory rate	(835)	19,856
Effects of reconciliation items:		
Non-taxable income	-	(22,836)
Effects from items disallowed by tax regulation	491	3,152
Additional tax on undistributed earnings	1,040	-
Land value increment tax	-	3,662
Adjustment to prior year	-	(98)
Change in unrecognized temporary differences and tax losses	2,067	1,442
Income tax expense	$ 2,763	$ 5,178

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

	2022			
	Balance at January 1	**Recognized in profit or loss**	**Recognized in other comprehensive income**	**Balance at December 31**
Deferred income tax assets				
Recognized share of loss of subsidiaries and associates accounted for equity method	$ 3,484	$ (3,043)	$ (29)	$ 412
Temporary differences				
Allowance for inventory obsolescence	-	1,102	-	1,102
Total deferred income tax assets	3,484	(1,941)	(29)	1,514
Deferred income tax liabilities				
Temporary differences				
Unrealized exchange gain	(1,438)	218	-	(1,220)
Total deferred income tax liabilities	(1,438)	218	-	(1,220)
	$ 2,046	$ (1,723)	$ 29	$ 294

	2021			
	Balance at January 1	Recognized in profit or loss	Recognized in other comprehensive income	Balance at December 31
Deferred income tax assets				
Recognized share of loss of subsidiaries and associates accounted for equity method	$ 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**

(d) Unrecognized deferred tax assets:

	2022.12.31	2021.12.31
Unused loss carryforwards	$ 14,915	$ 15,302
Deductible temporary differences	-	2,009
	$ 14,915	**$ 17,311**

(e) As of December 31, 2022 and 2021, the aggregate taxable temporary differences associated with investments in subsidiaries not recognized as deferred tax liabilities amounted to $ 0 and $2,340, respectively.

(f) Information of unused loss carryforwards

As of December 31, 2022, 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
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
2032	8,680	1,736
	$ 74,576	**$ 14,915**

(g) The Company’s income tax returns had been examined by the Tax Authority through 2020.

(20) Other Comprehensive Income (Loss)

	2022		
	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	**$ 146**	**$ (29)**	**$ 117**

	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)**

(21) Earnings (loss) Per Share

	2022	**2021**
Basic / Diluted Earnings (loss) per share:		
Earnings (loss) attributable to owners of the Company	**$ (6,937)**	**$ 94,102**
Weighted average number of shares outstanding (in thousands)	**20,000**	**20,000**
Basic / Diluted Earnings (loss) per share (Unit: NT$ Per Share)	**$ (0.35)**	**$ 4.71**

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
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

	2022	2021
Shenzhen Yiba Electronic Co., Ltd.	$ 70,864	$ 39,408

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	2022.12.31	2021.12.31
Accounts payable	Phonic Group, Ltd.	$ 53	$ 523
	Shenzhen Yiba Electronic Co., Ltd.	3,403	6,255
		$ 3,456	$ 6,778

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, 2022 and 2021 were as follows:

	2022	2021
Salaries and other short-term employee benefits	$ 2,851	$ 1,461

8. ASSETS PLEDGED AS COLLATERAL

Pledged assets	Pledged to secure	2022.12.31	2021.12.31
Land and buildings	Long-term borrowings	$ 41,450	$ 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

	2022.12.31					
				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	$ 1,515	30.71	$ 46,529	1%	$ 460	$ -
RMB: NTD	30	4.408	134	1%	1	-
Financial liabilities						
Monetary items						
RMB: NTD	$ (787)	4.408	$ (3,469)	1%	$ (35)	$ -

	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)	$	-

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, 2022 and 2021.

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 gain (loss) were $103 and $(735) for the years ended December 31, 2022 and 2021, 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's exposure to changes in interest rates is mainly from floating-rate long-term debt obligations. Any changes in interest rates will cause the effective interest rates of long-term borrowings to change and thus cause the future cash flows to fluctuate over time.

Assuming the amount of floating-rate debts at the end of the reporting period had been outstanding for the entire year and all other variables were remained constant, an increase or a decrease in the interest rate by 0.25% would have resulted in a decrease or an increase in the net profit before tax for the years ended December 31, 2022 and 2021 by $76 and $80, 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, 2022 and 2021, accounts receivable from the top 10 customers represent 46% and 84% 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).

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

	2022.12.31					
Non-derivative financial liabilities	**Less than 6 Months**	**6－12 Months**	**1－5Years**	**Over 5 Years**	**Contractual Cash flows**	**Carrying Amount**
Notes payable	$ 66	$ -	$ -	$ -	$ 66	$ 66
Accounts payable (including related parties)	7,755	-	-	-	7,755	7,755
Other payables	3,914	-	-	-	3,914	3,914
Long-term borrowings (including current portion)	1,046	1,040	8,100	24,411	34,597	30,340
	$ 12,781	$ 1,040	$ 8,100	$ 24,411	$ 46,332	$ 42,075

Non-derivative financial liabilities	2021.12.31 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**

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

	2022.12.31	2021.12.31
Financial assets		
Financial assets measured at amortized cost		
Cash and cash equivalents	$ 256,659	$ 238,996
Notes and accounts receivable	3,337	8,039
Other receivables	148	1,394
Refundable deposits	2	23
Financial liabilities		
Financial liabilities measured at amortized cost		
Notes and accounts payable (including related parties)	$ 7,821	$ 9,220
Other payable	3,914	5,273

(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, long-term borrowings, approximate their fair values.

(c) Fair value hierarchy information

The Company's financial instruments measured at fair value were under a recurring basis.

(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.

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, 2022 and 2021, 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: None

(g) Total purchases from or sales to related parties amounting to at least $100 million or 20% of the paid-in capital: Please see Table 1 attached

(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

The Company has provided the operating segments information disclosed in the Consolidated Financial Statements.

Phonic Co., Ltd.

Purchases from or Sales to Related Parties of at Least NT$100 Million or 20% of the Paid-in Capital
December 31, 2022
(Amounts in Thousands of New Taiwan Dollars)

TABLE 1

Purchaser/ seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Phonic Co., Ltd.	Shenzhen Yiba Electronic Co. Ltd.	Subsidiary	Purchases	$ 70,864	96.04%	Note1	$ -	$ -	$ (3,403)	43,51%	-
Shenzhen Yiba Electronic Co. Ltd.	Phonic Co., Ltd.	Parent company	Sales	$ 70,864	86.12%	Note1	$ -	$ -	$ 3,403	98.61%	-

Note1: Periodical settlement offset the mutual obligation.
Note2: All inter-company transactions among Phonic Co., Ltd. and its subsidiaries have eliminated in the consolidated financial statements.

Phonic Co., Ltd.
Receivables from Related Parties Amounting to at Least $100 Million or 20% of the Paid-in Capital
December 31, 2022
(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	$ 83,613	—	$ —	—	$ —	$ —

Note1: All inter-company transactions among Phonic Co., Ltd. and its subsidiaries have eliminated in the consolidated financial statements.

Phonic Co., Ltd.
Intercompany Relationship and Significand Intercompany Transactions
For the Year Ended December 31, 2022
(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	$ 53	Periodical settlement offset the mutual obligation	-
1	Phonic Group, Ltd.	Shenzhen Yiba Elsctronic Co., Ltd	3	Accounts receivable	83,616	Periodical settlement offset the mutual obligation	25%
2	Shenzhen Yiba Electronic Co., Ltd	Phonic Co., Ltd.	2	Accounts receivable	3,403	Periodical settlement offset the mutual obligation	1%
2	Shenzhen Yiba Electronic Co., Ltd	Phonic Co., Ltd.	2	Sales	70,864	Periodical settlement offset the mutual obligation	73%

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.
Information of Investees (Excluding Information on Investment in Mainland China)
For the Year Ended December 31, 2022
(Amounts in Thousands of New Taiwan Dollars)

TABLE 4

Investor	Investee	Location	Main business activities	Initial investment amount		Balance as of December 31, 2022			Net Income (Losses) of the Investee	Share of Profits/Losses of Investee	Note
				December 31, 2022	December 31, 2021	Number of Shares	Percentage of Ownership	Carrying Value			
Phonic Co., Ltd.	Phonic Group, Ltd.	BVI	Investment	$ 16,373	$ 16,373	270,912	100%	$ 14,312	$ 3,513	$ 3,513	—

Phonic Co., Ltd.
Information on Investment in Mainland China
For the Year Ended December 31, 2022
(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, 2022	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2022	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, 2022	Accumulated Inward Remittance of Earnings as of December 31, 2022
					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	$ 3,845	100%	$ 3,845	$ (69,444)	$ —

Accumulated Investment in Mainland China as of December 31, 2022	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)	$ 147,133

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 3 for significant transactions between the Company and the mainland China investee indirectly invested through the third region for the year ended December 31, 2022.

(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, 2022 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, 2022

(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.

Phonic Corporation

Chairman: **Chou, Chin-Wen**