

Stock Code: 3067

Phonic Corporation

2024 Shareholders'

Meeting Handbook

Time: 9:00 a.m., June 21, 2024

Location: B1, No. 56, Lane 316, Ruiguang Rd., Neihu District, Taipei
City

(Conference Room 1, Chang Hong Ruiguang Building)

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Phonic Corporation

2024 Annual General Meeting Agenda

Method: Physical Shareholders' Meeting
Meeting time: 9:00 a.m., June 21, 2024
Venue: B1, No. 56, Lane 316, Ruiguang Rd., Neihu District, Taipei City
(Conference Room 1, Chang Hong Ruiguang Building)

I. Call the meeting to order

II. Chairman's remarks

III. Reported matters

- (I) The Company's 2023 business report
- (II) The Company's 2023 Audit Committee's Review Report
- (III) Report on the Company's distribution of 2023 remuneration to directors and employees.
- (IV) Implementation of the 2023 private placement of ordinary shares

IV. Matters for Acknowledgment

- (I) The Company's 2023 business report and financial statements
- (II) The Company's 2023 earnings distribution proposal

V. Matters for Discussion

- (I) Amendments to certain provisions of the Company's "Articles of Incorporation"
- (II) Amendments to certain provisions of the Company's "Rules of Procedure for Shareholders' Meetings"
- (III) Amendments to certain provisions of the Company's "Procedure for Acquisition and Disposal of Assets"
- (IV) The Company's proposal for 2024 private placement of ordinary shares

VI. Election matters

Full re-election of the Company's directors

VII. Other motions

Removal of non-competition restrictions imposed on directors and their representatives

VIII. Extempore Motion

IX. Adjourned

Reported matters

Case 1:

Cause of motion: The 2023 business report of the Company is presented for review.

Description: Please refer to Attachment 1 (Pages 10~12) to the Manual.

Case 2:

Cause of motion: The Company's 2023 Audit Committee's review report is presented for review.

Description: Please refer to Attachment 2 (Page 13) to the Manual.

Case 3:

Cause of motion: Report on the Company's distribution of 2023 remuneration to directors and employees.

Description:

- (I) In accordance with Article 28 of the Company's Articles of Incorporation, no less than 2% of the current income before tax before deduction of the remuneration to the Company's employees and directors as the remuneration to directors and no more than 1% thereof as the remuneration to directors. However, if the Company still has accumulated losses (including the adjustment of the amount of undistributed earnings), it shall first retain the amount to offset it.
- (II) The Company's 2023 earnings before tax amounted to NT\$28,259,389, which appropriated NT\$590,000 as employee remuneration and NT\$140,000 as director remuneration all proposed to be distributed in cash.
- (III) Please review accordingly.

Case 4:

Cause of motion: Implementation of the 2023 private placement of ordinary shares

Description:

- (I) In order to enrich the working capital and reinvestment and in response to other long-term operation and development capital needs, upon evaluation on the capital market status, fundraising speed and timeliness, the Company's proposal for private placement of no more than 10,000,000 ordinary shares was passed by the shareholders' meeting on June 27, 2023. The issuance period will be expired on June 26, 2024. After considering the overall business strategy, the Board of Directors of the Company has resolved on March 14, 2024 not to continue the private placement within the remaining period.
- (II) Please review accordingly.

Matters for Acknowledgment

Case 1:

“Proposed by the Board of Directors”

Cause of motion: The Company's 2023 business report and financial statements

Description:

(I) The Board of Directors has prepared the Company's 2023 business report, consolidated financial statements and parent company only financial statements, which have been audited by Wang Chia-Hsiang, CPA and Cho Ching-Chuan, CPA of Crowe (TW) CPAs, who also issued the audit report with an unqualified opinion plus the Other Matters paragraph accordingly. Said financial statements, together with the business report and the earnings distribution table, were submitted to the Company's Audit Committee for review and approval and a review report was issued.

(II) For the business report, independent auditor's report, and said financial statements, please refer to Attachment 1 (Pages 10~12) of the Manual and Attachment 3 (Pages 14~34).

(III) Please approve accordingly.

Resolution:

Case 2:

“Proposed by the Board of Directors”

Cause of motion: The Company's 2023 earnings distribution proposal.

Description:

(I) The Company's undistributed earnings at the beginning of the year was NT\$20,805,019, plus the 2023 net profit after tax, NT\$23,478,839, less the 10% legal reserve, NT\$2,347,884, set aside according to laws. Then, the total amount available for distribution at the end of 2023 became NT \$41,935,974.

(II) Considering the needs of the Company's future operation and development, it was proposed not to distribute this year's earnings. Therefore, the undistributed earnings, NT\$41,935,974, was retained at the end of the period.

(III) For the Company's 2023 earnings distribution table, please refer to Attachment 4 (Page 35) of the Manual.

(IV) Please approve accordingly.

Resolution:

Matters for Discussion

Case 1: “Proposed by the Board of Directors”

Cause of motion: Amendments to certain provisions of the Company's

“Articles of Incorporation.”

Description:

(I) The amendments to certain provisions of the Company's Articles of Incorporation are proposed, in response to the Company’s actual operations and future operation development.

(II) The amendments are primarily made to the “Restrictions on Reinvestment” referred to in Article 2, in line with the actual situation of the Company. The amendments to Article 5 “Authorized Capital” are made in consideration of the Company's future operation and development. The amendments to Article 18 are made in order to enhance the Corporate Governance Best Practice Principles and increase the number and percentage of the Company’s independent directors.

(III) Please refer to Attachment 5 (Pages 36~38) of the Manual for the cross reference table of the amendments:

(IV) Please resolve accordingly.

Resolution:

Case 2: “Proposed by the Board of Directors”

Cause of motion: Amendments to certain provisions of the Company's “Rules of Procedure for Shareholder Meetings”

Description:

(I) According to the “Action Plan for Sustainable Development of TWSE/TPEX-Listed Companies” promulgated by the Financial Supervisory Commission on March 28, 2023, in order to enable investors to be aware of the annual general meeting agenda of TWSE/TPEX-listed companies as soon as possible, and to encourage shareholders to participate in shareholders’ meetings to exercise their rights, FSC amended Article 6 of the “Regulations Governing Content and Compliance Requirements for Shareholders' Meeting Agenda Handbooks of Public Companies” to expand the scope of disclosure of the information related to the meeting handbook for TWSE/TPEX companies within 30 days prior to an annual general meeting to the extent that the paid-in capital reaches NT\$2 billion or more or the combined shareholdings of foreign investors and Chinese investors exceed 30%. Therefore, the Company amended its Rules of Procedure for Shareholders' Meetings.

(II) Please refer to Attachment 6 (Pages 39~40) of the Manual for the cross reference table of the amendments.

(III) Please resolve accordingly.

Resolution:

Case 3: “Proposed by the Board of Directors”

Cause of motion: Amendments to certain provisions of the Company’s “Procedure for Acquisition and Disposal of Assets”

Description:

(I) The Company’s Procedure for Acquisition and Disposal of Assets is amended in response to the Company’s future operation development.

(II) Please refer to Attachment 7 (Page 41~42) of the Manual for the cross reference table of the amendments.

(III) Please resolve accordingly.

Resolution:

Case 4: “Proposed by the Board of Directors”

Cause of motion: The Company’s proposal for 2024 private placement of ordinary shares

Description:

(I) In order to enrich the working capital and reinvestment and in response to other long-term operation and development capital needs, upon evaluation on the capital market status, fundraising speed and timeliness, the Company planned to raise fund through cash capital increase in private placement of ordinary shares. The main contents are stated as following:

1. Total number of shares in private placement: No more than 10,000,000 shares to be issued.
2. Par value per share: NT\$10.
3. Total amount of private placement: Depends on the issue price and actual number of shares issued.

Within one year from the date of the resolution of the annual general meeting on June 21, 2024, the private placement of ordinary shares referred to in the preceding paragraph shall raise fund from specific persons in two steps, depending on the Company's actual needs.

(II) According to Article 43-6 of the Securities and Exchange Act, the private placement shall explain the following:

1. The basis and reasonableness of the pricing:

- (1) The private placement of ordinary shares shall be priced no lower than 80% of the reference price. The reference price is determined by calculating the simple average closing price of the ordinary shares for either one, three or five business days prior to the pricing date, subtracting the ex-rights and dividends of bonus shares issued and adding back the stock price after reverse capital reduction and ex-rights, or the simple average closing price of the ordinary shares for the 30 business days prior to the pricing date, subtracting the ex-rights and dividends of bonus shares issued and adding back the stock price after reverse capital reduction and ex-rights. The higher of the two calculated benchmark prices shall be applied.
- (2) For the actual pricing date and actual private placement price of the Company's private placement of ordinary shares, the shareholders' meeting was proposed to authorize the Board of Directors to determine them subject to the specific persons to be determined and market conditions, insofar as the pricing shall be no less than the percentage resolved by the shareholders' meeting.
- (3) The price per share of the ordinary shares in private placement is determined in accordance with the laws and regulations promulgated by the competent authority and also by taking into account the three-year transfer restriction on private placement of securities and a company's operating performance, future outlook, ordinary share market price and market practices under the Securities and Exchange Act. The basis adopted by the Company in pricing the ordinary shares in private placement complies with the "Directions for Public Companies Conducting Private Placements of Securities" and, therefore, is unlikely to cause significant damage to shareholders' equity. The pricing should be considered reasonable.
- (4) The rights and obligations in the ordinary shares in private placement are identical with those in the ordinary shares already issued by the Company. The transfer of ordinary shares in private placement as resolved shall be subject to the restrictions referred to in Article 43-8 of the Securities and Exchange Act. Meanwhile, upon expiration of three years after the delivery of ordinary shares in private placement, the shareholders' meeting is proposed to authorize the Board of Directors to apply for the approval letter granting the retroactive handling of public issuance procedures with the competent authority and apply for the retroactive handling of public issuance procedures with FSC, subject to the circumstances.
- (5) If the actual price per share is lower than the par value of the shares in the future due to changes in the securities market, the pricing should be held setting in accordance with laws and reflecting the market price, and required and necessary in order to raise the fund successfully and benefit the Company's long-term stable growth. If the price per share is lower than the par value and thereby results in an increase in accumulated losses and an impact on shareholders' equity, the shareholders will evaluate and discuss whether or not to reduce capital or make up for the losses through in any other statutory manners based on the annual business results as resolved at the annual general meeting in the next year.

2. Method by which specific persons are selected:

The places of the private placement as resolved shall refer to the specific persons defined in the Article 43-6 of the Securities and Exchange Act and "Directions for Public Companies Conducting Private Placements of Securities" as amended pursuant to the order under Jin-Guan-Zheng-Fa-Zi No. 11103835867 dated September 7, 2022. Selection of Places and Purpose:

- (1) Placees are selected to assist the Company with the management and financial resources required for its operations, provide business management skills, strengthen financial cost management, and assist in business development and expansion to enhance the Company's competitiveness. For the time being, the Company plans to introduce strategic investors depending on the market conditions and the Company's needs. Notwithstanding, no placees have been determined so far.
 - (2) Necessity:
In response to the Company's long-term business planning, and in order to improve operating performance and strengthen the financial structure, by considering strengthening the stability of the management, the funds from strategic investors introduced for the private placement may help the Company's operations and business development, and improve the Company's overall operating strength and the cohesion to the Company. Therefore, it is indeed necessary to introduce the strategic investors for the private placement.
 - (3) Expected benefits:
The investors were introduced in two steps within one year. With capital injection from the strategic investors, the financial structure can be strengthened and the Company's competitiveness can be enhanced, so as to urge the Company's business to grow stably and benefit shareholders' equity.
3. Reasons for the private placement:

- (1) Reasons why public offering is not adopted:

In order to enrich the working capital and reinvestment and in response to other long-term operation and development capital needs, in consideration of the convenient and rapid timeliness of the private placement and the requirement that private placement securities be non-transferrable within three years, the private placement may better ensure the long-term cooperative relationship between the Company and its investment partners. The private placement was adopted instead of public offering. The implementation of this plan is expected to improve the financial structure and upgrade the operational efficiency, and will also benefit shareholders' equity.

- (2) Estimated frequency, proposed usage of funds, and benefits for each installment of the private placement:

(A) Estimated frequency and amount of private placement:

Private securities item	Par value per share/bond	Issue cap	Estimated frequency
Ordinary shares	NTD per share NT\$10	10,000,000 shares	Proposed to carry out in two steps within one year as of the date of resolution given by the annual general meeting on June 21, 2024.

(B) Estimated frequency, proposed usage of funds, and expected benefits for each installment of the private placement:

Private securities item	Estimated frequency	Usage of private placement funds	Expected benefits
Ordinary shares	1st issuance 5,000,000 shares 2nd issuance 5,000,000 shares	In order to enrich the working capital and reinvestment and in response to other long-term operations and development capital needs of the Company.	Improve and strengthen the Company's financial structure, and enhance the ratio of own capital and the Company's future operating performance.

- (III) If it is impossible for the private placement of securities to be completed within the time limit, or there is no plan to continue the private placement within the remaining period but the original plan is still applicable, it shall be deemed that the payment or price for the securities in private placement has been collected in full.
- (IV) Any dissent or qualified opinion from the independent directors: No.
- (V) The shareholders' meeting is proposed to authorize the Board of Directors to adjust, set and process the main contents of the ordinary shares in private placement, in addition to the percentage for the private placement pricing, including the actual issuance conditions and issuance price,

number of shares issued, total amount raised, record date of capital increase, planned items, progress of fund utilization, expected benefits and other matters not covered herein, within the scope authorized by the shareholders' meeting. If the circumstances change due to any amendments made by the competent authority or amendments made due to changes in operational assessments or changes in objective environment, the shareholders' meeting is proposed to authorize the Board of Directors to resolve it with full power, subject to the market condition and laws and regulations.

- (VI) In response to the private placement of ordinary shares, the shareholders' meeting is proposed to authorize the Chairman to sign and negotiate all contracts and documents related to the private placement on behalf of the Company, and to handle all matters related to the private placement for the Company.
- (VII) The ordinary shares in this private placement shall be no more than 10 million. The places determined preliminarily refer to strategic investors. Upon the Company's evaluation, introduction of strategic investors is not likely to cause any significant change in the right of management.
- (VIII) Please resolve accordingly.

Resolution:

Election matters

Cause of motion: Full re-election of the Company's directors [Proposed by the Board of Directors]

Description:

- (I) The term of office of the Company's incumbent directors was expired on February 23, 2024. According to the Company Act and Articles of Incorporation of the Company, a full re-election shall be held at this annual general meeting.
- (II) Seven directors (including three independent directors) should be elected for this term of Board of Directors. The new directors shall assume office immediately after the shareholders' meeting and shall hold office for a term of three years from June 21, 2024 to June 20, 2027, who may be eligible for re-election.
- (III) The Company adopts a candidate nomination system for election of directors, and shareholders shall elect directors from the list of candidates for directors. The list of candidates for directors and independent directors has been reviewed and approved by the Board of Directors on May 8, 2024. Please refer to Attachment 8 (Page 43~44) of the Manual.
- (IV) Please proceed with the election accordingly.

Election results:

Other motions

Cause of motion: Removal of non-competition restrictions imposed on directors and their representatives [Proposed by the Board of Directors]

Description:

- (I) Pursuant to Article 209 of the Company Act, "A director who does anything for himself or on behalf of another person that is within the scope of the company's business, shall explain to the meeting of shareholders the essential contents of such an act and obtain its approval."
- (II) Considering the needs of business practices, without prejudicing the Company's interest, the 2024 annual general meeting is proposed to remove the non-competition restrictions imposed on directors and their representatives, and provide the supplemental explanation about the scope and contents before the shareholders' meeting discusses this case.
- (III) Please resolve accordingly.

Resolution:

Extempore Motion

Adjourned

Attachments

Phonic Corporation

2023 Business Report

The 2023 business overview and outlook of this year are hereby reported as follows:

I. 2023 Business Report

(I) Business Plan Implementation Result

In 2023, the consolidated operating revenue was NT\$170,925 thousand, and the net consolidated non-operating revenue NT\$2,771 thousand. The 2023 consolidated operating costs and expenses totaled NT\$144,822 thousand, the consolidated net profit before tax was NT\$28,874 thousand, the consolidated net profit after tax NT\$23,479 thousand, and the consolidated earnings per share after tax NT\$1.17.

(II) Budget Execution

The Company did not announce financial forecast for 2023 and hence not applicable.

(III) Financial income and expenditure

Item	2022	2023
Consolidated net cash inflow from operating activities	21,487	14,663
Consolidated net cash flow (outflow) from investing activities	(352)	(106,017)
Net cash flow (outflow) from consolidated financing activities	(3,791)	(3,844)

(IV) Profitability analysis

Item	2022	2023
Return on assets (%)	(1.99)	6.66
Return on equity (%)	(2.79)	9.14
Operating income to paid-in capital ratio (%)	(3.30)	13.05
Income before tax to paid-in capital ratio (%)	(2.09)	14.44
Net profit margin (%)	(7.11)	13.74
Earnings per share (NTD)	(0.35)	1.17

(V) Research and development status

Continue the development and optimization of fully automated digital products, audio and video products with streaming media functions and portable audio system products.

II. Summary of 2024 Business Plan

(I) Business policy:

1. Consolidate the existing markets at home and abroad, and continue to develop new customer sources.
2. Effectively explore market information and pro-actively promote various applications that are close to customers' needs.
3. Optimize the functions and price/performance ratio of existing products, increase the shipments of high-margin products and sales portfolios, in order to improve the Company's overall profitability.

(II) Expected sales volume and basis:

Not applicable, as the Company is not required to announce financial forecasts for 2024.

(III) Important production and distribution policies:

1. Gain an in-depth understanding of market demand, establish a niche for product differentiation and improve the brand image.
2. Effectively integrate and optimize sales channels in accordance with sales strategies.
3. Improve the flexibility and efficiency of the production process and supply chain.

III. Future development strategies of the Company

In the post-pandemic era, countries all over the world have entered the stage when the lockdown policy is lifted completely. Various entertainment consumption activities and large-scale mass events are also returning to the level before the pandemic, and the consumption is growing too. The Company will also verify the changes in market demand and stay close to consumers' daily entertainment needs and pro-actively launch competitive products to effectively seize the business opportunities in the existing and potential markets and expand its market share.

Meanwhile, as the problems and impact brought about by climate change are increasingly exacerbated, fresh water resources are becoming depleted day by day. Therefore, countries all over the world are striving to find the solutions that can keep water resources clean and sustainable. One of the 2030 Sustainable Development Goals proposed by the United Nations refers to SDG6, which seeks to ensure safe drinking water and sanitation for all and the sustainable management thereof. According to the statistics of Markets and Markets, an international market survey organization, the global smart water resource management market scale will reach US\$22.4 billion in 2026, with the CAGR by more than 10%. Looking forward to the future, the Company will continue to expand the business domain related to water resources, provide users with the best experience of pure water and enable clean water resources to be delivered to every corner of the world.

IV. Impact posed by the external competitive environment, regulatory environment and overall business environment

Since 2023, the global market has been affected by the continuing uncertainties such as the economic slowdown between the United States and China and war conflicts. Enterprises need to keep changing their existing business models to maintain competitiveness and also investing resources to promote sustainable development. In the future, the Company will take into account the principles of both safe operations and sustainable growth, in order to increase the Company's profit and feed back to all shareholders for their

care and support. Meanwhile, the Company also hopes to contribute to the global clean, safe water supply and the sustainable management thereof.

Chairman: Chou Ching-Wen General Manager: Chou Ching-Wen Accounting Manager: Kao Wei-Hung

Phonic Corporation
Audit Committee's Review Report

The Board of Directors has prepared the Company's 2023 business report, consolidated financial statements, parent company only financial statements and earnings distribution table. Among them, the 2023 consolidated financial statements and parent company only financial statements have been audited by Wang Chia-Hsiang, CPA and Cho Ching-Chuan, CPA of Crowe (TW) CPAs, who also issued the audit report accordingly.

The Audit Committee has reviewed said report and statements and concluded that there is no discrepancy and, therefore, hereby submitted the report prepared in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act for review.

Sincerely,
2024 Annual General Meeting of Phonic Corporation

Audit Committee Convener
Chiu Li-Mei Independent Director

March 14, 2024

Representation Letter

The entities that are required to be included in the combined financial statements of Phonic Co., Ltd. as of and for the year ended December 31, 2023, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standards No.10 “Consolidated Financial Statements” endorsed by the Financial Supervisory Commission of the Republic of China. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Phonic Co., Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

PHONIC CO., LTD.

Jing-Wen, Zou
Chairman

March 14, 2023

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, 2023 and 2022, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2023 and 2022, 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, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and 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, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Group's consolidated financial statements for the year ended December 31, 2023 are 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 product risks, 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.

Investments accounted for using the equity method

Description of key audit matter:

The carrying amount of investments accounted for using the equity method of the Group was \$144,281 thousands, which represented 38% of the total assets in the consolidated balance sheet as of December 31, 2023. Accordingly, investment income or loss and other comprehensive income or loss recognized inappropriately might have significant impact to the consolidated financial statements.

How the matter was addressed in our audit:

We understood and tested the Group's internal controls surrounding the accounting policies for investments accounted for using the equity method. We recalculated the carrying amount of investments accounted for using the equity method, share of profit or loss, and other comprehensive income or loss of those investments based on financial statements of the investee which had been audited.

Other Matters

We did not audit the financial statements of certain companies in which the Group has investments accounted for using the equity method. Those financial statements were audited by other independent accountants, whose reports have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included in the parent company only financial statements, relative to these investments accounted for using the equity method was based solely on the reports of other independent accountants. As of December 31, 2023, the investment accounted for using the equity method amounted to \$144,281 thousands, constituting 38% of total assets. The comprehensive income recognized in financial statements audited by other accountants in 2023 amounted to \$763 thousands, constituting 3% of total comprehensive income.

Phonic Co., Ltd. has additionally prepared its parent company only financial statements as of and for the years ended December 31, 2023 and 2022, on which we have issued an unqualified opinion with an other matter paragraph.

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 exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatements of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our 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 communicate with them regarding 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, 2023 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 14, 2024

Notice to Readers

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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, 2023 and 2022
(In Thousands of New Taiwan Dollars)

	2023.12.31		2022.12.31			2023.12.31		2022.12.31	
Assets	Amount	%	Amount	%	Notes	Amount	%	Amount	%
Current assets					Liabilities and Equity				
Cash and cash equivalents	\$ 164,188	43	\$ 259,768	78	Current liabilities	\$ 14,187	4	\$ 33,871	10
Notes receivable, net	435	-	393	-	Contract liabilities - current	17	-	66	-
Accounts receivable, net	8,506	2	2,992	1	Notes payable	16,573	4	15,902	5
Other receivables	1,433	-	923	-	Accounts payable	2,441	1	-	-
Current tax assets	255	-	-	-	Accounts payable to related parties	48,907	13	5,603	2
Inventories	11,842	3	19,172	6	Other payables	60	-	-	-
Prepayments	9,097	3	4,361	1	Other payables to related parties	-	-	988	-
Total current assets	195,756	51	287,609	86	Current tax liabilities	-	-	2,245	1
					Lease liabilities - current	1,640	-	1,640	-
Non-current assets					Current portion of long-term borrowings	111	-	118	-
Investments accounted for using equity method	144,281	38	-	-	Other current liabilities	83,936	22	60,433	18
Property, plant and equipment	43,341	11	43,844	13	Total current liabilities				
Right-of-use assets	-	-	2,203	1	Non-current liabilities				
Deferred tax assets	15	-	1,514	-	Long-term borrowings	27,060	7	28,700	9
Refundable deposits	397	-	404	-	Deferred tax liabilities	4,422	1	1,220	-
Total non-current assets	188,034	49	47,965	14	Total non-current liabilities	31,482	8	29,920	9
					Total liabilities	115,418	30	90,553	27
					Equity attributable to the shareholders of the Company				
					Common stock	200,000	52	200,000	60
					Capital surplus	18,210	5	18,210	5
					Legal reserve	3,082	1	3,082	1
					Special reserve	16,942	4	16,942	5
					Unappropriated retained earnings	44,284	12	20,805	6
					Exchange differences arising from translation of foreign operations	(14,146)	(4)	(13,818)	(4)
					Total equity	268,372	70	245,221	73
Total Assets	\$ 383,790	100	\$ 335,574	100	Total Liabilities and Equity	\$ 383,790	100	\$ 335,574	100

Phonic Co., Ltd. and Subsidiaries
Consolidated Statements of Comprehensive Income
For the years ended December 31, 2023 and 2022
(In Thousands of New Taiwan Dollars)

	Notes	2023		2022	
		Amount	%	Amount	%
Net revenue	6(14) and 14	\$ 170,925	100	\$ 97,607	100
Cost of revenue	6(4), 6(7),6(8),6(17) and 7	(109,698)	(64)	(72,620)	(74)
Gross profit		61,227	36	24,987	26
Operating expenses	6(7), 6(8), 6(17) and 7				
Marketing		(2,705)	(2)	(2,806)	(3)
General and administrative		(30,757)	(18)	(26,381)	(27)
Research and development		(1,662)	(1)	(2,387)	(3)
Expected credit losses	6(3)	-	-	(4)	-
Total operating expenses		(35,124)	(21)	(31,578)	(33)
Operating profit (losses)		26,103	15	(6,591)	(7)
Non-operating income and expenses					
Interest income		2,747	2	719	1
Other income	6(15)	377	-	2,518	3
Other gains and losses	6(16)	(530)	-	(255)	-
Finance costs		(586)	-	(565)	(1)
Share of profit of subsidiaries and associates accounted for using equity method	6(5)	763	-	-	-
Total non-operating income and expenses		2,771	2	2,417	3
Profit (loss) before income tax from continuing operations		28,874	17	(4,174)	(4)
Income tax expense	6(18)	(5,395)	(3)	(2,763)	(3)
Net profit (loss) for the year		23,479	14	(6,937)	(7)
Other comprehensive income (loss)	6(18) and 6(19)				
Items that will be reclassified subsequently to profit or loss					
Exchange differences arising from translation of foreign operations		(410)	-	146	-
Income tax related to items that will be reclassified to profit or loss		82	-	(29)	-
Other comprehensive (loss) income for the year, net of income tax		(328)	-	117	-
Total comprehensive income (loss) for the year		\$ 23,151	14	\$ (6,820)	(7)
Net income (loss) attributable to:					
Shareholders of the parent		\$ 23,479	14	\$ (6,937)	(7)
Noncontrolling interests		\$ -	-	\$ -	-
Total comprehensive income (loss) attributable to:					
Shareholders of the parent		\$ 23,151	14	\$ (6,820)	(7)
Noncontrolling interests		\$ -	-	\$ -	-
Earnings (loss) per share	6(20)				
Basic earnings (loss) per share		\$ 1.17		\$ (0.35)	
Diluted earnings (loss) per share		\$ 1.17		\$ (0.35)	

(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, 2023 and 2022
(In Thousands of New Taiwan Dollars)

	Equity attributable to the shareholders of the Company						Total Equity
	Common Stock	Capital Surplus	Legal reserve	Special Reserve	Unappropriated Retained Earnings	Exchange Differences arising from Translation of Foreign Operations	
Balance at January 1, 2022	\$ 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 loss 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
Net profit for 2023	-	-	-	-	23,479	-	23,479
Other comprehensive income for 2023	-	-	-	-	-	(328)	(328)
Total comprehensive income (loss) for 2023	-	-	-	-	23,479	(328)	23,151
Balance at December 31, 2023	\$ 200,000	\$ 18,210	\$ 3,082	\$ 16,942	\$ 44,284	\$ (14,146)	\$ 268,372

(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, 2023 and 2022
(In Thousands of New Taiwan Dollars)

	2023	2022
<u>Cash flows generated from (used in) operating activities:</u>		
Profit (loss) before tax	\$ 28,874	\$ (4,174)
Adjustments for:		
Depreciation expense	2,811	2,947
Expected credit loss	-	4
Interest income	(2,747)	(719)
Interest expense	586	565
Loss on disposal of property, plant and equipment	-	66
Prepayments for equipment reclassified as expense	-	239
Share of profit of subsidiaries and associates accounted for using equity method	(763)	-
	<u>(113)</u>	<u>3,102</u>
Changes in operating assets and liabilities:		
Notes receivable, net	(42)	(378)
Accounts receivable, net	(5,514)	5,076
Other receivables	(481)	844
Inventories	7,330	(11,003)
Prepayments	(4,736)	(1,066)
Contract liabilities	(19,684)	25,963
Notes payable	(49)	(28)
Accounts payable	671	3,908
Accounts payable to related parties	2,441	-
Other payables	5,612	(873)
Other payables to related parties	60	-
Other current liabilities	(7)	14
Cash flows generated from operations	<u>14,362</u>	<u>21,385</u>
Interest received	2,718	719
Interest paid	(562)	(565)
Income tax paid	<u>(1,855)</u>	<u>(52)</u>
Net cash flows generated from operating activities	<u>14,663</u>	<u>21,487</u>
<u>Cash flows used in investing activities:</u>		
Acquisition of investments accounted for using equity method	(105,850)	-
Acquisition of property, plant and equipment	(167)	(437)
Proceeds from disposal of property, plant and equipment	-	64
Decrease in refundable deposits	-	21
Net cash flows used in investing activities	<u>(106,017)</u>	<u>(352)</u>

(Continued)

Phonic Co., Ltd. and Subsidiaries
Consolidated Statements of Cash Flows
For the years ended December 31, 2023 and 2022
(In Thousands of New Taiwan Dollars)

	2023	2022
<u>Cash flows from financing activities:</u>		
Decrease in long-term borrowings	\$ (1,640)	\$ (1,640)
Payment of lease liabilities	(2,204)	(2,161)
Exercising the right of claim for disgorgement	-	10
Net cash flows used in financing activities	(3,844)	(3,791)
Effect of exchange rate changes on cash and cash equivalents	(382)	97
Net (decrease) increase in cash and cash equivalents	(95,580)	17,441
Cash and cash equivalents, beginning of year	259,768	242,327
Cash and cash equivalents, end of year	\$ 164,188	\$ 259,768

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, 2023 and 2022, and the statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2023 and 2022, 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, 2023 and 2022, 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, 2023. 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 matters for the Company's parent company only financial statements for the year ended December 31, 2023 are 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.

Investments accounted for using the equity method

Description of key audit matter:

The carrying amount of investments accounted for using the equity method of the Company was \$179,047 thousands, which represented 45% of the total assets in the balance sheet as of December 31, 2023. Accordingly, investment income or loss and other comprehensive income or loss recognized inappropriately might have significant impact to the financial statements.

How the matter was addressed in our audit:

We understood and tested the Company's internal controls surrounding the accounting policies for investments accounted for using the equity method. We recalculated the carrying amount of investments accounted for using the equity method, share of profit or loss, and other comprehensive income or loss of those investments based on financial statements of the investee which had been audited.

Other Matters

We did not audit the financial statements of certain companies in which the Company has investments accounted for using the equity method. Those financial statements were audited by other independent accountants, whose reports have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included in the parent company only financial statements, relative to these investments accounted for using the equity method was based solely on the reports of other independent accountants. As of December 31, 2023, the investment accounted for using the equity method amounted to \$144,281 thousands, constituting 37% of total assets. The comprehensive income recognized in financial statements audited by other accountants in 2023 amounted to \$763 thousands, constituting 3% of total comprehensive income.

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 exercise 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's 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 communicate with them regarding 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, 2023 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 14, 2024

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Phonic Co., Ltd.

Parent Company Only Balance Sheets
December 31, 2023 and 2022
(In Thousands of New Taiwan Dollars)

	2023.12.31		2022.12.31		Notes	2023.12.31		2022.12.31	
	Amount	%	Amount	%		Amount	%	Amount	%
Assets									
Current assets									
Cash and cash equivalents	\$ 154,926	40	\$ 256,659	79			\$ 14,152	4	\$ 33,411
Notes receivable, net	435	-	393	-	6(1) and 12		17	-	66
Accounts receivable, net	8,459	2	2,944	1	6(2) and 12		3,127	1	4,299
Other receivables	187	-	148	-	6(3) and 12		26,267	7	3,456
Current tax assets	255	-	-	-	12		47,693	12	3,914
Inventories	578	-	2,751	1	6(4)		60	-	-
Prepayments	7,434	2	2,530	1			-	-	988
Total current assets	172,274	44	265,425	82			1,640	-	1,640
Non-current assets									
Investments accounted for using equity method	179,047	45	14,312	5	6(5)		153	-	118
Property, plant and equipment	41,625	11	41,780	13			93,109	24	47,892
Deferred tax assets	15	-	1,514	-					
Refundable deposits	2	-	2	-					
Total non-current assets	220,689	56	57,608	18			27,060	7	28,700
Total Assets	\$ 392,963	100	\$ 323,033	100			124,591	32	77,812
Liabilities and Equity									
Current liabilities									
Contract liabilities - current									
Notes payable					6(13)				
Accounts payable					12				
Accounts payable to related parties					12				
Other payables					7 and 12				
Other payables to related parties					6(5) and 12				
Current tax liabilities					7 and 12				
Current portion of long-term borrowings					6(8), 8 and 12				
Other current liabilities									
Total current liabilities							93,109	24	47,892
Non-current liabilities									
Long-term borrowings					6(8), 8 and 12				
Deferred tax liabilities					6(17)				
Total non-current liabilities							4,422	1	1,220
Total liabilities							124,591	32	77,812
Equity									
Common stock					6(9)		200,000	51	200,000
Capital surplus					6(10)		18,210	5	18,210
Legal reserve					6(11)		3,082	1	3,082
Special reserve					6(11)		16,942	4	16,942
Unappropriated retained earnings					6(11)		44,284	11	20,805
Exchange differences arising from translation of foreign operations					6(12)		(14,146)	(4)	(13,818)
Total equity							268,372	68	245,221
Total Liabilities and Equity	\$ 392,963	100	\$ 323,033	100			\$ 392,963	100	\$ 323,033

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

Phonic Co., Ltd.
Parent Company Only Statements of Comprehensive Income
December 31, 2023 and 2022
(In Thousands of New Taiwan Dollar, Except for Earnings (Loss) Per Share)

	Notes	2023		2022	
		Amount	%	Amount	%
Net revenue	6(13)	\$ 160,663	100	\$ 86,185	100
Cost of revenue	6(4) and 7	(126,607)	(79)	(70,740)	(82)
Gross profit		34,056	21	15,445	18
Operating expenses	6(7), 6(16) and 7				
Marketing		(2,362)	(1)	(2,350)	(3)
General and administrative		(25,073)	(16)	(19,763)	(23)
Research and development		(1,662)	(1)	(2,387)	(3)
Expected credit losses	6(3)	-	-	(4)	-
Total operating expenses		(29,097)	(18)	(24,504)	(29)
Operating profit (losses)		4,959	3	(9,059)	(11)
Non-operating income and expenses					
Interest income		2,733	1	711	1
Other income	6(14)	80	-	1,079	1
Other gains and losses	6(15)	(592)	-	24	-
Finance costs		(547)	-	(442)	-
Share of profit of equity-accounted investees	6(5)	21,627	14	3,513	4
Total non-operating income and expenses		23,301	15	4,885	6
Profit (loss) before income tax from continuing operations		28,260	18	(4,174)	(5)
Income tax expense	6(17)	(4,781)	(3)	(2,763)	(3)
Net profit (loss) for the year		23,479	15	(6,937)	(8)
Other comprehensive income (loss)	6(17) and 6(18)				
Items that will be reclassified subsequently to profit or loss					
Exchange differences arising from translation of foreign operations		(410)	-	146	-
Income tax related to items that may be reclassified subsequently to profit or loss		82	-	(29)	-
Other comprehensive (loss) income for the year, net of income tax		(328)	-	117	-
Total comprehensive income (loss) for the year		\$ 23,151	15	\$ (6,820)	(8)
Earnings (loss) per share	6(19)				
Basic earnings (loss) per share		\$ 1.17		\$ (0.35)	
Diluted earnings (loss) per share		\$ 1.17		\$ (0.35)	

(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
December 31, 2023 and 2022
(In Thousands of New Taiwan Dollars)

	Common Stock	Capital Surplus	Legal reserve	Special Reserve	Unappropriated Retained Earnings	Exchange Differences arising from Translation of Foreign Operations	Total Equity
Balance at January 1, 2022	\$ 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 loss 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
Net profit for 2023	-	-	-	-	23,479	-	23,479
Other comprehensive income for 2023	-	-	-	-	-	(328)	(328)
Total comprehensive income (loss) for 2023	-	-	-	-	23,479	(328)	23,151
Balance at December 31, 2023	\$ 200,000	\$ 18,210	\$ 3,082	\$ 16,942	\$ 44,284	\$ (14,146)	\$ 268,372

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

Phonic Co., Ltd.
Parent Company Only Statements of Cash Flows
December 31, 2023 and 2022
(In Thousands of New Taiwan Dollars)

	<u>2023</u>	<u>2022</u>
<u>Cash flows generated from (used in) operating activities:</u>		
Profit (Loss) before tax	\$ 28,260	\$ (4,174)
Adjustments for:		
Depreciation expense	306	288
Expected credit loss	-	4
Interest income	(2,733)	(711)
Interest expense	547	442
Loss on disposal of property, plant and equipment	-	66
Share of profits of equity-accounted investees	(21,627)	(3,513)
	<u>(23,507)</u>	<u>(3,424)</u>
 Changes in operating assets and liabilities:		
Notes receivable, net	(42)	(378)
Accounts receivable, net	(5,515)	5,076
Inventories	2,173	(2,303)
Other receivables	(10)	1,246
Prepayments	(4,904)	235
Contract liabilities	(19,259)	25,689
Notes payable	(49)	(28)
Accounts payable	(1,172)	1,951
Accounts payable to related parties	22,811	(3,322)
Other payables	6,087	(1,359)
Other payables to related parties	60	-
Other current liabilities	35	14
Cash flows generated from operations	<u>4,968</u>	<u>19,223</u>
Interest received	2,704	711
Interest paid	(523)	(442)
Income tax paid	(1,241)	(52)
Net cash flows generated from operating activities	<u>5,908</u>	<u>19,440</u>
 <u>Cash flows used in investing activities:</u>		
Acquisition of investments accounted for using equity method	(105,850)	-
Acquisition of property, plant and equipment	(151)	(232)
Proceeds from disposal of property, plant and equipment	-	64
Decrease in refundable deposits	-	21
Net cash flows used in investing activities	<u>(106,001)</u>	<u>(147)</u>

(Continued)

Phonic Co., Ltd.
Parent Company Only Statements of Cash Flows
For the years ended December 31, 2023 and 2022
(In Thousands of New Taiwan Dollars)

	2023	2022
<u>Cash flows from financing activities:</u>		
Decrease in long-term borrowings	\$ (1,640)	\$ (1,640)
Exercising the right of claim for disgorgement	-	10
Net cash flows used in financing activities	(1,640)	(1,630)
Net (decrease) increase in cash and cash equivalents	(101,733)	17,663
Cash and cash equivalents, beginning of year	256,659	238,996
Cash and cash equivalents, end of year	\$ 154,926	\$ 256,659

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

Phonic Corporation 2023 Earnings Distribution Table

Unit: NTD

Item	Amount
Undistributed earnings at the beginning of the period	20,805,019
Add: 2023 net profit after tax	23,478,839
Accumulated distributable earnings	44,283,858
Less: Provisions Legal reserve	(2,347,884)
Distributable earnings in the current period	41,935,974
Undistributed earnings at the end of the period	41,935,974
Note: No dividends were distributed this year.	

Chairman: Chou Ching-Wen General Manager: Chou Ching-Wen Accounting Manager: Kao Wei-Hung

Phonic Corporation
Articles of Incorporation

Cross Reference Table of Amendments

Article number	Amendment	Original Article	Description
Article 2-1	<p>The Company may, by a resolution of the Board of Directors, become a shareholder of another company with limited liability, and <u>the total amount of reinvestment is not restricted by the Company Act, which stipulates that reinvestment shall not exceed 40% of the paid-in capital.</u></p> <p>The resolution of the Board meeting referred to above shall be approved by more than half of the directors present at a meeting attended by at least two-thirds of the directors.</p>	<p>The Company may, by a resolution of the Board of Directors, become a shareholder of another company with limited liability, Unless otherwise provided by laws, the total investment amount of the Company may be exempted from the 40% limit on the Company's paid-in capital, provided that it shall not exceed the Company's paid in capital.</p> <p>The resolution of the Board meeting referred to above shall be approved by more than half of the directors present at a meeting attended by at least two-thirds of the directors.</p>	<p>The Company's reinvestment restrictions are amended in response to the Company's actual situation.</p>
Article 5	<p>The authorized capital of the Company shall be NT\$500 million, divided into 50 million shares, all of which are ordinary shares at NT\$10 per share. The unissued shares are authorized to be issued by the Board of Directors in installments.</p>	<p>The authorized capital of the Company is <u>NT\$380,000,000</u>, divided into 38,000,000 shares, all of which are ordinary shares at NT\$10 per share. The unissued shares are authorized to be issued by the Board of Directors in installments.</p>	<p>The Company's authorized capital is amended, in consideration of the Company's future business development.</p>
Article 18	<p>The Company shall have five to <u>nine</u> directors, who shall be appointed among persons with disposing capacity by the shareholders' meeting to assume a term of office for three years and may be eligible for re-election. Among said directors, the number of independent directors shall not be less than <u>three</u> and shall not be less than <u>one-third</u> of the number of directors.</p> <p>The Company adopts the candidate nomination system for the election of directors. The acceptance method of candidate nomination shall be handled in accordance with Article 192-1 of the Company Act. The qualifications and election methods of independent directors, and other matters to be complied with shall be handled in accordance with the relevant provisions of the Company Act and the Securities</p>	<p>The Company shall have five to <u>seven</u> directors, who shall be appointed among persons with disposing capacity by the shareholders' meeting to assume a term of office for three years and may be eligible for re-election. Among said directors, the number of independent directors shall not be less than <u>two</u> and shall not be less than <u>one-fifth</u> of the number of directors.</p> <p>The Company adopts the candidate nomination system for the election of directors. The acceptance method of candidate nomination shall be handled in accordance with Article 192-1 of the Company Act. The qualifications and election methods of independent directors, and other matters to be complied with shall be handled in accordance with the relevant provisions of the Company Act and the Securities and Exchange Act.</p>	<p>Improve corporate governance regulations, adjust the number of directors, and increase the number and proportion of independent directors.</p>

Article number	Amendment	Original Article	Description
	<p>and Exchange Act.</p> <p>Independent directors and non-independent directors shall be elected at the same time and based on the number of seats to be elected, the candidate for whom the ballots received represent the greater majority will be elected. After being elected, directors may, by resolution of the Board of Directors, take out liability insurance for the Company's directors within the scope of their liabilities. The percentage of total shareholdings of the Company's directors is determined by the securities competent authority.</p>	<p>Independent directors and non-independent directors shall be elected at the same time and based on the number of seats to be elected, the candidate for whom the ballots received represent the greater majority will be elected. After being elected, directors may, by resolution of the Board of Directors, take out liability insurance for the Company's directors within the scope of their liabilities. The percentage of total shareholdings of the Company's directors is determined by the securities competent authority.</p>	
Article 28	<p>No less than 2% of the current income before tax before deduction of the remuneration to the Company's employees and directors as the remuneration to directors and no more than 1% thereof as the remuneration to directors. However, if the Company still has accumulated losses (including the adjustment of the amount of undistributed earnings), it shall first retain the amount to offset it.</p> <p>The remuneration to employees in the preceding paragraph may be paid in the form of shares or in cash, and the recipients of the payment may include the employees of the subordinate company who meet the conditions set forth by the Board of Directors. The remuneration to directors referred to in the preceding paragraph may only be paid in cash.</p> <p>The preceding two paragraphs shall be implemented per resolution of the Board of Directors and reported to the shareholders' meeting.</p>	<p>No less than 2% of the current income before tax before deduction of the remuneration to the Company's employees and directors as the remuneration to directors and no more than 1% thereof as the remuneration to directors. However, if the Company still has accumulated losses (including the adjustment of the amount of undistributed earnings), it shall first retain the amount to offset it.</p> <p>The remuneration to employees in the preceding paragraph may be paid in the form of shares or in cash, and the recipients of the payment may include the employees of the subordinate company who meet the conditions set forth by the Board of Directors. The remuneration to directors referred to in the preceding paragraph may only be paid in cash.</p> <p>The preceding two paragraphs shall be implemented per resolution of the Board of Directors and reported to the shareholders' meeting.</p>	Adjustment of text.

Article number	Amendment	Original Article	Description
Article 31	<p>These Articles were established on November 7, 1973;</p> <p>Omitted...</p> <p>23rd amendments hereto were made on June 17, 2022;</p> <p>24th amendments hereto were made on June 27, 2023;</p> <p><u>25th amendments hereto were made on June 21, 2024;</u></p>	<p>These Articles were established on November 7, 1973;</p> <p>Omitted...</p> <p>23rd amendments hereto were made on June 17, 2022;</p> <p>24th amendments hereto were made on June 27, 2023;</p>	<p>Add the dates of amendments.</p>

Phonic Corporation
Rules of Procedure for Shareholders' Meetings
Cross Reference Table of Amendments

Article number	Amendment	Original Article	Description
Article 3	<p>Shareholders' meetings of the Company shall be convened by the Board of Directors, unless otherwise provided in the law.</p> <p>Changes to the method of convening a shareholders' meeting of the Company shall be subject to a resolution by the Board of Directors, and the organization of a shareholders' meeting by means of visual communication network shall be adopted per the resolution rendered by a majority of directors at a meeting attended by two-thirds or more of the total number of directors⁰⁰ and both circumstances shall take place no later than the dispatch of the notice of the shareholders' meeting.</p> <p>The Company shall compile an electronic file that contains meeting notice, proxy letter form, motions for ratification, motions for discussion, election or dismissal of directors, etc. and post it on the MOPS before 30 days before the date of an annual general meeting or before 15 days before the date of a special shareholders' meeting. At least 21 days before an annual general meeting, or 15 days before a special shareholders' meeting, an electronic copy of the shareholders' meeting handbook and supplementary information shall be prepared and</p>	<p>Shareholders' meetings of the Company shall be convened by the Board of Directors, unless otherwise provided in the law.</p> <p>Changes to the method of convening a shareholders' meeting of the Company shall be subject to a resolution by the Board of Directors, and the organization of a shareholders' meeting by means of visual communication network shall be adopted per the resolution rendered by a majority of directors at a meeting attended by two-thirds or more of the total number of directors⁰⁰ and both circumstances shall take place no later than the dispatch of the notice of the shareholders' meeting.</p> <p>The Company shall compile an electronic file that contains meeting notice, proxy letter form, motions for ratification, motions for discussion, election or dismissal of directors, etc. and post it on the MOPS before 30 days before the date of an annual general meeting or before 15 days before the date of a special shareholders' meeting. At least 21 days before an annual general meeting, or 15 days before a special shareholders' meeting, an electronic copy of the shareholders' meeting handbook and supplementary information shall be prepared and</p>	<p>In order to enable investors to be aware of the annual general meeting agenda of TWSE/TPEX-listed companies as soon as possible, and to encourage shareholders to participate in shareholders' meetings to exercise their rights, FSC amended Paragraph 3 in order to progressively expanded the scope of disclosure of the information related to the meeting handbook for TWSE/TPEX-listed companies within 30 days prior to an annual general meeting to the extent that where a TWSESE/TPEX-listed company's paid-in capital reaches NT\$2 billion or more or in which the aggregate shareholding percentage of foreign investors and Mainland Chinese investors reaches 30% or more, it shall upload the electronic file containing the shareholders' meeting handbook and supplemental meeting materials to the information reporting website designated by FSC within 30 days prior to the</p>

Article number	Amendment	Original Article	Description
	<p>posted onto MOPS. Notwithstanding, where the Company's paid-in capital reaches NT\$2 billion or more at the end of the most recent fiscal year, or in which the aggregate shareholding percentage of foreign investors and Mainland Chinese investors reaches 30% or more as recorded in the roster of shareholders at the time of organization of the annual general meeting in the most recent fiscal year, it shall upload the electronic file 30 days prior to the day on which the annual general meeting is to be held. Within 15 days before the date of the shareholders' meeting, the Company shall also have prepared the shareholders' meeting handbook and supplementary information and made them available for review by shareholders at any time. The same shall also be displayed at the premises of the Company and the professional shareholder services agent designated by the Company.</p> <p>Omitted below.</p>	<p>posted onto MOPS. Notwithstanding, where the Company's paid-in capital reaches <u>NT\$10 billion</u> or more at the end of the most recent fiscal year or where the aggregate shareholding percentage of foreign investors and Mainland Chinese investors reaches 30% or more as recorded in the roster of shareholders at the time of organization of the annual general meeting in the most recent fiscal year, it shall upload the electronic file 30 days prior to the day on which the annual general meeting is to be held. Within 15 days before the date of the shareholders' meeting, the Company shall also have prepared the shareholders' meeting handbook and supplementary information and made them available for review by shareholders at any time. The same shall also be displayed at the premises of the Company and the professional shareholder services agent designated by the Company.</p> <p>Omitted below.</p>	<p>day on which the annual general meeting is to be held.</p>
<p>Article 23</p>	<p>These Rules, and any amendments hereto, shall be implemented after approval by the Shareholders' Meeting.</p> <p>These Rules were re-enacted on July 20, 2021;</p> <p>1st amendments hereto were made on June 17, 2022;</p> <p>2nd amendments hereto were made on June 27, 2023 ;</p> <p><u>3rd amendments hereto were made on June 21, 2024.</u></p>	<p>These Rules, and any amendments hereto, shall be implemented after approval by the Shareholders' Meeting.</p> <p>These Rules were re-enacted on July 20, 2021;</p> <p>1st amendments hereto were made on June 17, 2022;</p> <p>2nd amendments hereto were made on June 27, 2023.</p>	<p>Add the dates of amendments.</p>

Phonic Corporation
 Procedure for Acquisition and Disposal of Assets
 Cross Reference Table of Amendments

Article number	Amendment	Original Article	Description
<p>Article 15</p>	<p>Omitted</p> <p>With respect to the types of transactions listed below, when to be conducted between the Company and its parent or subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100% of the issued shares or authorized capital, the Company's Board of Directors may pursuant to the subparagraph 3, Article 7 herein delegate the Chairman of Board to decide such matters when the transaction is within <u>NT\$100</u> million and have the decisions subsequently submitted to and ratified by the next directors' meeting:</p> <p>1. Acquisition or disposal of equipment or right-of-use assets thereof held for operating purposes.</p> <p>2. Acquisition or disposal of the right-of-use assets of real property held for operating purposes.</p> <p>Omitted</p>	<p>Omitted</p> <p>With respect to the types of transactions listed below, when to be conducted between the Company and its parent or subsidiaries or between its subsidiaries in which it directly or indirectly holds 100% of the issued shares or authorized capital, the Company's Board of Directors may pursuant to the subparagraph 3, Article 7 herein delegate the Chairman of Board to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next directors' meeting:</p> <p>1. Acquisition or disposal of equipment or right-of-use assets thereof held for operating purposes.</p> <p>2. Acquisition or disposal of the right-of-use assets of real property held for operating purposes.</p> <p>Omitted</p>	<p>Expressly define the certain amount to be authorized by the Chairman of Board.</p>

Article number	Amendment	Original Article	Description
Article 35	<p>The Procedure, and any amendments hereto, shall be implemented after approval by the Shareholders' Meeting.</p> <p>The Procedure was enacted on June 17, 2022;</p> <p>1st amendments hereto were made on August 31, 2023.</p> <p><u>2nd amendments hereto were made on June 21, 2024.</u></p>	<p>The Procedure, and any amendments hereto, shall be implemented after approval by the Shareholders' Meeting.</p> <p>The Procedure was enacted on June 17, 2022;</p> <p>1st amendments hereto were made on August 31, 2023.</p>	Add the dates of amendments.

Attachment 8

Profile of Director (including Independent Director) Candidates

Type of nomination	Name of nominee	Main work experience (academic background)	Current position
Directors	Kang Jian Investment Co., Ltd. Representative: Chou Ching-Wen	MBA, The Wharton School, USA	Chairman, Phonic Corporation
		Chairman, TAIWAN POWDER TECHNOLOGIES CO., LTD.	Chairman, TAIWAN POWDER TECHNOLOGIES CO., LTD. Chairman, Kang Jian Investment Co., Ltd. Chairman, Kang Yao Investment Co., Ltd. Juridical Person Director's Representative, Tai-Ling Biotech., Inc.
Directors	Kang Jian Investment Co., Ltd. Representative: Yao Tian-Chi	National Taipei Institute of Technology	Director, Phonic Corporation
		Director, CASING MACRON TECHNOLOGY CO., LTD.	Chairman, EVERPOLL HEALTH PLUS WATER TECHNOLOGY, CO., LTD. Chairman, HUNG HSI INTERNATIONAL DEVELOPMENT LIMITED COMPANY Director, FIL TTECK CO.,LTD.
Directors	Kang Jian Investment Co., Ltd. Representative: Wu Hsin-Kai	Department of Business Administration, Tamkang University	Director, Phonic Corporation
		Director, DIRECTCURRENT CO., LTD.	Chairman, BROAD SKY TECHNOLOGY CO., LTD. Chairman, Sang Guo Investment Ltd. Director, EVERPOLL HEALTH PLUS WATER TECHNOLOGY, CO., LTD. Director, CASING MACRON TECHNOLOGY CO., LTD. Supervisor, Kang Jian Investment Co., Ltd.
Directors	Kang Jian Investment Co., Ltd. Representative: Chang Chi-Chin	Bachelor of Science in Electrical Engineering, University of Missouri, USA Master of Electrical Engineering, University of Missouri, USA Doctor of Juridical Science, China University of Political Science and Law	Chairman, TST Technology Co., Ltd. Vice Chairman, Draguard Security Director, FETek Technology Corp.
		President, Draguard Security Director, FETek Technology Corp. Supervisor, Soaring Technology CO., LTD.	

Independent Director	Chiu Li-Mei	EMBA, School of Management, National Chiao Tung University	Independent Director, Phonic Corporation CPA, Chu Sui CPA Firm
		Vice Assistant Vice President, Finance Department, POU CHEN CORPORATION Senior Manager, Financial Accounting Dept., Motech Industries, Inc. Assistant Vice-President, Audit Department, KPMG Taiwan	
Independent Director	Yao Shun-Yen	MBA, International Institute for Management Development Master of Computer Science, Cornell University	Independent Director, Phonic Corporation Investment Director, Hua Wei International Technology Consulting Co., Ltd. Independent Director, LOUISA Professional Coffee LTD. Juristic Person Director's Representative, ENTIRE TECHNOLOGY CO., LTD. Supervisor, ENFLEX CORPORATION Representative of Juristic Person Director, ENTIRE HOLDING GROUP LTD. Representative of Juristic Person Director, ENTIRE MATERIALS CO., LTD. Director, Qinyang Solar Energy Co., Ltd. Director, Huayang Solar Energy Co., Ltd. Director, Jiangsu Huahan Health Technology Ltd.
		Project Manager, Taiwan Semiconductor Manufacturing Company Limited Strategic Consultant, Boston Consulting Group Business Consultant, Accenture Consulting	
Independent Director	Huang Hao-Chieh	Department of Accounting, Soochow University Master of Accounting, Tamkang University Master of Technology Management, University of Illinois Urbana-Champaign	CPA, Cheng Ta Certified Public Accountant Chairman, Cheng Ta International Investment Ltd.
		Director, Audit Department, PwC Taiwan Assistant Audit Manager, SINBON ELECTRONICS CO., LTD.	

Appendix

Appendix 1

Phonic Corporation Articles of Incorporation (Before Amendment) Chapter 1 General Provisions

- Article 1 The Company shall be duly incorporated in accordance with the Company Act and shall be named Phonic Corporation.
- Article 2 The Company's business scope is as follows:
1. CC01030 Electrical Appliances and Audiovisual Electronic Products Manufacturing.
 2. CC01080 Electronic Components Manufacturing.
 3. F401010 International Trade.
 4. F106010 Wholesale of Hardware.
 5. F106020 Wholesale of Daily Commodities.
 6. F113020 Wholesale of Electrical Appliances.
 7. F206010 Retail Sale of Hardware.
 8. F206020 Retail sale of daily commodities.
 9. F213010 Retail Sale of Electrical Appliances.
 10. ZZ99999 All business activities that are not prohibited or restricted by law, except those that are subject to special approval.
- Article 2-1 The Company may, by a resolution of the Board of Directors, become a shareholder of another company with limited liability. Unless otherwise provided by laws, the total investment amount of the Company may be exempted from the 40% limit on the Company's paid-in capital, provided that it shall not exceed the Company's paid-in capital.
The resolution of the Board meeting referred to above shall be approved by more than half of the directors present at a meeting attended by at least two-thirds of the directors.
- Article 2-2 The Company may provide endorsements and guarantees to external parties based on business needs.
- Article 3 The Company is headquartered in Taipei City, and may establish branches domestically or overseas pursuant to laws where necessary by resolution of the Board of Directors.
- Article 4 The Company shall make public announcements in accordance with Article 28 of the Company Act.
- #### Chapter 2 Shares
- Article 5 The authorized capital of the Company is NT\$380,000,000 , divided into 38,000,000 shares, all of which are ordinary shares at NT\$10 per share. The unissued shares are authorized to be issued by the Board of Directors in installments.
- Article 6 The registered shares issued by the Company are exempted from printing stock certificates and should be registered with the centralized securities depository institutions.
- Article 7 The transfer of shares shall be suspended within 60 days prior to the date of each annual general meeting, or within 30 days prior to the date of a special shareholders' meeting, or within 5 days before the record date when the Company decides to distribute dividends and bonuses or other benefits.
- Article 8 The Company's shareholder services are handled in accordance with the "Regulations Governing the Administration of Shareholder Services of Public Companies" promulgated by the competent authority.

Article 9 Deleted.
Article 10 Deleted.
Article 11 Deleted.

Chapter 3 Shareholders' Meeting

Article 12 The shareholders' meetings shall be divided into annual general meetings and special shareholders' meetings. Both shall be convened pursuant to the relevant laws and regulations.

Article 13 When a shareholder is unable to attend the meeting for any reason, he/she shall issue a power of attorney issued by the Company, stating the scope of authorization and designating a proxy to attend on his/her behalf. In addition to the provisions of the Company Act, any shareholders' attendance by proxy shall be governed by the "Regulations Governing the Use of Proxies for Attendance at Shareholders' Meetings of Public Companies" promulgated by the competent authority.

Article 14 Each shareholder of the Company is entitled to one voting right per share, except for those whose shares are not entitled to voting rights under Article 179 of the Company Act.

Article 15 At the time of a meeting of shareholders, the Chairman of the Board shall be preside at the meeting. If the Chairman of the Board is absent from the meeting, the Chairman of the Board shall appoint one of the directors to act on his/her behalf. If not, the directors present shall elect one among them to be the chairperson of the meeting. If a meeting is convened by a party with convening power other than the Board of Directors, such party shall preside over the meeting. If there are two or more convening parties, they shall select from among themselves one person to chair the meeting.

Article 16 Unless otherwise provided for by the related laws and regulations, a resolution shall be adopted at a meeting of shareholders at which the shareholders representing a majority of outstanding shares are present by a majority of the votes represented by the attending shareholders.

Article 16-1 A shareholders' meeting of the Company can be held by means of visual communication network or other methods promulgated by the Ministry of Economic Affairs.

Article 17 Matters relating to the resolutions by a shareholders' meeting shall be recorded in the meeting minutes. The meeting minutes shall be signed or sealed by the chairperson of the meeting and a copy distributed to each shareholder within 20 days after the conclusion of the meeting. The meeting minute shall accurately record the date and place of the meeting, the chairperson's full name, number of shareholders present at the meeting, number of voting rights, resolution matters and methods. The minute shall be kept permanently during the existence of the Company, while the attendance book signed by present shareholders and proxy letter shall be kept for one year.

Chapter 4 Directors

Article 18 The Company shall have five to seven directors, who shall be appointed among the persons with disposing capacity by the shareholders' meeting for a term of three years and may be reelected or reappointed. Among said directors, the number of independent directors shall not be less than two, and shall not be less than one-fifth of the number of directors.

The Company adopts the candidate nomination system for the election of directors. The acceptance method of candidate nomination shall be handled in accordance with Article 192-1 of the Company Act. The qualifications and election methods of independent directors, and other matters to be complied with shall be handled in accordance with the relevant provisions of the Company Act and the Securities and Exchange Act.

Independent directors and non-independent directors shall be elected at the same time and based on the number of seats to be elected, the candidate for

whom the ballots received represent the greater majority will be elected. After being elected, directors may, by resolution of the Board of Directors, take out liability insurance for the Company's directors within the scope of their liabilities. The percentage of total shareholdings of the Company's directors is determined by the securities competent authority.

Article 19 Whenever the vacancy in the Board of Directors is up to one-third of members, the Board of Directors shall convene an *ad hoc* meeting within 60 days for by-election, and the term of office shall be limited to the remainder of the original term of office.

Article 20 In case no election of new directors is effected after expiration of the term of office of existing directors, the term of office of out-going directors shall be extended until the time new directors have been elected and assumed their office.

Article 21 The Board of Directors shall consist of the Company's directors. The Chairman shall be elected among and from the directors by a majority of the directors attending a meeting of the Board of Directors at which at least two-thirds of directors are present. The Chairman shall execute the Company's business in accordance with the relevant laws and regulations, Articles of Incorporation, and resolution by the shareholders' meeting and Board of Directors meetings and shall represent the Company externally.

Article 22 When the Chairman is on leave or for any reason unable to exercise the powers of the chairperson, the Chairman shall designate a director to act on his/her behalf. In the absence of such a designation, the directors shall elect one representative among them to act on his/her behalf.

Article 23 The meetings of the Board of Directors, except as otherwise stipulated in the Company Act, requires the attendance by a majority of the directors with unanimous consent of half or more of the attending directors. If a director is unable to attend the meeting for any reason, it shall issue a power of attorney, indicating the reasons for the scope of authorization, to appoint another director to attend the meeting on his/her behalf. The Board of Directors meetings may be notified by electronic means.

Article 24 The Company has established an Audit Committee in accordance with Article 14-4 of the Securities and Exchange Act. The Audit Committee consists of all independent directors and is responsible for exercising the powers of supervisors under the Company Act, the Securities and Exchange Act and other laws and regulations.

Article 25 The Board of Directors is authorized to determine the remuneration of all Directors in accordance with the extent of their participation in the Company's operations and the value of their contributions and with reference to the pay level adopted by peer companies.

Chapter 5 Managerial Officer

Article 26 The Company has one President and several Vice Presidents and Managers. The appointment, dismissal and remuneration thereof shall be handled in accordance with Article 29 of the Company Act.

Chapter 6 Accounting

Article 27 At the end of the fiscal year, the Board of Directors of the Company shall prepare the following statements and submit them to the Audit Committee for review within 30 days prior to the annual general meeting, and then to the annual general meeting for acknowledgment.

1. Business Report;
2. Financial statements;
3. Earnings distribution or deficit compensation proposal.

Article 28 No less than 2% of the current income before tax before deduction of the remuneration to the Company's employees and directors as the remuneration to directors and no more than 1% thereof as the remuneration to directors. However, if the Company still has accumulated losses (including the

adjustment of the amount of undistributed earnings), it shall first retain the amount to offset it.

The remuneration to employees in the preceding paragraph may be paid in the form of shares or in cash, and the recipients of the payment may include the employees of the subordinate company who meet the conditions set forth by the Board of Directors. The remuneration to directors referred to in the preceding paragraph may only be paid in cash.

The preceding two paragraphs shall be implemented per resolution of the Board of Directors and reported to the shareholders' meeting.

Article 28-1

If there is a profit in the Company's annual final accounts, it shall first pay tax and make up for the accumulated losses of the past years and then appropriate 10% as the legal reserve, unless the legal reserve has reached the amount of the Company's paid-in capital. Then, the special reserve shall be appropriated or reversed in accordance with the law or as required by the competent authority. If there is any surplus, the remaining balance, plus the undistributed earnings at the beginning of the period, shall be distributed based on the earnings distribution proposal prepared by the Board of Directors as resolved by the shareholders' meeting.

Article 29

Dividend policy: The Company's dividend policy complies with the Company Act and the Articles of Incorporation, and is prepared in response to the Company's capital planning to achieve stable business goals. The process, method and amount of future dividend distribution are as follows:

I. Dividend distribution procedure:

In accordance with the Company Act, the Company's dividend distribution procedure shall take place at the end of each fiscal year. The Board of Directors, taking into account the Company's profitability and future operating needs, prepares the earnings distribution proposal and submits it to the shareholders' meeting for ratification.

2. Dividend distribution method:

The Company will distribute dividends in three manners, namely, capitalization of earnings, capitalization of capital surplus and cash dividends.

3. Dividends distribution policy:

The percentage of dividends distributed by the Company shall, in principle, be no less than 20% in cash and the rest paid in the form of stock dividends.

Chapter 7 Supplementary Provisions

Article 30

Matters not covered herein shall be handled in accordance with the Company Act and other laws and regulations.

Article 31

These Articles were established on November 7, 1973;
1st amendments hereto were made on September 29, 1976;
2nd amendments hereto were made on February 15, 1982;
3rd amendments hereto were made on January 29, 1988;
4th amendments hereto were made on August 30, 1989;
5th amendments hereto were made on November 11, 1990;
6th amendments were made on March 22, 2000;
7th amendments hereto were made on May 20, 2000;
8th amendments were made on July 3, 2001;
9th amendments were made on May 31, 2002;
10th amendments were made on October 1, 2002;
11th amendments were made on April 28, 2003;
12th amendments were made on June 16, 2004;
13th amendments were made on May 18, 2005;
14th amendments were made on May 19, 2006;
15th amendments were made on June 13, 2007;
16th amendments were made on June 16, 2009;

17th amendments were made on June 15, 2011;
18th amendments were made on June 15, 2012;
19th amendments were made on June 20, 2016;
20th amendments were made on June 19, 2017;
21st amendments were made on June 10, 2020;
22nd amendments were made on July 20, 2021;
23rd amendments hereto were made on June 17, 2022;
24th amendments hereto were made on June 27, 2023.

Appendix 2

Phonic Corporation

Rules of Procedure for Shareholders' Meetings (Before Amendment)

- Article 1 To establish an excellent governance system for the Company's shareholders' meeting, improve the supervisory function, and strengthen the management function, these Rules are formulated in accordance with the provisions of Article 5 of the Corporate Governance Best Practice Principles for TWSE/TPEX- Listed Companies for compliance.
- Article 2 Unless otherwise stipulated by the laws or Articles of Incorporation, the rules of procedure for the Company's shareholders' meeting shall be governed by these Rules.
- Article 3 Shareholders' meetings of the Company shall be convened by the Board of Directors, unless otherwise provided in the law.

Changes to the method of convening a shareholders' meeting of the Company shall be subject to a resolution by the Board of Directors, and the organization of a shareholders' meeting by means of visual communication network shall be adopted per the resolution rendered by a majority of directors at a meeting attended by two-thirds or more of the total number of directors and both circumstances shall take place no later than the dispatch of the notice of the shareholders' meeting.

The Company shall compile an electronic file that contains meeting notice, proxy letter form, motions for ratification, motions for discussion, election or dismissal of directors, etc. and post it on the MOPS before 30 days before the date of an annual general meeting or before 15 days before the date of a special shareholders' meeting. At least 21 days before an annual general meeting, or 15 days before a special shareholders' meeting, an electronic copy of the shareholders' meeting handbook and supplementary information shall be prepared and posted onto MOPS. Notwithstanding, where the Company's paid-in capital reaches NT\$10 billion or more at the end of the most recent fiscal year or in which the aggregate shareholdings percentage of foreign investors and Mainland Chinese investors reaches 30% or more as recorded in the roster of shareholders at the time of organization of the annual general meeting in the most recent fiscal year, it shall upload the electronic file 30 days prior to the day on which the annual general meeting is to be held. Within 15 days before the date of the shareholders' meeting, the Company shall also have prepared the shareholders' meeting handbook and supplementary information and made them available for review by shareholders at any time. The same shall also be displayed at the premises of the Company and the professional shareholder services agent designated by the Company.

The handbook and supplementary materials referred to in the preceding paragraph shall be made available to the shareholders for reference by the Company on the day of the general meeting in the following manners:

- I. For physical shareholders meetings, to be distributed on-site at the meeting.
- II. For hybrid shareholders' meetings, to be distributed on-site at the meeting and shared on the virtual meeting platform.

III. For virtual-only shareholders' meetings, electronic files shall be shared on the virtual meeting platform.

The reasons for convening a shareholders' meeting shall be specified in the meeting notice and public announcement. With the consent of the addressee, the meeting notice may be given in electronic form.

Election or dismissal of directors or supervisors, amendments to the articles of incorporation, reduction of capital, application for the approval of ceasing its status as a public company, approval of competing with the company by directors, surplus profit distributed in the form of new shares, reserve distributed in the form of new shares, the dissolution, merger, or demerger of the corporation or any matter under Paragraph 1, Article 185 of the Company Act, Articles 26-1 and 43-6 of the Securities and Exchange Act, Articles 56-1 and 60-2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers shall be set out and the essential contents explained in the notice of the reasons for convening the shareholders' meeting. None of the above matters may be raised by an extempore motion.

Where re-election of all directors as well as their inauguration date is stated in the notice of the reasons for convening the shareholders' meeting, after the completion of the re-election in said meeting such inauguration date may not be altered by any extempore motion or otherwise in the same meeting.

A shareholder holding one percent or more of the total number of issued shares may submit to the Company a proposal for discussion at an annual general meeting. The number of items so proposed is limited to one only, and no proposal containing more than one item will be included in the meeting agenda. When the circumstances of any subparagraph of Paragraph 4, Article 172-1 of the Company Act apply to a proposal put forward by a shareholder, the Board of Directors may exclude it from the agenda.

Any shareholder may submit any suggestive proposal to urge the Company to promote public interests or fulfill its social responsibilities. Procedurally, the shareholder is allowed to submit no more than one proposal pursuant to Article 172-1 of the Company Act. Any additional proposal will not be included into the motions.

Prior to the book closure date before an annual general meeting is held, the Company shall publicly announce its acceptance of shareholder proposals in writing or electronically, and the location and time period for their submission. The period for submission of shareholder proposals may not be less than 10 days.

Shareholders shall limit their proposed motions to 300 words only. Proposals that exceed 300 words will not be accepted for discussion. Shareholders who have successfully proposed their motions shall attend the annual general meeting in person or through proxy and participate in the discussion.

The Company shall notify the resolution to the shareholders submitting the proposals before the date of notice for the shareholders' meeting and list the motions meeting the requirements defined in this provision in the meeting notice. For shareholders' proposals that are not

included in the motions, the Board of Directors shall explain the reasons for not including such proposals at the shareholders' meeting.

Article 4 For each shareholders' meeting, a shareholder may appoint a proxy to attend the meeting by providing the proxy letter issued by the Company and stating the scope of the proxy's authorization.

A shareholder may issue only one proxy letter and appoint only one proxy for any given shareholders' meeting, and shall deliver the proxy letter to the Company 5 days before the date of the meeting. When duplicate proxy letters are delivered, the one received earliest shall prevail. However, this excludes situations where the shareholder has issued a proper declaration to withdraw the previous proxy arrangement.

After a proxy letter has been delivered to the Company, if the shareholder intends to attend the meeting in person or to exercise voting rights by correspondence or electronically, a written notice of proxy cancellation shall be submitted to the Company 2 business days before the meeting date. If the cancellation notice is submitted after due date, votes casted at the meeting by the proxy shall prevail.

After a proxy letter has been delivered to the Company, if the shareholder intends to attend a visual shareholders' meeting, a written notice of proxy cancellation shall be submitted to the Company 2 business days before the meeting date. If the cancellation notice is submitted after due date, votes cast at the meeting by the proxy shall prevail.

Article 5 The venue for a shareholders' meeting shall be the premises of the Company, or a place easily accessible to shareholders and suitable for the meeting. The meeting may begin no earlier than 9 a.m. and no later than 3 p.m.. Full consideration shall be given to the opinions of the independent directors with respect to the place and time of the meeting.

Virtual shareholders' meetings are not subject to the location restrictions stated in the preceding Paragraph.

Article 6 The Company shall specify in the meeting notice the time and place for acceptance of the registration from the shareholders, solicitors and proxies (hereinafter referred to as "shareholders") and other matters to be noted.

The time when shareholder attendance registrations will be accepted, as stated in the preceding paragraph, shall be at least 30 minutes prior to the time the meeting commences. The place at which attendance registrations are accepted shall be clearly marked and a sufficient number of suitable personnel assigned to handle the registrations. For virtual shareholders' meetings, shareholders may begin to register on the virtual meeting platform 30 minutes before the meeting starts. Shareholders completing registration will be deemed as attend the shareholders' meeting in person.

Shareholders shall attend the shareholders' meeting with the attendance card, sign-in card or other attendance documents. The Company shall not arbitrarily add requirements for other supporting documents beyond those showing eligibility to attend presented by shareholders. Solicitors soliciting the proxy letters shall also bring identification documents for verification.

The Company shall furnish the attending shareholders with an attendance book to sign, or attending shareholders may hand in a sign-in card in lieu of signing in.

Shareholders who attend the meeting shall be given by the Company a copy of the meeting handbook, annual report, attendance pass, opinion slip, agenda ballots and any information relevant to the meeting. Additional ballots shall be prepared if director election is also being held during the meeting.

When the government or a juristic person is a shareholder, it may be represented by more than one representative at a shareholders' meeting. Any juristic person that has been designated as a proxy attendant can only appoint one representative to attend the shareholders' meeting.

Where a shareholders' meeting is convened by means of visual communication network and any shareholder intends to attend the virtual shareholders' meeting, the shareholder shall register with the Company within 2 days prior to the shareholders' meeting.

In the event of a virtual shareholders' meeting, the Company shall upload the meeting handbook, annual report and other related information to the virtual meeting platform at least 30 minutes before the meeting starts, and keep this information disclosed until the end of the meeting.

Article 6-1 The Company shall specify the following in the shareholders' meeting notice when convening a shareholders' meeting by means of visual communication network:

- I. Methods for shareholders to participate in the meeting and exercise their rights.
- II. Actions to be taken if the virtual meeting platform or participation in the virtual meeting is obstructed due to natural disasters, accidents or other *force majeure* events, at least covering the following particulars:
 - (1) To what time the meeting is postponed or from what time the meeting will resume if the above obstruction continues and cannot be removed, and the date to which the meeting is postponed, if required, or on which the meeting will resume.
 - (2) Shareholders not registering to attend the affected virtual shareholders' meeting shall not attend the postponed or resumed session.
 - (3) In case of a hybrid shareholders' meeting, when the virtual meeting cannot be continued, if the total number of shares represented at the meeting, after deducting those represented by shareholders attending the virtual shareholders' meeting online, meets the minimum legal requirement for a shareholders' meeting, then the shareholders' meeting shall continue. The shares represented by shareholders attending the virtual meeting online shall be counted towards the total number of shares represented by shareholders present at the meeting, and the shareholders attending the virtual meeting online shall be deemed abstaining from voting on all proposals on meeting agenda of that shareholders' meeting.
 - (4) Actions to be taken if the outcome of all proposals have been announced while extempore motions have not been carried out.

III. When the Company convenes a virtual-only shareholders' meeting, it shall also specify appropriate alternative measures available to shareholders who have difficulty taking part in the virtual-only shareholders' meeting. It shall at least provide said shareholders with connection facilities and necessary assistance, and shall specify the period during which shareholders may file applications with the Company and other related matters to be attended.

Article 7

If a shareholders' meeting is convened by the Board of Directors, the meeting shall be chaired by the Chairman. When the Chairman is on leave or for any reason unable to exercise the powers of the chairperson, the Vice Chairman shall act as the chairperson. Where no Vice Chairman is appointed, or the Vice Chairman is on leave or for any reason unable to exercise the powers of the chairperson too, the Chairman shall designate one managing director to act on behalf of him/her. Where no managing director is appointed, the Chairman may designate one director to act on behalf of him/her. Where the Chairman does not make such a designation, the managing directors, or directors, shall select from among themselves one person to serve as chairperson.

If a managing director or a director serves as the chairperson in the preceding paragraph, the managing director or director shall be the one who has held the position for more than six months and who understands the financial and business conditions of the Company. The same shall apply to a representative who is a juristic person director.

It is advisable that shareholders' meetings convened by the Board of Directors be chaired by the Chairman of Board in person and attended by a majority of the directors, at least one independent director in person, and at least one member of each functional committee on behalf of the committee. The attendance shall be recorded in the shareholders' meeting minutes.

If a meeting is convened by a party with convening power other than the Board of Directors, such party shall preside over the meeting. If there are two or more convening parties, they shall select from among themselves one person to chair the meeting.

The Company may appoint its attorneys, certified public accountants, or related persons retained by it to attend a shareholders' meeting in a non-voting capacity.

Article 8

The Company, beginning from the time it accepts shareholder attendance registrations, shall make an uninterrupted audio and video recording of the registration procedure, the proceedings of the shareholders' meeting, and the voting and vote counting procedures.

The recordings referred to in the preceding paragraph shall be retained for at least one year. However, if a shareholder raises a litigious claim against the Company in accordance with Article 189 of The Company Act, the abovementioned documents shall be retained until the end of the litigation.

Where a virtual shareholders' meeting is held, the Company shall keep records of shareholder registration, sign-in, check-in, questions raised, votes cast and results of votes counted by the

Company and continuously audio and video record, without interruption, the proceedings of the virtual meeting from beginning to end.

The data and recordings referred to in the preceding paragraph shall be kept properly for as long as the Company exists. A copy of the recording shall also be retained by the video conference service provider.

In case of a virtual shareholders' meeting, the Company is advised to audio and video record the back-end operations interface of the virtual meeting platform.

Article 9

Attendance at a shareholders' meeting shall be calculated based on numbers of shares. The number of shares in attendance shall be calculated according to the shares indicated by the attendance book or sign-in cards handed in and the shares checked in on the virtual meeting platform, plus the number of shares whose voting rights are exercised by correspondence or electronically.

The chairperson shall call the meeting to order at the appointed meeting time, and at the same time announce the number of non-voting shares and the number of shares attending the meeting.

However, when the attending shareholders represent less than a majority of the total number of issued shares, the chairperson may announce a postponement, provided that no more than two such postponements, for a combined total of no more than one hour, may be made. If the quorum is not met after two postponements and the attending shareholders still represent less than one-third of the total number of issued shares, the chairperson shall declare the meeting adjourned. In the event of a virtual shareholders' meeting, the Company shall also declare the meeting adjourned at the virtual meeting platform.

If the quorum is not met after two postponements as referred to in the preceding paragraph, but the attending shareholders represent one-third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Paragraph 1, Article 175 of the Company Act. All shareholders shall be notified of the tentative resolution and another shareholders' meeting shall be convened within one month. In the event of a virtual shareholders' meeting, shareholders intending to attend the meeting online shall re-register to the Company in accordance with Article 6.

When, prior to conclusion of the meeting, the attending shareholders represent a majority of the total number of issued shares, the chairperson may resubmit the tentative resolution for a vote by the shareholders' meeting pursuant to Article 174 of the Company Act.

Article 10

If the shareholders' meeting is convened by the Board of Directors, its agenda shall be set by the Board of Directors. Relevant motions (including extempore motions and amendments to an original motion) should be decided by voting one by one. The meeting shall be conducted according to the scheduled agenda, and shall not be changed without the resolution of a shareholders' meeting.

If the shareholders' meeting is convened by a convening party other than the Board of Directors, the provisions of the preceding paragraph shall apply.

The chairperson may not declare the meeting adjourned prior to completion of deliberation on the meeting agenda of the preceding two paragraphs (including extempore motions), except by a resolution of the shareholders' meeting. If the chairperson declares the meeting adjourned in violation of the rules of procedure, the other members of the Board of Directors shall promptly assist the attending shareholders in electing a new chairperson in accordance with statutory procedures, by agreement of a majority of the votes represented by the attending shareholders and then continue the meeting.

The chairperson shall allow ample opportunity during the meeting for explanation and discussion of proposals and of amendments or special motions put forward by the shareholders. When the chairperson is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the chairperson may announce the discussion closed, call for a vote and schedule sufficient time for voting.

Article 11 Before speaking, an attending shareholder must specify on a speaker slip the gist of the speech, his/her shareholder account number (or attendance card number), and account name. The order in which shareholders speak will be set by the chairperson.

An attending shareholder who has submitted a speaker's slip but does not speak shall be deemed to have not spoken. The contents of the speech shall prevail if they are inconsistent with the speaker's slip.

Except with the consent of the chairperson, a shareholder may not speak more than twice on the same motion and a single speech may not exceed five minutes. However, if the shareholder's speech violates the rules or exceeds the scope of the agenda, the chairperson may terminate the speech.

When an attending shareholder is speaking, the other shareholders may not speak or interrupt unless they have sought and obtained the consent of the chairperson and the shareholder that has the floor. The chairperson shall stop any violation.

Where a juristic person shareholder has appointed two or more representatives to attend the shareholders' meeting, only one representative may speak per motion.

After an attending shareholder has spoken, the chairperson may respond in person or direct relevant personnel to respond.

Where a virtual shareholders' meeting is convened, shareholders attending the virtual meeting online may raise questions in writing at the virtual meeting platform from the time when the chairperson declares the meeting open until the chairperson declares the meeting adjourned. No more than two questions for the same proposal may be raised. Each question shall contain no more than 200 words. The regulations in Paragraphs 1~5 do not apply.

As long as questions so raised in accordance with the preceding paragraph do not violate the requirements or exceed the scope of the motion, it is advisable that the questions be disclosed to the public at the virtual meeting platform.

Article 12 The votes cast at a shareholders' meeting shall be calculated based on the number of shares.

For resolution of a shareholders' meeting, the number of shares held by shareholders without voting rights shall not be counted in the total number of issued shares.

When a shareholder is an interested party in relation to an agenda item, and there is the likelihood that such a relationship would prejudice the interests of the Company, that shareholder may not vote on that item and may not exercise voting rights as proxy for any other shareholder.

The number of shares held by shareholders who are not permitted to vote shall be excluded from the calculation of total voting rights.

With the exception of a trust enterprise or a shareholder services agent approved by the securities competent authority, when one person is concurrently appointed as proxy by two or more shareholders, the voting rights represented by that proxy may not exceed 3% of the voting rights represented by the total number of issued shares. If that percentage is exceeded, the voting rights in excess of that percentage shall not be included in the calculation.

Article 13

A shareholder shall be entitled to one vote for each share held, except when the shares are RSAs or are deemed non-voting shares under Paragraph 2, Article 179 of the Company Act.

When the Company holds a shareholders' meeting, it shall adopt exercise of voting rights by electronic means and may adopt exercise of voting rights by correspondence. When voting rights are exercised by correspondence or electronic means, the method of exercise shall be specified in the shareholders' meeting notice. Shareholders who have voted in writing or using the electronic method are considered to have attended shareholders' meeting in person. Notwithstanding, they are considered to have waived their rights with respect to the extempore motions and amendments to original motions of that meeting. Therefore, it is advisable that the Company should avoid the submission of extempore motions and amendments to original proposals.

Instructions to exercise written and electronic votes shall be delivered to the Company at least 2 days before the shareholder meeting. In the event of duplicate submissions, the earliest submission shall be taken into record. However, exception is granted if the shareholder issues a proper declaration to withdraw the previous instruction.

After a shareholder has exercised voting rights by correspondence or electronic means, in the event the shareholder intends to attend the shareholders' meeting in person or a virtual shareholders' meeting, a written declaration of intent to retract the voting rights already exercised under the preceding paragraph shall be made known to the Company, by the same means by which the voting rights were exercised, within 2 days before the date of the shareholders' meeting. If the notice of retraction is submitted after due date, the voting rights already exercised by correspondence or electronic means shall prevail. When a shareholder has exercised voting rights both by correspondence or electronic means and by appointing a proxy to attend a shareholders' meeting, the voting rights exercised by the proxy in the meeting shall prevail.

Except as otherwise provided in the Company Act and in the Company's Articles of Incorporation, the passage of a motion shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders. At the time of a vote, for each motion, the chairperson or a person designated by the chairperson shall first announce the total number of voting rights represented by the attending shareholders, followed by a poll of the shareholders. After the conclusion of the meeting, on the same day it is held, the results for each proposal, based on the numbers of votes for and against and the number of abstentions, shall be entered into the MOPS.

When there is an amendment or an alternative to a motion, the chairperson shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. When any one among them is passed, the other motions will then be deemed rejected and no further voting shall be required.

The chairperson will appoint a ballot examiner and a ballot counter, provided that the ballot examiner must be a shareholder.

Motion and election votes are to be counted openly at the shareholders' meeting. Results of the vote, including the final tally, shall be announced on-site and recorded in minutes.

When the Company convenes a virtual shareholders' meeting, after the chairperson declares the meeting open, shareholders attending the meeting online shall cast votes on motions and elections on the virtual meeting platform before the chairperson announces the voting session ends, or will be deemed abstained from voting.

In the event of a virtual shareholders' meeting, votes shall be counted at once after the chairperson announces the voting session ends, and results of votes and elections shall be announced immediately.

When the Company convenes a hybrid shareholders' meeting, if shareholders who have registered to attend the meeting online in accordance with Article 6 decide to attend the physical shareholders' meeting in person, they shall revoke their registration 2 days before the shareholders' meeting in the same manner as they registered. If their registration is not revoked within the time limit, they may only attend the shareholders' meeting online.

When shareholders exercise voting rights by correspondence or electronic means, unless they have withdrawn the declaration of intent and attended the shareholders' meeting online, except for extempore motions, they will not exercise voting rights on the original proposals or make any amendments to the original motions or exercise voting rights on amendments to the original motions.

Article 14 When the shareholders' meeting elects directors, it shall proceed in accordance with the regulations for election of directors established by the Company and shall announce the results of the election on the spot, including the name list of elected directors and the number of votes with which they were elected and the name list of directors not elected and number of votes they received.

All ballots used in the election referred to in the preceding paragraph shall be sealed and signed by the ballot examiner and held in proper custody for at least one year. However, if a shareholder raises a litigious claim against the Company in accordance with Article 189 of The Company Act, the abovementioned documents shall be retained until the end of the litigation.

Article 15 The resolutions of the shareholders' meeting shall be recorded in the minutes of meeting, signed or sealed by the chairperson, and distributed to each shareholder within 20 days after the meeting. The meeting minute may be produced and distributed in an electronic form.

The Company may distribute the meeting minute referred to in the preceding paragraph by means of a public announcement made through the MOPS.

The meeting minute shall accurately record the year, month, day, and place of the meeting, the chairperson's full name, the methods by which resolutions were adopted, and a summary of the deliberations and their voting results (including the number of voting rights) and disclose the number of voting rights won by each candidate in the event of an election of directors. The minute shall be retained for the duration of the existence of the Company.

Where a virtual shareholders' meeting is convened, in addition to the particulars to be included in the meeting minute as described in the preceding paragraph, the start time and end time of the shareholders' meeting, how the meeting is convened, the chairperson's and minute recorder's name and actions to be taken in the event of disruption to the virtual meeting platform or participation in the meeting online due to natural disasters, accidents or other *force majeure* events and how issues are dealt with shall also be included in the minute.

When convening a virtual shareholders' meeting, in addition to complying with the requirements in the preceding paragraph, the Company shall also specify in the meeting's minute alternative measures available to shareholders with difficulties in attending the virtual shareholders' meeting.

Article 16 On the day of a shareholders' meeting, the Company shall compile in the prescribed format a statistical statement of the number of shares obtained by solicitors through solicitation, the number of shares represented by proxies and the number of shares represented by shareholders attending the meeting by correspondence or electronic means and shall make an expressed disclosure of the same at the place of the shareholders' meeting. In the event a virtual shareholders' meeting, the Company shall upload the above meeting materials to the virtual meeting platform at least 30 minutes before the meeting starts, and keep this information disclosed until the end of the meeting.

During the Company's virtual shareholders' meeting, when the meeting is called to order, the total number of shares represented at the meeting shall be disclosed on the virtual meeting platform. The same shall apply whenever the total number of shares represented at the meeting and a new tally of votes is released during the meeting.

If matters put to a resolution at a shareholders' meeting constitute material information under applicable laws or regulations and under the regulations of TWSE/TPEX, the Company shall upload the contents of such resolution to the MOPS within the prescribed time period.

Article 17 The service personnel of the shareholders' meeting shall wear identification badges or armbands.

The chairperson may instruct proctors or security personnel to help maintain order in the meeting. When proctors or security personnel help maintain order at the meeting place, they shall wear armbands or identification cards bearing the word "Proctor."

The chairperson may stop anyone who attempts to speak using instruments that are not provided by the Company, if any.

If a shareholder violates the rules of procedure and does not obey the chairperson's corrective instructions and hinders the progress of the meeting and fails to comply, the chairperson may direct the proctors or security personnel to ask him or her to leave the venue.

Article 18 When a meeting is in progress, the chairperson may announce a break based on time considerations. In the event of a *force majeure* event, the chairperson may rule the meeting temporarily suspended and announce a time when, in view of the circumstances, the meeting will be resumed.

If, before the parliamentary procedure is accomplished in accordance with the agenda (including extempore motions), the meeting venue cannot be occupied any longer, the participants may resolve to continue the meeting at an alternative location.

Shareholders may also resolve to postpone or resume the meeting within the next 5 days, according to Article 182 of The Company Act.

Article 19 In the event of a virtual shareholders' meeting, the Company shall disclose real-time results of votes and election immediately after the end of the voting session on the virtual meeting platform according to the regulations and this disclosure shall continue at least 15 minutes after the chairperson has announced the meeting adjourned.

Article 20 When the Company convenes a virtual shareholders' meeting, both the chairperson and minute recorder shall be at the same location, and the chairperson shall declare the address of their location when the meeting is called to order.

Article 21 In the event of a virtual shareholders' meeting, the Company may offer a simple connection test to shareholders prior to the meeting, and provide relevant real-time services before and during the meeting to help resolve technical communication issues.

In the event of a virtual shareholders' meeting, when declaring the meeting open, the chairperson shall also declare, unless under a circumstance where a meeting is not required to be postponed to or resumed at another time under Paragraph 4, Article 44-20 of the Regulations Governing the Administration of Shareholder Services of Public Companies, if the virtual meeting platform or participation in the virtual meeting is obstructed due to natural disasters, accidents or other force majeure events before the chairperson has announced the meeting adjourned, and the obstruction continues for more than 30 minutes, the meeting shall

be postponed to or resumed on another date within next 5 days, in which case Article 182 of the Company Act shall not apply.

For a meeting to be postponed or resumed as described in the preceding paragraph, shareholders not registering to attend the affected virtual shareholders' meeting shall not attend the postponed or resumed session.

For a meeting to be postponed or resumed under Paragraph 2, the number of shares represented by, and voting rights and election rights exercised by the shareholders who have registered to participate in the affected shareholders' meeting and have successfully signed in the meeting, but do not attend the postpone or resumed session, at the affected shareholders' meeting, shall be counted towards the total number of shares, number of voting rights and number of election rights represented at the postponed or resumed session.

During a postponed or resumed session of a shareholders' meeting held under Paragraph 2, no further discussion or resolution is required for proposals for which votes have been cast and counted and results have been announced, or the name list of elected directors.

When the Company convenes a hybrid shareholders' meeting and the meeting cannot continue as described in Paragraph 2, if the total number of shares represented at the meeting, after deducting those represented by shareholders' attending the virtual shareholders meeting online, still meets the minimum legal requirement for a shareholders' meeting, then the shareholders' meeting shall continue and no postponement or resumption thereof under Paragraph 2 is required.

Under the circumstances where a meeting should continue as in the preceding paragraph, the shares represented by shareholders attending the virtual meeting online shall be counted towards the total number of shares represented by shareholders present at the meeting, provided these shareholders shall be deemed abstaining from voting on all motions on meeting agenda of that shareholders' meeting.

When postponing or resuming a meeting according to Paragraph 2, the Company shall handle the lead-time work based on the date of the original shareholders' meeting in accordance with the requirements listed under Paragraph 7, Article 44-20 of the Regulations Governing the Administration of Shareholder Services of Public Companies.

For dates or period set forth under the latter part of Article 12, and Paragraph 3, Article 13 of the Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies, and Paragraph 2, Article 44-5, Article 44-15, and Paragraph 1, Article 44-17 of the Regulations Governing the Administration of Shareholder Services of Public Companies, the Company shall handle the matter based on the date of the shareholders meeting that is postponed or resumed under Paragraph 2.

Article 22

When the Company convenes a virtual-only shareholders' meeting, it shall at least provide the shareholders who have difficulty taking part in the virtual-only shareholders' meeting with connection facilities and necessary assistance, and shall specify the period during which shareholders may file applications with the Company and other related matters to be attended.

Article 23 These Rules, and any amendments hereto, shall be implemented after approval by the Shareholders' Meeting.

These Rules were re-enacted on July 20, 2021;

1st amendments hereto were made on June 17, 2022;

2nd amendments hereto were made on June 27, 2023.

Appendix 3

Phonic Corporation Regulations Governing Election of Directors

- Article 1: Elections of directors of the Company shall be conducted in accordance with the Regulations.
- Article 2: The Company's directors are elected at the shareholders' meeting.
- Article 3: All persons with disposing capacity of the Company may be elected as directors of the Company in accordance with the Regulations.
- Article 4: The number of directors of the Company shall be determined by the number of seats in the Company's Articles of Incorporation.
- Article 5: The cumulative election of directors is adopted for the election of the Company's directors. The name of the voter shall be replaced by the shareholder account number printed on the ballot. Each share carries the same number of voting rights as the number of directors to be elected in accordance with the law, and may be cast for a single candidate or split among multiple candidates.
- Article 6: The directors elected in accordance with the number of directors specified in the Company's Articles of Incorporation are elected in descending order of the number of votes to each other. If two or more persons receive the same number of votes and the number of seats exceeded is exceeded, the winner shall draw lots to determine the winner; the chairperson shall draw lots on behalf of any person not in the meeting holding the same number of votes. If one third of the directors are vacant, a special shareholders' meeting shall be held within 60 days to fill the vacancies.
- Article 7: The Board of Directors shall print the ballot for the election. In addition to the seal of the Company, the shareholder account number and the number of voting rights shall be stated on the ballot.
- Article 8: At the beginning of the election, the chairperson shall appoint the monitoring and counting personnel to monitor and count the votes.
- Article 9: The balloting cabinets shall be prepared by the Board of Directors and publicly inspected by the vote monitoring personnel before voting commences.
- Article 10: Voters shall specify the shareholder account number and name of one candidate on each ballot. If the candidate is not a shareholder, the uniform serial number shall be indicated. If the candidate is a government agency or juristic person, the name of the government agency or juristic person and its representative shall be indicated in the candidate column on the ballot.
- Article 11: A ballot shall be deemed invalid under any of the following circumstances:
1. Ballots provided in these Regulations are not used.
 2. A blank ballot is placed in a ballot box.
 3. The writing is illegible and indecipherable.

4. Any item of the candidate's name or the number of voting rights allocated has been altered.
5. The name of the candidate entered on the ballot does not conform to the roster of shareholders.
6. The candidate whose name is filled in is the same as another shareholder, but the shareholder account number is not filled in for identification.
7. Other words are entered in addition to the candidate's name or shareholder account number and uniform serial number and the number of voting rights allotted.
8. The number of nominated candidates exceeds the number of candidates to be elected.
9. The total number of voting rights allocated exceeds the number of voting rights held by the voters.
10. Otherwise invalid as required by law.

Article 12: If the total number of voting rights allotted is less than the number of voting rights held by the elector, the reduced number of voting rights shall be deemed as a waiver of the vote.

Article 13: After the voting is completed, the vote monitoring personnel shall supervise the counting, and the results of the counting shall be publicly announced by the chair.

Article 14: The Board of Directors of the Company shall notify the elected directors separately.

Article 15: These Rules, and any amendments hereto, shall be implemented after approval by the Shareholders' Meeting.

These Rules were established on June 10, 2020.

Appendix 4

Shareholdings of All Directors

- I. The statutory shareholding and number of shares of the Company's directors are as follows:
 The Company's issued ordinary shares are 20,000,000 shares
 Statutory Number of Shares to be Held by All Directors 2,400,000 shares
- II. As of April 22, 2024, the last day of share transfer for the 2024 annual general shareholders' meeting, the number of shares held by all directors has reached the statutory requirement:

Job Title	Name	Number of shares held as recorded in the shareholder registry on the book closure date
Chairman	Kang Jian Investment Co., Ltd. Representative: Chou Ching-Wen	11,636,315
Directors	Kang Jian Investment Co., Ltd. Representative: Yao Tian-Chi	11,636,315
Directors	Kang Jian Investment Co., Ltd. Representative: Wang Min-Lieh	11,636,315
Directors	Kang Jian Investment Co., Ltd. Representative: Wu Hsin-Kai	11,636,315
Independent	Chiu Li-Mei	0
Independent	Lin Ying-Che	0
Independent	Yao Shun-Yen	0
Total shareholdings of directors (excluding independent directors)		11,636,315