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**SIMULA TECHNOLOGY INC. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
WITH REVIEW REPORT OF INDEPENDENT AUDITORS
AS OF JUNE 30, 2025 AND 2024
AND FOR THE SIX-MONTH PERIODS THEN ENDED**

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The reader is advised that these consolidated financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

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REVIEW REPORT OF INDEPENDENT AUDITORS

To The Board of Directors and Shareholders of
Simula Technology Inc.

Introduction

We have reviewed the accompanying consolidated balance sheets of Simula Technology Inc. (the “Company”) and its subsidiaries as of June 30, 2025 and 2024, the related consolidated statements of comprehensive income for the three-month and six-month periods then ended, the related consolidated statements of changes in equity and cash flows for the six-month periods then ended, and notes to the consolidated financial statements, including the summary of material accounting policies (together “the consolidated financial statements”). Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” as endorsed and became effective by Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with the Standard on Review Engagements 2410, “Review of Financial Information Performed by the Independent Auditor of the Entity” of the Republic of China. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the Standards on Auditing of the Republic of China and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of June 30, 2025 and 2024, and their consolidated financial performance for the three-month and six-month periods then ended and cash flows for the six-month periods then ended, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

/s/Chen, Kuo-Shuai

/s/Lin, Cheng-Wei

Ernst & Young
Taiwan, R.O.C.
July 25, 2025

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China on Taiwan and not those of any other jurisdictions. The standards, procedures, and practice to review such consolidated financial statements are those generally accepted and applied in the Republic of China on Taiwan.

Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Simula Technology Inc. and Subsidiaries

Consolidated Balance Sheets

As of June 30, 2025, December 31, 2024 and June 30, 2024

(Amounts Expressed In Thousands of New Taiwan Dollars)

Assets			As of June 30, 2025		As of December 31, 2024		As of June 30, 2024	
Code	Accounts	Notes	Amount	%	Amount	%	Amount	%
	Current assets							
1100	Cash and cash equivalents	6(1)	\$460,125	18.86	\$541,627	19.65	\$551,003	20.76
1110	Financial assets at fair value through profit or loss	6(2)	14,447	0.59	-	-	32	-
1136	Financial assets carried at amortized cost	6(3), 8	124,507	5.11	124,952	4.53	124,920	4.71
1170	Accounts receivable, net	6(4)	362,393	14.86	356,371	12.93	337,599	12.72
1180	Accounts receivable - related parties, net	6(4), 7	13,990	0.57	101,970	3.70	22,266	0.84
1200	Other receivables		15,549	0.64	20,803	0.76	13,697	0.52
1212	Other receivables- related parties	7	-	-	51	-	51	-
1220	Current income tax assets		3,383	0.14	3,286	0.12	3,364	0.13
130x	Inventories, net	6(5)	233,147	9.56	359,323	13.04	307,943	11.60
1410	Prepayments	7	16,527	0.68	15,518	0.56	13,796	0.52
1470	Other current assets		10,783	0.44	6,903	0.25	4,751	0.18
11xx	Total current assets		<u>1,254,851</u>	<u>51.45</u>	<u>1,530,804</u>	<u>55.54</u>	<u>1,379,422</u>	<u>51.98</u>
	Non-current assets							
1517	Financial assets at fair value through OCI	6(6)	1,447	0.06	1,447	0.05	3,858	0.14
1600	Property, plant and equipment, net	6(7), 7	701,203	28.75	727,593	26.40	741,937	27.96
1755	Right-of-use asset	6(17)	48,104	1.97	59,379	2.15	72,332	2.72
1780	Intangible assets	6(8)	382,267	15.67	399,433	14.49	418,205	15.76
1840	Deferred income tax assets	4, 6(21)	25,282	1.04	14,686	0.53	14,048	0.53
1915	Prepayment for equipment	7	19,535	0.80	15,789	0.57	16,747	0.63
1920	Refundable deposits		6,487	0.26	7,291	0.27	7,329	0.28
15xx	Total non-current assets		<u>1,184,325</u>	<u>48.55</u>	<u>1,225,618</u>	<u>44.46</u>	<u>1,274,456</u>	<u>48.02</u>
1xxx	Total Assets		<u>\$2,439,176</u>	<u>100.00</u>	<u>\$2,756,422</u>	<u>100.00</u>	<u>\$2,653,878</u>	<u>100.00</u>

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Simula Technology Inc. and Subsidiaries

Consolidated Balance Sheets-(Continued)

As of June 30, 2025, December 31, 2024 and June 30, 2024

(Amounts Expressed In Thousands of New Taiwan Dollars)

Liabilities and Equity			As of June 30, 2025		As of December 31, 2024		As of June 30, 2024	
Code	Accounts	Notes	Amount	%	Amount	%	Amount	%
	Current liabilities							
2100	Short-term loans	6(9)	\$30,000	1.23	\$30,000	1.09	\$20,000	0.75
2120	Financial liabilities at fair value through profit or loss	6(10)	649	0.03	3,732	0.14	2,132	0.08
2130	Contract liabilities	6(15)	17,060	0.70	16,313	0.59	11,507	0.44
2170	Accounts payable		244,544	10.03	388,024	14.08	273,415	10.30
2180	Accounts payable - related parties	7	28	-	35,138	1.27	6	-
2200	Other payables	6(11)	165,807	6.80	191,774	6.96	193,989	7.31
2220	Other payables - related parties	7	14,602	0.60	7,475	0.27	6,417	0.24
2230	Current income tax liabilities	4, 6(21)	773	0.03	3,111	0.11	5,559	0.21
2281	Lease liabilities	6(17)	25,214	1.03	25,112	0.91	25,543	0.96
2320	Long-term loans, current portion	6(12)	40,000	1.64	40,000	1.45	40,000	1.51
2399	Other current liabilities		8,880	0.36	3,737	0.14	7,487	0.28
21xx	Total current liabilities		<u>547,557</u>	<u>22.45</u>	<u>744,416</u>	<u>27.01</u>	<u>586,055</u>	<u>22.08</u>
	Non-current liabilities							
2540	Long-term loans	6(12)	10,000	0.41	30,000	1.09	50,000	1.88
2570	Deferred income tax liabilities	4, 6(21)	3,457	0.14	1,682	0.06	1,045	0.04
2581	Lease liabilities	6(17)	23,824	0.98	35,087	1.27	47,427	1.79
2640	Net defined benefit liabilities	4	1,563	0.06	1,627	0.06	2,619	0.10
25xx	Total non-current liabilities		<u>38,844</u>	<u>1.59</u>	<u>68,396</u>	<u>2.48</u>	<u>101,091</u>	<u>3.81</u>
2xxx	Total liabilities		<u>586,401</u>	<u>24.04</u>	<u>812,812</u>	<u>29.49</u>	<u>687,146</u>	<u>25.89</u>
31xx	Equity attributable to shareholders of the parent							
3100	Capital	6(14)						
3110	Common stock		799,729	32.79	799,729	29.01	799,729	30.13
3200	Capital surplus	6(14)	551,718	22.62	551,718	20.01	551,718	20.79
3300	Retained earnings	6(14)						
3310	Legal reserve		108,289	4.44	108,289	3.93	108,289	4.08
3320	Special reserve		26,375	1.08	26,375	0.96	26,375	0.99
3350	Unappropriated earnings		(144,653)	(5.93)	(93,351)	(3.39)	(84,190)	(3.17)
	Total retained earnings		<u>(9,989)</u>	<u>(0.41)</u>	<u>41,313</u>	<u>1.50</u>	<u>50,474</u>	<u>1.90</u>
3400	Other components of equity		(17,557)	(0.72)	3,745	0.14	1,293	0.05
36xx	Non-controlling interests	6(14), 6(23)	528,874	21.68	547,105	19.85	563,518	21.24
3xxx	Total equity		<u>1,852,775</u>	<u>75.96</u>	<u>1,943,610</u>	<u>70.51</u>	<u>1,966,732</u>	<u>74.11</u>
	Total liabilities and equity		<u>\$2,439,176</u>	<u>100.00</u>	<u>\$2,756,422</u>	<u>100.00</u>	<u>\$2,653,878</u>	<u>100.00</u>

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese
Simula Technology Inc. and Subsidiaries
Consolidated Statements of Comprehensive Income
For the three-month and six-month periods ended June 30, 2025 and 2024
(Amounts Expressed In Thousands of New Taiwan Dollars, Except Earnings Per Share)

Code	Accounts	Notes	For the three-month period ended June 30,				For the six-month period ended June 30,			
			2025		2024		2025		2024	
			Amount	%	Amount	%	Amount	%	Amount	%
4000	Operating revenues	6(15), 7	\$417,124	100.00	\$360,907	100.00	\$878,897	100.00	\$713,380	100.00
5000	Operating costs	7	(370,005)	(88.70)	(325,064)	(90.07)	(769,537)	(87.56)	(652,580)	(91.48)
5900	Gross profit		47,119	11.30	35,843	9.93	109,360	12.44	60,800	8.52
6000	Operating expenses	7								
6100	Sales and marketing		(23,414)	(5.62)	(23,534)	(6.52)	(46,105)	(5.25)	(46,749)	(6.55)
6200	General and administrative		(45,929)	(11.01)	(48,493)	(13.44)	(90,210)	(10.26)	(94,964)	(13.31)
6300	Research and development		(24,328)	(5.83)	(20,694)	(5.73)	(45,034)	(5.12)	(38,519)	(5.40)
6450	Expected credit gains (losses)	6(16)	-	-	-	-	-	-	29	-
	Total operating expenses		(93,671)	(22.46)	(92,721)	(25.69)	(181,349)	(20.63)	(180,203)	(25.26)
6900	Operating (loss)		(46,552)	(11.16)	(56,878)	(15.76)	(71,989)	(8.19)	(119,403)	(16.74)
7000	Non-operating incomes and expenses	6(19), 7								
7100	Interest income		1,877	0.45	2,301	0.64	3,172	0.36	3,658	0.51
7010	Other incomes		103	0.03	2,048	0.57	1,615	0.18	2,675	0.38
7020	Other gains and losses		(8,997)	(2.16)	(1,128)	(0.31)	(10,801)	(1.23)	(2,187)	(0.31)
7050	Finance costs		(778)	(0.19)	(777)	(0.22)	(1,621)	(0.18)	(1,370)	(0.19)
	Total non-operating incomes and expenses		(7,795)	(1.87)	2,444	0.68	(7,635)	(0.87)	2,776	0.39
7900	Income (loss) before income tax		(54,347)	(13.03)	(54,434)	(15.08)	(79,624)	(9.06)	(116,627)	(16.35)
7950	Income tax (expense) Gain	4, 6(21)	7,069	1.70	(340)	(0.10)	10,091	1.15	(780)	(0.11)
8200	Net income (loss)		(47,278)	(11.33)	(54,774)	(15.18)	(69,533)	(7.91)	(117,407)	(16.46)
8300	Other comprehensive income (loss)	6(20)								
8360	Items that may be reclassified subsequently to profit or loss									
8361	Exchange differences on translation of foreign operations		(25,422)	(6.10)	2,344	0.65	(21,302)	(2.43)	8,755	1.23
	Total other comprehensive income (loss), net of tax		(25,422)	(6.10)	2,344	0.65	(21,302)	(2.43)	8,755	1.23
8500	Total comprehensive income (loss)		\$(72,700)	(17.43)	\$(52,430)	(14.53)	\$(90,835)	(10.34)	\$(108,652)	(15.23)
8600	Net income (loss) attributable to:									
8610	Shareholders of the parent		\$(32,467)	(7.78)	\$(36,633)	(10.15)	\$(51,302)	(5.84)	\$(84,190)	(11.80)
8620	Non-controlling interests		(14,811)	(3.55)	(18,141)	(5.03)	(18,231)	(2.07)	(33,217)	(4.66)
			\$(47,278)	(11.33)	\$(54,774)	(15.18)	\$(69,533)	(7.91)	\$(117,407)	(16.46)
8700	Comprehensive income (loss) attributable to:									
8710	Shareholders of the parent		\$(57,889)	(13.88)	\$(34,289)	(9.50)	\$(72,604)	(8.26)	\$(75,435)	(10.57)
8720	Non-controlling interests		(14,811)	(3.55)	(18,141)	(5.03)	(18,231)	(2.08)	(33,217)	(4.66)
			\$(72,700)	(17.43)	\$(52,430)	(14.53)	\$(90,835)	(10.34)	\$(108,652)	(15.23)
9750	Earnings per share-basic (in NTD)	6(22)	\$(0.41)		\$(0.46)		\$(0.64)		\$(1.05)	
9850	Earnings per share-diluted (in NTD)	6(22)	\$(0.41)		\$(0.46)		\$(0.64)		\$(1.05)	

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Simula Technology Inc. and Subsidiaries

Consolidated Statements of Changes in Equity

For the six-month periods ended June 30, 2025 and 2024

(Amounts Expressed In Thousands of New Taiwan Dollars)

Code	Items	Equity Attributable to Shareholders of the Parent							Total	Non-controlling Interests	Total Equity
		Common Stock	Capital Surplus	Retained Earnings			Others				
				Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange differences arising on translation of foreign operations	Unrealized gain (losses) from financial assets measured at fair value through OCI			
3100	3200	3310	3320	3350	3410	3420	31xx	36xx	3xxx		
A1	Balance as of January 1, 2024	\$799,729	\$551,718	\$117,691	\$26,375	\$(9,402)	\$(3,430)	\$(4,032)	\$1,478,649	\$607,695	\$2,086,344
B13	Appropriation and distribution of 2023 earnings										
	Legal reserve used to offset accumulated deficits			(9,402)		9,402			-		-
D1	Net (loss) income for the six-month period ended June 30, 2024					(84,190)			(84,190)	(33,217)	(117,407)
D3	Other comprehensive income (loss), net of tax, for the six-month period ended June 30, 2024						8,755		8,755	-	8,755
D5	Total comprehensive income (loss) for the six-month period ended June 30, 2024					(84,190)	8,755		(75,435)	(33,217)	(108,652)
O1	Changes in non-controlling interests									(10,960)	(10,960)
Z1	Balance as of June 30, 2024	<u>\$799,729</u>	<u>\$551,718</u>	<u>\$108,289</u>	<u>\$26,375</u>	<u>\$(84,190)</u>	<u>\$5,325</u>	<u>\$(4,032)</u>	<u>\$1,403,214</u>	<u>\$563,518</u>	<u>\$1,966,732</u>
A1	Balance as of January 1, 2025	\$799,729	\$551,718	\$108,289	\$26,375	\$(93,351)	\$7,298	\$(3,553)	\$1,396,505	\$547,105	\$1,943,610
D1	Net (loss) income for the six-month period ended June 30, 2025					(51,302)			(51,302)	(18,231)	(69,533)
D3	Other comprehensive income (loss), net of tax, for the six-month period ended June 30, 2025						(21,302)		(21,302)	-	(21,302)
D5	Total comprehensive income (loss) for the six-month period ended June 30, 2025					(51,302)	(21,302)		(72,604)	(18,231)	(90,835)
Z1	Balance as of June 30, 2025	<u>\$799,729</u>	<u>\$551,718</u>	<u>\$108,289</u>	<u>\$26,375</u>	<u>\$(144,653)</u>	<u>\$(14,004)</u>	<u>\$(3,553)</u>	<u>\$1,323,901</u>	<u>\$528,874</u>	<u>\$1,852,775</u>

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Simula Technology Inc. and Subsidiaries

Consolidated Statements of Cash Flows

For the six-month periods ended June 30, 2025 and 2024

(Amounts Expressed in Thousands of New Taiwan Dollars)

Code	Items	For the six-month periods ended June 30,		Code	Items	For the six-month periods ended June 30,	
		2025	2024			2025	2024
AAAA	Cash flows from operating activities:			BBBB	Cash flows from investing activities:		
A00010	Profit (loss) before tax	\$(79,624)	\$(116,627)	B00040	Increase in financial assets measured at amortized cost	(2)	(5)
A20000	Adjustments:			B02700	Acquisition of property, plant and equipment	(23,992)	(38,043)
A20010	Profit or loss not effecting cash flows:			B02800	Proceeds from disposal of property, plant and equipment	-	184
A20100	Depreciation (including right-of-use assets)	50,423	50,093	B03700	Increase in refundable deposits	(215)	(2,002)
A20200	Amortization	22,773	22,354	B03800	Decrease in refundable deposits	382	53
A20300	Expected credit losses (gain on recovery)	-	(29)	B04500	Acquisition of intangible assets	(1,176)	(692)
A20400	Net loss (gain) of financial assets at fair value through P/L	(17,528)	8,165	BBBB	Net cash provided by (used in) investing activities	(25,003)	(40,505)
A20900	Interest expense	1,621	1,370				
A21200	Interest income	(3,172)	(3,658)	CCCC	Cash flows from financing activities:		
A22500	Gain on disposal of property, plant and equipment	-	(114)	C00100	Increase in short-term loans	-	20,000
A22600	Property, plant and equipment transferred to expense	959	25	C01700	Repayments of long-term loans	(20,000)	(20,000)
A30000	Changes in operating assets and liabilities:			C04020	Payments of lease liabilities	(14,031)	(12,154)
A31150	Accounts receivable (Increase) Decrease	(6,022)	12,561	CCCC	Net cash provided by (used in) financing activities	(34,031)	(12,154)
A31160	Accounts receivable - related parties (Increase) Decrease	87,980	3,456				
A31180	Other receivables (Increase) Decrease	5,254	(2,926)	DDDD	Effect of exchange rate changes	(6,707)	3,834
A31190	Other receivables - related parties (Increase) Decrease	51	48	EEEE	Net increase (decrease) in cash and cash equivalents	(81,502)	3,842
A31200	Inventories (Increase) Decrease	126,176	9,888	E00100	Cash and cash equivalents at beginning of period	541,627	547,161
A31230	Prepayments (Increase) Decrease	(1,009)	875	E00200	Cash and cash equivalents at end of period	\$460,125	\$551,003
A31240	Other current assets (Increase) Decrease	(3,880)	(2,003)				
A32125	Contract liabilities Increase (decrease)	747	(439)				
A32150	Accounts payable Increase (decrease)	(143,480)	61,923				
A31160	Accounts payable - related parties Increase (decrease)	(35,110)	(2)				
A32180	Other payables Increase (decrease)	(35,005)	7,788				
A32190	Other payables - related parties Increase (decrease)	7,127	1,776				
A32230	Other current liabilities Increase (decrease)	5,143	(871)				
A32240	Net defined benefit liabilities Increase (decrease)	(64)	(61)				
A33000	Cash generated from (used in) operations	(16,640)	53,592				
A33100	Interest received	3,172	3,658				
A33300	Interest paid	(1,015)	(1,022)				
A33500	Income tax paid	(1,278)	(3,561)				
AAAA	Net cash provided by (used in) operating activities	(15,761)	52,667				

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

Simula Technology Inc. and Subsidiaries

Notes to the Consolidated Financial Statements

For the six-month periods ended June 30, 2025 and 2024

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

1. HISTORY AND ORGANIZATION

Simula Technology Inc. (referred to “the Company”) was established on December 15, 2003. Its main business activities include the manufacture of electronic products, the whole-sale and product designing, and international trading. The Company’s common shares were publicly listed on the Taiwan Over-The-Counter Securities Exchanges on September 16, 2008. The registered business premise and main operation address is at 14F., No. 1351, Zhongzheng Rd., Taoyuan Dist., Taoyuan City, Taiwan.

Qisda Corporation is the ultimate controller of the Group to which the Company belongs.

2. DATE AND PROCEDURE OF AUTHORIZATION OF FINANCIAL STATEMENTS FOR ISSUE

The consolidated financial statements of the Company and its subsidiaries (“the Group”) for the six-month periods ended June 30, 2025 and 2024 were authorized for issue by the Board of Directors on July 25, 2025.

3. NEWLY ISSUED OR REVISED STANDARDS AND INTERPRETATIONS

- (1) Changes in accounting policies resulting from applying for the first-time certain standards and amendments

The Group applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after 1 January 2025. The adoption of these new standards and amendments and interpretations of initial application has no material impact on the Group.

- (2) The Q&A related to the early application of certain amendments to IFRS 9 and IFRS 7 "Amendments to the Classification and Measurement of Financial Instruments" issued by the FSC, which has not yet been adopted by the Group as at the date when the Group’s financial statements were authorized for issue.

Simula Technology Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

In the Q&A, only Section 4.1 (Classification of Financial Assets) of the application guidance is allowed to early adopt from January 1, 2025. Additionally, entities must also comply with the requirements of paragraphs 20B, 20C and 20D of IFRS 7 and disclose the fact of early adoption of these amendments in the financial statements.

- (3) Standards or interpretations issued, revised or amended, by International Accounting Standards Board (“IASB”) which have not endorsed by FSC, and not yet adopted by the Group as at the date when the Group’s financial statements were authorized for issue, are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
A	IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
B	IFRS 17 “Insurance Contracts”	January 1, 2023
C	IFRS 18 “Presentation and Disclosure in Financial Statements”	January 1, 2027
D	Disclosure Initiative — Subsidiaries without Public Accountability: Disclosures (IFRS 19)	January 1, 2027
E	Amendments to the Classification and Measurement of Financial Instruments — Amendments to IFRS 9 and IFRS 7	January 1, 2026
F	Annual Improvements to IFRS Accounting Standards — Volume 11	January 1, 2026
G	Contracts Referencing Nature-dependent Electricity — Amendments to IFRS 9 and IFRS 7	January 1, 2026

(A) IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures

The amendments address the inconsistency between the requirements in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors’ interests in the associate or joint venture.

(B) IFRS 17 “Insurance Contracts”

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation, and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims.

Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

IFRS 17 was issued in May 2017, and it was amended in 2020 and 2021. The amendments include deferral of the date of initial application of IFRS 17 by two years to annual beginning on or after January 1, 2023 (from the original effective date of 1 January 2021); provide additional transition reliefs; simplify some requirements to reduce the costs of applying IFRS 17 and revise some requirements to make the results easier to explain. IFRS 17 replaces an interim Standard – IFRS 4 Insurance Contracts – from annual reporting periods beginning on or after January 1, 2023.

(C) IFRS 18 “Presentation and Disclosure in Financial Statements”

IFRS 18 replaces IAS 1 Presentation of Financial Statements. The main changes are as below:

(a) Improved comparability in the statement of profit or loss (income statement)

IFRS 18 requires entities to classify all income and expenses within their statement of profit or loss into one of five categories: operating; investing; financing; income taxes; and discontinued operations. The first three categories are new, to improve the structure of the income statement, and requires all entities to provide new defined subtotals, including operating profit or loss. The improved structure and new subtotals will give investors a consistent starting point for analysing entities’ performance and make it easier to compare entities.

(b) Enhanced transparency of management-defined performance measures

IFRS 18 requires entities to disclose explanations of those entity-specific measures that are related to the income statement, referred to as management-defined performance measures.

(c) Useful grouping of information in the financial statements

IFRS 18 sets out enhanced guidance on how to organize information and whether to provide it in the primary financial statements or in the notes. The changes are expected to provide more detailed and useful information. IFRS 18 also requires entities to provide more transparency about operating expenses, helping investors to find and understand the information they need.

(D) Disclosure Initiative — Subsidiaries without Public Accountability: Disclosures (IFRS 19)

This standard permits subsidiaries without public accountability to provide reduced disclosures when applying IFRS Accounting Standards in their financial statements. IFRS 19 is optional for subsidiaries that are eligible and sets out the disclosure requirements for subsidiaries that elect to apply it.

(E) Amendments to the Classification and Measurement of Financial Instruments — Amendments to IFRS 9 and IFRS 7

The amendments include:

- (a) Clarify that a financial liability is derecognised on the settlement date and describe the accounting treatment for settlement of financial liabilities using an electronic payment system before the settlement date.
- (b) Clarify how to assess the contractual cash flow characteristics of financial assets that include environmental, social and governance (ESG)-linked features and other similar contingent features.
- (c) Clarify the treatment of non-recourse assets and contractually linked instruments.
- (d) Require additional disclosures in IFRS 7 for financial assets and liabilities with contractual terms that reference a contingent event (including those that are ESG-linked), and equity instruments classified at fair value through other comprehensive income.

(F) Annual Improvements to IFRS Accounting Standards — Volume 11

(a) Amendments to IFRS 1

The amendments mainly improve the consistency in wording between first-time adoption of IFRS and requirements for hedge accounting in IFRS 9.

(b) Amendments to IFRS 7

The amendments update an obsolete cross-reference relating to gain or loss on derecognition.

(c) Amendments to Guidance on implementing IFRS 7

The amendments improve some of the wordings in the implementation guidance, including the introduction, disclosure of deferred difference between fair value and transaction price and credit risk disclosures.

(d) Amendments to IFRS 9

The amendments add a cross-reference to resolve potential confusion for a lessee applying the derecognition requirements and clarify the term “transaction price”.

(e) Amendments to IFRS 10

The amendments remove the inconsistency between paragraphs B73 and B74 of IFRS 10.

(f) Amendments to IAS 7

The amendments remove a reference to “cost method” in paragraph 37 of IAS 7.

(G) Contracts Referencing Nature-dependent Electricity — Amendments to IFRS 9 and IFRS 7

The amendments include:

(a) Clarify the application of the ‘own-use’ requirements.

(b) Permit hedge accounting if these contracts are used as hedging instruments.

(c) Add new disclosure requirements to enable investors to understand the effect of these contracts on a company’s financial performance and cash flows.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Group's financial statements were authorized for issue, the local effective dates are to be determined by FSC. As the Group is still currently determining the potential impact of the new or amended standards and interpretations listed under (c), it is not practicable to estimate their impact on the Group at this point in time. The remaining new or amended standards and interpretations have no material impact on the Group.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of compliance

The consolidated financial statements for the six-month periods ended June 30, 2025 and 2024 have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations") and IAS 34, "Interim Financial Reporting," as endorsed and became effective by the FSC.

Except for the following 4(3)~4(5), the accounting policies applied in these consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended December 31, 2024. For more details, please refer to Note 4 of the Company's consolidated financial statements for the year ended December 31, 2024.

(2) Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The consolidated financial statements are presented in thousands of New Taiwan Dollars ("NT\$") unless otherwise specified.

(3) Basis of consolidation

The same principles of consolidation have been applied in the Company's consolidated financial statements as those applied in the Company's consolidated financial statements for the year ended December 31, 2024. For the principles of consolidation, please refer to Note 4(3) of the Company's consolidated financial statements for the year ended December 31, 2024.

Simula Technology Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The consolidated entities are listed as follows:

Investor	Subsidiary	Main business	Percentage of Ownership (%), as of		
			Jun 30, 2025	Dec 31, 2024	Jun 30, 2024
The Company	ASPIRE ASIA INC.	Investing activities	100.00%	100.00%	100.00%
The Company	Simula Technology CORP.	Sells in Northern America	100.00%	100.00%	100.00%
The Company	Simula Company Limited	Investing activities	52.31%	52.31%	52.31%
The Company	Action Star Technology Co., Ltd.	R&D & development manufacture and sale of USB docking station product	59.35%	59.35%	59.35%
ASPIRE ASIA INC.	Simula Company Limited	Investing activities	47.69%	47.69%	47.69%
ASPIRE ASIA INC.	ASPIRE ELECTRONICS CORP.	Investing activities	-% (Note)	-% (Note)	95.10%
Simula Company Limited	Simula Technology (Shenzhen) Co., LTD	Manufacture of electronic connector, socket, and plastic hardware	100.00%	100.00%	100.00%

Note : ASPIRE ELECTRONICS CORP. completed the liquidation process on August 2, 2024.

(4) Post-employment benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted and disclosed for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events.

(5) Income tax

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- i. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination; at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.

- ii. In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- i. Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination; at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.
- ii. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

According to the temporary exception in the International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12), information about deferred tax assets and liabilities related to Pillar Two income tax will neither be recognized nor be disclosed.

Interim period income tax expense is accrued using the tax rate that would be applicable to expected total annual earnings, that is, the estimated average annual effective income tax rate applied to the pre-tax income of the interim period. The estimated average annual effective income tax rate only includes current income tax. The recognition and measurement of deferred tax follows annual financial reporting requirements in accordance with IAS 12. The Group recognizes the effect of change in tax rate for deferred taxes in full if the new tax rate is enacted by the end of the interim reporting period, by charging to profit or loss, other comprehensive income, or directly to equity.

5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The same significant accounting judgments, estimates and assumptions have been applied in the Company's consolidated financial statements for the six-month period ended June 30, 2025 as those applied in the Company's consolidated financial statements for the year ended December 31, 2024. For significant accounting judgments, estimates and assumptions, please refer to Note 5 of the Company's consolidated financial statements for the year ended December 31, 2024.

Simula Technology Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	As of		
	June 30, 2025	December 31, 2024	June 30, 2024
Cash and petty cash	\$1,503	\$641	\$2,284
Checkings and savings	203,463	276,006	193,879
Time deposit	129,980	209,980	279,840
Notes purchased under resale agreements	125,179	55,000	75,000
Total	<u>\$460,125</u>	<u>\$541,627</u>	<u>\$551,003</u>

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

	As of		
	June 30, 2025	December 31, 2024	June 30, 2024
Mandatorily measured at fair value through profit or loss:			
Derivatives not designated as hedging instruments			
Forward currency contract	\$-	\$-	\$-
Valuation adjustment of financial assets as measured by fair value through profit or loss	14,447	-	32
Total	<u>\$14,447</u>	<u>\$-</u>	<u>\$32</u>
Current	<u>\$14,447</u>	<u>\$-</u>	<u>\$32</u>
Non-current	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>

No financial assets at fair value through profit or loss were pledged as collateral.

Simula Technology Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(3) Financial assets measured at amortized cost

	As of		
	June 30, 2025	December 31, 2024	June 30, 2024
Time deposit	\$119,960	\$119,960	\$119,960
Certificate of deposit - restricted	4,547	4,992	4,960
Total	<u>\$124,507</u>	<u>\$124,952</u>	<u>\$124,920</u>
Current	<u>\$124,507</u>	<u>\$124,952</u>	<u>\$124,920</u>
Non-current	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>

Please refer to Note 8 for more details on financial assets at fair value through profit or loss pledged as collaterals.

(4) Accounts receivable and accounts receivable - related parties, net

	As of		
	June 30, 2025	December 31, 2024	June 30, 2024
Accounts receivable, gross	\$364,357	\$358,335	\$339,563
Less: loss allowance	(1,964)	(1,964)	(1,964)
Net	<u>362,393</u>	<u>356,371</u>	<u>337,599</u>
Accounts receivable - related parties, gross	13,990	101,970	22,266
Less: loss allowance	-	-	-
Net	<u>13,990</u>	<u>101,970</u>	<u>22,266</u>
Total	<u>\$376,383</u>	<u>\$458,341</u>	<u>\$359,865</u>

Accounts receivable were not pledged.

Accounts receivable are generally on 30-120 day terms. The total carrying amount is NT\$378,347 thousand, NT\$460,305 thousand and NT\$361,829 thousand as of June 30, 2025, December 31, 2024 and June 30, 2024, respectively. Please refer to Note 6(16) for more details on loss allowance of accounts receivable for the six-month periods ended June 30, 2025 and 2024. Please refer to Note 12 for more details on credit risk management.

Simula Technology Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(5) Inventory

	As of June 30, 2025		
	Allowance for Inventory Valuation and Obsolescence		
	Inventories, gross	Losses	Inventories, net
Raw material	\$143,063	\$(34,206)	\$108,857
Supplies	1,719	(209)	1,510
Work in process	82,435	(13,042)	69,393
Finished goods	64,014	(10,627)	53,387
Total	<u>\$291,231</u>	<u>\$(58,084)</u>	<u>\$233,147</u>

	As of December 31, 2024		
	Allowance for Inventory Valuation and Obsolescence		
	Inventories, gross	Losses	Inventories, net
Raw material	\$195,749	\$(27,908)	\$167,841
Supplies	2,055	(211)	1,844
Work in process	118,470	(13,603)	104,867
Finished goods	94,580	(9,809)	84,771
Total	<u>\$410,854</u>	<u>\$(51,531)</u>	<u>\$359,323</u>

Simula Technology Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	As of June 30, 2024		
	Inventories, gross	Allowance for Inventory Valuation and Obsolescence Losses	Inventories, net
Raw material	\$162,438	\$(45,079)	\$117,359
Supplies	4,124	(904)	3,220
Work in process	111,034	(14,100)	96,934
Finished goods	102,694	(12,264)	90,430
Total	<u>\$380,290</u>	<u>\$(72,347)</u>	<u>\$307,943</u>

A. For the three-month periods ended June 30, 2025 and 2024, the Group recognized NT\$ 370,005 thousand and NT\$325,064 thousand under the caption of costs of sale, respectively. For the six-month periods ended June 30, 2025 and 2024, the Group recognized NT\$769,537 thousand and NT\$652,580 thousand under the caption of costs of sale, respectively. The following items were also included in cost:

Item	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2025	2024	2025	2024
Loss from inventory market decline	\$5,827	\$15,443	\$8,373	\$22,741
Loss (gain) from physical	1	(90)	1	(152)
Loss from inventory write-off obsolescence	107	108	170	963
Total	<u>\$5,935</u>	<u>\$15,461</u>	<u>\$8,544</u>	<u>\$23,552</u>

B. The inventories were not pledged.

(6) Financial assets at fair value through OCI

	As of		
	June 30, 2025	December 31, 2024	June 30, 2024
Unlisted companies' stocks	<u>\$1,447</u>	<u>\$1,447</u>	<u>\$3,858</u>

Simula Technology Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Financial assets at fair value through OCI were not pledged.

(7) Property, plant, and equipment

	Land	Buildings	Machinery	Office Equipment	Transportation	Lease Improvement	Other Equipment	Total
<u>Cost:</u>								
As of 1/1/2025	\$210,926	\$432,653	\$312,379	\$24,286	\$6,601	\$150,544	\$131,987	\$1,269,376
Addition	-	-	11,377	1,436	-	208	7,603	20,624
Disposals	-	-	(428)	(250)	-	-	-	(678)
Reclassification	-	-	88	-	-	502	2,166	2,756
Effect of EX rate	-	-	(7,424)	(386)	(233)	(12,830)	(9,194)	(30,067)
As of 6/30/2025	<u>\$210,926</u>	<u>\$432,653</u>	<u>\$315,992</u>	<u>\$25,086</u>	<u>\$6,368</u>	<u>\$138,424</u>	<u>\$132,562</u>	<u>\$1,262,011</u>
As of 1/1/2024	\$210,926	\$431,657	\$289,455	\$22,628	\$6,393	\$142,869	\$101,257	\$1,205,185
Addition	-	64	14,754	541	72	1,278	16,312	33,021
Disposals	-	(49)	(1,343)	(206)	-	-	(822)	(2,420)
Reclassification	-	-	1,429	-	-	-	736	2,165
Effect of EX rate	-	-	2,108	128	114	4,089	2,284	8,723
As of 6/30/2024	<u>\$210,926</u>	<u>\$431,672</u>	<u>\$306,403</u>	<u>\$23,091</u>	<u>\$6,579</u>	<u>\$148,236</u>	<u>\$119,767</u>	<u>\$1,246,674</u>
<u>Depreciation and impairment:</u>								
As of 1/1/2025	\$-	\$148,220	\$214,898	\$16,352	\$4,631	\$66,207	\$91,475	\$541,783
Depreciation	-	8,556	11,872	2,100	377	3,076	10,856	36,837
Disposal	-	-	(428)	(250)	-	-	-	(678)
Reclassification	-	-	-	-	-	-	(57)	(57)
Effect of EX rate	-	-	(4,380)	(355)	(233)	(5,684)	(6,425)	(17,077)
As of 6/30/2025	<u>\$-</u>	<u>\$156,776</u>	<u>\$221,962</u>	<u>\$17,847</u>	<u>\$4,775</u>	<u>\$63,599</u>	<u>\$95,849</u>	<u>\$560,808</u>
As of 1/1/2024	\$-	\$129,447	\$186,426	\$12,347	\$3,706	\$58,235	\$73,884	\$464,045
Depreciation	-	9,839	15,489	2,193	391	2,879	7,656	38,447
Disposal	-	(1)	(1,321)	(206)	-	-	(822)	(2,350)
Effect of EX rate	-	-	1,099	99	114	1,669	1,614	4,595
As of 6/30/2024	<u>\$-</u>	<u>\$139,285</u>	<u>\$201,693</u>	<u>\$14,433</u>	<u>\$4,211</u>	<u>\$62,783</u>	<u>\$82,332</u>	<u>\$504,737</u>

Simula Technology Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	Land	Buildings	Machinery	Office Equipment	Transportation	Lease Improvement	Other Equipment	Total
<u>Net carrying amount:</u>								
As of 6/30/2025	\$210,926	\$275,877	\$94,030	\$7,239	\$1,593	\$74,825	\$36,713	\$701,203
As of 12/31/2024	\$210,926	\$284,433	\$97,481	\$7,934	\$1,970	\$84,337	\$40,512	\$727,593
As of 6/30/2024	\$210,926	\$292,387	\$104,710	\$8,658	\$2,368	\$85,453	\$37,435	\$741,937

The property, plant and equipment were not pledged.

(8) Intangible assets

	Patent	Computer software	Technology expertise	Customer relationship	Goodwill	Total
<u>Cost:</u>						
As of January 1, 2025	\$314	\$31,038	\$356,326	\$115,236	\$75,095	\$578,009
Additions – acquired separately	-	1,176	-	-	-	1,176
Other Changes	-	4,623	-	-	-	4,623
Effect of exchange rate changes	-	(407)	-	-	-	(407)
As of June 30, 2025	\$314	\$36,430	\$356,326	\$115,236	\$75,095	\$583,401
As of January 1, 2024	\$314	\$26,561	\$356,326	\$115,236	\$75,095	\$573,532
Additions – acquired separately	-	692	-	-	-	692
Derecognized upon retirement	-	-	-	-	-	-
Effect of exchange rate changes	-	99	-	-	-	99
As of June 30, 2024	\$314	\$27,352	\$356,326	\$115,236	\$75,095	\$574,323
<u>Amortization and Impairment:</u>						
As of January 1, 2025	\$314	\$22,843	\$132,524	\$22,895	\$-	\$178,576
Amortization	-	1,879	17,816	3,078	-	22,773
Derecognized upon retirement	-	-	-	-	-	-
Effect of exchange rate changes	-	(215)	-	-	-	(215)
As of June 30, 2025	\$314	\$24,507	\$150,340	\$25,973	\$-	\$201,134

Simula Technology Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	Patent	Computer software	Technology expertise	Customer relationship	Goodwill	Total
As of January 1, 2024	\$314	\$19,778	\$96,891	\$16,739	\$-	\$133,722
Amortization	-	1,460	17,816	3,078	-	22,354
Derecognized upon retirement	-	-	-	-	-	-
Effect of exchange rate changes	-	42	-	-	-	42
As of June 30, 2024	\$314	\$21,280	\$114,707	\$19,817	\$-	\$156,118
Carrying amount, net:						
As of June 30, 2025	\$-	\$11,923	\$205,986	\$89,263	\$75,095	\$382,267
As of December 31, 2024	\$-	\$8,195	\$223,802	\$92,341	\$75,095	\$399,433
As of June 30, 2024	\$-	\$6,072	\$241,619	\$95,419	\$75,095	\$418,205

Amounts of amortization recognized for intangible assets are as follows:

	For the three-month periods ended		For the six-month periods ended	
	June 30,		June 30,	
	2025	2024	2025	2024
Operating costs	\$257	\$141	\$405	\$281
Operating expense	11,205	11,011	22,368	22,073
Total	\$11,462	\$11,152	\$22,773	\$22,354

(9) Short-term loans

	Interest interval	As of		
		June 30, 2025	December 31, 2024	June 30, 2024
Unsecured bank loans	2.13%~2.36%	\$30,000	\$30,000	\$20,000

The Group's unused short-term lines of credits amounts to NT\$571,000 thousand, NT\$669,355 thousand and NT\$1,058,350 thousand, as of June 30, 2025, December 31, 2024 and June 30, 2024, respectively.

Simula Technology Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

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

	As of		
	June 30, 2025	December 31, 2024	June 30, 2024
Mandatorily measured at fair value through profit or loss:			
Derivatives not designated as hedging instruments			
Forward currency contract	\$-	\$-	\$-
Valuation adjustment of financial liabilities as measured by fair value through profit or loss	649	3,732	2,132
Total	<u>\$649</u>	<u>\$3,732</u>	<u>\$2,132</u>
Current	<u>\$649</u>	<u>\$3,732</u>	<u>\$2,132</u>
Non-current	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>

(11) Other payables

	As of		
	June 30, 2025	December 31, 2024	June 30, 2024
Dividends payable	\$-	\$-	\$10,960
Equipment payable	13,438	4,361	5,575
Employee benefit payable	49,647	57,821	63,737
Other payables	102,722	129,592	113,717
Total	<u>\$165,807</u>	<u>\$191,774</u>	<u>\$193,989</u>

Simula Technology Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(12) Long-term loans

Details of long-term loans as of June 30, 2025 were as follows:

Debtor	As of June 30, 2025	Interest rate	Repayment
Taiwan Business Bank Credit loan	\$50,000	Variable interest rate +0.41%	Effective July 5, 2021 to July 5, 2026. Repayable quarterly NT\$10,000 thousand.
Less: current portion	(40,000)		
Total	\$10,000		

Details of long-term loans as of December 31, 2024 were as follows:

Debtor	As of December 31, 2024	Interest rate	Repayment
Taiwan Business Bank Credit loan	\$70,000	Variable interest rate +0.41%	Effective July 5, 2021 to July 5, 2026. Repayable quarterly NT\$10,000 thousand.
Less: current portion	(40,000)		
Total	\$30,000		

Details of long-term loans as of June 30, 2024 were as follows:

Debtor	As of June 30, 2024	Interest rate	Repayment
Taiwan Business Bank Credit loan	\$90,000	Variable interest rate +0.41%	Effective July 5, 2021 to July 5, 2026. Repayable quarterly NT\$10,000 thousand.
Less: current portion	(40,000)		
Total	\$50,000		

There are no pledge or collateral for long-term loans of the Group.

(13) Post-employment benefits

Defined contribution plan

Expenses under the defined contribution plan for the three-month periods ended June 30, 2025 and 2024 were NT\$2,892 thousand and NT\$2,774 thousand, respectively. Expenses under the defined contribution plan for the six-month periods ended June 30, 2025 and 2024 were NT\$5,643 thousand and NT\$5,646 thousand, respectively.

Defined benefits plan

Pension for the three-month periods ended June 30, 2025 and 2024 were NT\$7 thousand and NT\$8 thousand, respectively. Pension for the six-month periods ended June 30, 2025 and 2024 were NT\$13 thousand and NT\$16 thousand, respectively.

(14) Equity

A. Common stock

As of June 30, 2025 and 2024, the Company's authorized capital were NT\$1,200,000 thousand, and paid-in capital were NT\$799,729 thousand, each share at par value of NT\$10, divided into 79,972,945 shares.

B. Capital surplus

	As of		
	June 30, 2025	December 31, 2024	June 30, 2024
Additional paid-in capital	\$545,978	\$545,978	\$545,978
All changes in interests in subsidiaries	1,172	1,172	1,172
Changes in equity of investment accounted for using equity method	1,350	1,350	1,350
Other	3,218	3,218	3,218
Total	<u>\$551,718</u>	<u>\$551,718</u>	<u>\$551,718</u>

According to Company Act, the capital surplus shall not be used except for making good the deficit of the Company. When a company incurs no loss, it may distribute the capital surplus related to the income derived from the issuance of new shares at a premium or income from endowments received by the company up to a certain percentage of paid-in capital. The said capital surplus could be distributed in cash to its shareholders in proportion to the number of shares being held by each of them. Capital surplus related to long-term equity investments cannot be used for any purpose.

C. Appropriation of earnings and dividend policies

(a) Legal reserve

According to the Company Act, legal reserve shall be set aside until such amount equal total authorized capital. Legal reserve can be used to offset deficits. If the Company does not incur any loss, the portion of legal reserve exceeding 25% of the paid-in capital may be distributed to shareholders by issuing new shares or by cash in proportion to the number of shares held by each shareholder.

(b) Special reserve

The FSC issued Order No. Financial-Supervisory-Securities-Corporate-1090150022 on March 31, 2021, which sets out the following provisions for compliance:

On a public company's first-time adoption of the IFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside special reserve. For any subsequent use, disposal or reclassification of related assets, the company can reverse the special reserve by proportion and transfer to retained earnings.

As of June 30, 2025 and 2024, the Company first-time adoption of T-IFRS NT\$26,375 thousand, respectively.

(c) Earning distribution and dividend policies

(1) Earning distribution

According to the Company's Articles of Incorporations, current year's earnings, if any, shall be distributed in the following order:

- a. Payment of all taxes and dues;
- b. Offsetting prior years' operation losses;
- c. Set aside 10% of the remaining amount after deducting items (a) and (b) as legal reserve;
- d. Set aside or reverse special reserve in accordance with law and regulations; and
- e. The distribution of the remaining portion, if any, will be recommended by the Board of Directors and resolved in the shareholders' meeting. If the preceding paragraph is done in cash, it should authorize the board of directors to resolve and report to the shareholders' meeting.

(2) Dividend policies

The company's dividend policy is in line with the growth characteristics of the technology industry and the overall environment, while taking into account a stable and balanced dividend policy, and taking into account factors such as profitability, financial structure, and future development. If there is a surplus in the final annual accounts and the distributable surplus for the current year reaches 2% of the capital, the dividend distribution should not be less than 10% of the distributable surplus for the year. The distribution of surplus may be made in accordance with the company's overall capital budget planning. Accordingly, at least 10% of the dividends must be paid in the form of cash.

The Company may issue new shares or cash in accordance with the Company Act 241 in the form of statutory surplus reserve or capital reserve, and if the preceding paragraph is done in cash, it should authorize the board of directors to resolve and report to the shareholders' meeting.

Simula Technology Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

As of December 31, 2024, the Company incurred accumulated losses and therefore had no proposal from the board of directors regarding the distribution of earnings. On June 7, 2024, the shareholders' meeting of this company resolved to use the legal reserve of \$9,402 thousand to make up for the offsetting accumulated deficits.

Please refer to Note 6(18) for details on employees' compensation and remuneration to directors and supervisors.

D. Non-controlling interests

	For the six-month periods ended	
	June 30,	
	2025	2024
Beginning balance	\$547,105	\$607,695
Profit (loss) attributable to non-controlling interests	(18,231)	(33,217)
Other comprehensive income, attributable to non-controlling interests, net of tax:		
Exchange differences resulting from translating the financial statements of a foreign operation	-	-
Changes in non-controlling interests	-	(10,960)
Ending balance	\$528,874	\$563,518

(15) Operating revenue

	For the three-month		For the six-month	
	periods ended June 30,		periods ended June 30,	
	2025	2024	2025	2024
Revenue from customer contracts				
Sales of goods	\$417,124	\$360,907	\$878,897	\$713,380

Simula Technology Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Analysis of revenue from contracts with customers for the three-month and six-month periods ended June 30, 2025 and 2024 are as follows:

A. Disaggregation of revenue

For the three-month period ended June 30, 2025

	<u>Single department</u>
Sales of goods	<u>\$417,124</u>
The timing for revenue recognition:	
At a point in time	<u>\$417,124</u>

For the three-month period ended June 30, 2024

	<u>Single department</u>
Sales of goods	<u>\$360,907</u>
The timing for revenue recognition:	
At a point in time	<u>\$360,907</u>

For the six-month period ended June 30, 2025

	<u>Single department</u>
Sales of goods	<u>\$878,897</u>
The timing for revenue recognition:	
At a point in time	<u>\$878,897</u>

Simula Technology Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

For the six-month period ended June 30, 2024

	<u>Single department</u>
Sales of goods	<u>\$713,380</u>
The timing for revenue recognition:	
At a point in time	<u>\$713,380</u>

B. Contract balances

a. Contract liabilities – current

	<u>As of</u>			
	<u>June 30,</u>	<u>January 1,</u>	<u>June 30,</u>	<u>January 1,</u>
	<u>2025</u>	<u>2025</u>	<u>2024</u>	<u>2024</u>
Sales of goods	<u>\$17,060</u>	<u>\$16,313</u>	<u>\$11,507</u>	<u>\$11,946</u>

The changes in the Group's balances of contract liabilities for the six-month periods ended June 30, 2025 and 2024 are as follows:

	<u>For the six-month periods ended June 30,</u>	
	<u>2025</u>	<u>2024</u>
The opening balance transferred to revenue	\$(2,857)	\$(2,099)
Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue during the period)	3,604	1,660

C. Assets recognized from costs to fulfil a contract: None

(16) Expected credit (gains) losses

	<u>For the three-month</u>		<u>For the six-month</u>	
	<u>periods ended June 30,</u>		<u>periods ended June 30,</u>	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
Operating expenses – Expected credit gains (losses)				
Accounts receivable	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$(29)</u>

Simula Technology Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Please refer to Note 12 for more details on credit risk.

The Group measures the loss allowance of its accounts receivable at an amount equal to lifetime expected credit losses. The assessment of the Company's loss allowance as of June 30, 2025, December 31, 2024, and June 30, 2024, are as follows:

The Company considers the grouping of accounts receivable by counterparties' credit rating, by geographical region and by industry sector and its loss allowance is measured by using a provision matrix. Details are as follows:

June 30, 2025	Past due						Total
	Not past due	<=30 days	31-90 days	91-120 days	121-270 days	>=271 days	
Gross carrying amount	\$322,142	\$29,147	\$25,823	\$-	\$1,235	\$-	\$378,347
Loss ratio	-%	0.02%	6.1%	-%	30%	-%	
Lifetime expected credit losses	-	(6)	(1,585)	-	(373)	-	(1,964)
Carrying amount of accounts receivable	\$322,142	\$29,141	\$24,238	\$-	\$862	\$-	\$376,383
December 31, 2024	Past due						Total
	Not past due	<=30 days	31-90 days	91-120 days	121-270 days	>=271 days	
Gross carrying amount	\$429,147	\$31,144	\$-	\$14	\$-	\$-	\$460,305
Loss ratio	-%	6.3%	-%	50%	-%	-%	
Lifetime expected credit losses	-	(1,957)	-	(7)	-	-	(1,964)
Carrying amount of accounts receivable	\$429,147	\$29,187	\$-	\$7	\$-	\$-	\$458,341
June 30, 2024	Past due						Total
	Not past due	<=30 days	31-90 days	91-120 days	121-270 days	>=271 days	
Gross carrying amount	\$299,976	\$42,675	\$8,539	\$5,809	\$4,830	\$-	\$361,829
Loss ratio	-%	-%	-%	-%	38%	-%	
Lifetime expected credit losses	-	(132)	-	-	(1,832)	-	(1,964)
Carrying amount of accounts receivable	\$299,976	\$42,543	\$8,539	\$5,809	\$2,998	\$-	\$359,865

Simula Technology Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The movement in the provision for impairment of accounts receivable for the six-month periods ended June 30, 2025 and 2024 are as follows:

	<u>Accounts receivable</u>
As of January 1, 2025	\$1,964
Addition (reversal)	-
As of June 30, 2025	<u>\$1,964</u>
As of January 1, 2024	\$1,964
Addition (reversal)	(29)
Overdue receivables transferred to loss allowance	<u>29</u>
As of June 30, 2024	<u>\$1,964</u>

(17) Leases

Group as a lessee

The Group leases various properties, including real estate such as buildings, office and equipment and transportation equipment. The lease terms range from 2 to 18 years.

Simula Technology Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The Group's leases effect on the financial position, financial performance and cash flows are as follows:

A. Amounts recognized in the balance sheet

a. Right-of-use assets

Carrying amount of right-of-use-assets

	As of		
	June 30, 2025	December 31, 2024	June 30, 2024
Land	\$2,550	\$-	\$-
Buildings	44,043	59,012	71,824
Transportation equipment	587	250	365
Office equipment	924	117	143
Total	<u>\$48,104</u>	<u>\$59,379</u>	<u>\$72,332</u>

b. Lease liabilities

	As of		
	June 30, 2025	December 31, 2024	June 30, 2024
Lease liabilities	<u>\$49,038</u>	<u>\$60,199</u>	<u>\$72,970</u>
Current	<u>\$25,214</u>	<u>\$25,112</u>	<u>\$25,543</u>
Non-current	<u>\$23,824</u>	<u>\$35,087</u>	<u>\$47,427</u>

Please refer to Note 6(19) (4) for the interest on lease liabilities recognized for the six-month periods ended June 30, 2025 and 2024 and refer to Note 12(5) Liquidity Risk Management for the maturity analysis for lease liabilities as of June 30, 2025, December 31, 2024, and June 30, 2024.

Simula Technology Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

B. Amounts recognized in the income statement

Depreciation of right-of-use assets

	For the three-month		For the six-month	
	periods ended June 30,		periods ended June 30,	
	2025	2024	2025	2024
Land	\$142	\$-	\$283	\$-
Buildings	6,389	6,264	12,997	11,506
Transportation equipment	109	57	221	115
Office equipment	72	12	85	25
Total	<u>\$6,712</u>	<u>\$6,333</u>	<u>\$13,586</u>	<u>\$11,646</u>

C. Income and costs relating to leasing activities

	For the three-month		For the six-month	
	periods ended June 30,		periods ended June 30,	
	2025	2024	2025	2024
The expenses relating to short-term leases	\$686	\$1,013	\$1,596	\$2,024
The expenses relating to leases of low-value assets (Not including the expense relating to short-term leases of low-value assets)	-	-	-	-

The portfolio of short-term leases of the Group to which it is committed at the end of the reporting period is dissimilar to the portfolio of short-term leases to which the short-term lease expenses disclosed above, and the amount of its lease commitments is NT\$0.

D. Cash outflow relating to leasing activities

For the six-month periods ended June 30, 2025 and 2024, the Group's total cash outflow for leases amounting to NT\$15,627 thousand and NT\$14,178 thousand, respectively.

Simula Technology Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(18) Summary statement of employee benefits, depreciation and amortization by function is as follows:

Nature \ Function	For the three-month periods ended June 30,					
	2025			2024		
	Operating Costs	Operating expenses	Total	Operating Costs	Operating expenses	Total
Employee benefit expense						
Salaries	\$49,101	34,680	\$83,781	\$53,466	\$36,820	\$90,286
Labor and health insurance	5,721	3,583	\$9,304	4,886	3,391	8,277
Pension	1,098	1,801	\$2,899	1,038	1,744	2,782
Other employee benefit expense	7,186	6,328	\$13,514	10,398	8,367	18,765
Depreciation	16,387	8,767	\$25,154	16,729	8,614	25,343
Amortization	257	11,205	\$11,462	141	11,011	11,152

Nature \ Function	For the six-month periods ended June 30,					
	2025			2024		
	Operating Costs	Operating expenses	Total	Operating Costs	Operating expenses	Total
Employee benefit expense						
Salaries	\$97,816	\$68,927	\$166,743	\$101,848	\$72,256	\$174,104
Labor and health insurance	11,689	7,132	18,821	9,996	6,970	16,966
Pension	2,134	3,522	5,656	2,160	3,502	5,662
Other employee benefit expense	14,786	13,265	28,051	16,163	13,501	29,664
Depreciation	32,829	17,594	50,423	32,964	17,129	50,093
Amortization	405	22,368	22,773	281	22,073	22,354

Simula Technology Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

According to amended Articles of Incorporation approved through the shareholder's meeting held on May 27, 2025, According to the resolution, 5%~20% of profit of the current year is distributable as employees' compensation and no higher than 1% of profit of the current year is distributable as remuneration to directors and supervisors. However, the Company's accumulated losses shall have been covered, The portion of employee compensation allocated to grassroots employees shall not be less than 10% of the total employee compensation as mentioned above. The Company may have the profit distributable as employees' compensation in the form of shares or in cash. Information on the Board of Shareholders' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

For six-month periods ended June 30, 2025 and 2024, the Company incurred accumulated loss and therefore did not accrue the employees' compensation and remuneration to directors and supervisors.

(19) Non-operating incomes and expenses

A. Interest income

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2025	2024	2025	2024
Interest income	\$1,877	\$2,301	\$3,172	\$3,658

B. Other incomes

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2025	2024	2025	2024
Rent income	\$108	\$74	\$216	\$149
Other income	(5)	1,974	1,399	2,526
Total	\$103	\$2,048	\$1,615	\$2,675

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Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

C. Other gains and losses

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2025	2024	2025	2024
Foreign exchange gain (loss), net	\$(26,402)	\$(3,878)	\$(28,329)	\$7,410
Gain (loss) on disposal of property, plant, and equipment	-	113	-	114
Gain (loss) on financial assets at fair value through profit or loss	17,405	2,680	17,528	(8,165)
Other losses	-	(43)	-	(1,546)
Total	<u>\$(8,997)</u>	<u>\$(1,128)</u>	<u>\$(10,801)</u>	<u>\$(2,187)</u>

D. Finance costs

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2025	2024	2025	2024
Interests on bank loans	\$472	\$496	\$976	\$1,022
Interest on lease liabilities	306	281	645	348
Total	<u>\$778</u>	<u>\$777</u>	<u>\$1,621</u>	<u>\$1,370</u>

(20) Components of other comprehensive income (loss)

For the three-month period ended June 30, 2025

	Arising during the period	Reclassification during the period	Subtotal	Income tax benefit (expense)	OCI, Net of tax
May be reclassified to profit or loss in subsequent period: Exchange differences arising on translation of foreign operations	<u>\$(25,422)</u>	<u>\$-</u>	<u>\$(25,422)</u>	<u>\$-</u>	<u>\$(25,422)</u>

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Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

For the three-month period ended June 30, 2024

	Arising during the period	Reclassification during the period	Subtotal	Income tax benefit (expense)	OCI, Net of tax
May be reclassified to profit or loss in subsequent period: Exchange differences arising on translation of foreign operations	\$2,344	\$-	\$2,344	\$-	\$2,344

For the six-month period ended June 30, 2025

	Arising during the period	Reclassification during the period	Subtotal	Income tax benefit (expense)	OCI, Net of tax
May be reclassified to profit or loss in subsequent period: Exchange differences arising on translation of foreign operations	\$(21,302)	\$-	\$(21,302)	\$-	\$(21,302)

For the six-month period ended June 30, 2024

	Arising during the period	Reclassification during the period	Subtotal	Income tax benefit (expense)	OCI, Net of tax
May be reclassified to profit or loss in subsequent period: Exchange differences arising on translation of foreign operations	\$8,755	\$-	\$8,755	\$-	\$8,755

Simula Technology Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(21) Income tax

The major components of income tax expense (benefit) are as follows:

Income tax expense (benefit) recognized in profit or loss

	For the three-month		For the six-month	
	periods ended June 30,		periods ended June 30,	
	2025	2024	2025	2024
Current income tax expense (income):				
Current income tax expense	\$(7,069)	\$341	\$(10,091)	\$781
Adjustments in respect of current income tax of prior periods	-	(1)	-	(1)
Total income tax expense (income)	<u>\$(7,069)</u>	<u>\$340</u>	<u>\$(10,091)</u>	<u>\$780</u>

The assessment of income tax return

As of June 30, 2025, the assessment status of income tax returns of the Company and subsidiaries was as follows:

	<u>The assessment of income tax returns</u>
The Company	Assessed and approved up to 2023
Subsidiary – Action Star Technology Co., Ltd.	Assessed and approved up to 2022

(22) Earnings per share

A. Basic earnings per share

Basic earnings per share is calculated by dividing net profit for the year attributable to the common shareholders of the parent entity by the weighted average number of common shares outstanding during the year.

Simula Technology Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2025	2024	2025	2024
Net income available to common shareholders of the parent (in thousand of NT\$)	<u>\$ (32,467)</u>	<u>\$ (36,633)</u>	<u>\$ (51,302)</u>	<u>\$ (84,190)</u>
Weighted average number of common stocks outstanding (in thousand shares)	<u>79,973</u>	<u>79,973</u>	<u>79,973</u>	<u>79,973</u>
Basic earnings per share (in NT\$)	<u>\$ (0.41)</u>	<u>\$ (0.46)</u>	<u>\$ (0.64)</u>	<u>\$ (1.05)</u>

No other transactions that would significantly change the outstanding common shares or potential common shares incurred during the period after reporting date and up to the approval date of financial statements.

(23) Subsidiary that has material non-controlling interest

Financial information of subsidiaries that have material non-controlling interests were provided below:

Proportion of equity interest held by non-controlling interests

Name	Country	As of		
		June 30, 2025	December 31, 2024	June 30, 2024
Action Star Technology Co., Ltd.	Taiwan	40.65%	40.65%	40.65%

Accumulated balances of material non-controlling interest:

	As of		
	June 30, 2025	December 31, 2024	June 30, 2024
Action Star Technology Co., Ltd.	\$528,874	\$547,105	\$562,959

Profit (loss) allocated to material non-controlling interest:

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Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	<u>For the six-month ended June 30,</u>	
	<u>2025</u>	<u>2024</u>
Action Star Technology Co., Ltd.	\$(18,231)	\$(33,256)

The summarized financial information of this subsidiary is provided below. This information is based on amounts before inter-company eliminations.

Summarized the Group's information of profit or loss is as follows:

For the six-month period ended June 30, 2025

	<u>Action Star Technology Co., Ltd.</u>
Operating revenue	\$ 440,900
Profit/loss from continuing operation	(20,637)
Total comprehensive income for the period	(20,637)

For the six-month period ended June 30, 2024

	<u>Action Star Technology Co., Ltd.</u>
Operating revenue	\$303,482
Profit/loss from continuing operation	(57,598)
Total comprehensive income for the period	(57,598)

Summarized the Group's information of financial position is as follows:

As of June 30, 2025

	<u>Action Star Technology Co., Ltd.</u>
Current assets	\$750,201
Non-current assets	352,634
Current liabilities	190,727
Non-current liabilities	5,066

Simula Technology Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

As of December 31, 2024

	Action Star Technology Co., Ltd.
Current assets	\$930,154
Non-current assets	340,212
Current liabilities	342,599
Non-current liabilities	89

As of June 30, 2024

	Action Star Technology Co., Ltd.
Current assets	\$833,358
Non-current assets	346,132
Current liabilities	236,668
Non-current liabilities	352

Summarized the Group's cash flows information is as follows:

For the six-month period ended June 30, 2025

	Action Star Technology Co., Ltd.
Operating activities	\$(18,946)
Investing activities	(11,176)
Financing activities	(632)
Net increase (decrease) in cash and cash equivalents	(30,754)

Simula Technology Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

For the six-month period ended June 30, 2024

	Action Star Technology Co., Ltd.
Operating activities	\$85,190
Investing activities	(8,109)
Financing activities	(265)
Net increase (decrease) in cash and cash equivalents	76,816

7. RELATED PARTY TRANSACTIONS

(1) Deal with related parties as at the end of the reporting period

Related parties and Relationship

Related parties	Relationship
Qisda Corporation	Parent company
Qisda Optronics Suzhou Co. Ltd	Associate
Action Star Enterprise Co., Ltd.	Other related party
DFI Inc.	Associate
BenQ Materials Corp.	Associate
BenQ Asia Pacific Corp.	Associate
BenQ Corporation	Associate
BenQ Technology (Shanghai) Co., Ltd	Associate
BenQ Healthcare Corporation	Associate
Epic Cloud Information Integration Corp.	Associate
Concord Medical Co., Ltd	Associate
QS Control Corp. Taichung Branch	Associate
Parter Tech Asia Pacific Corporation	Associate
Alpha Networks Inc.	Associate
Data Image Corporation	Associate
Alpha Networks Vietnam Company Ltd.	Associate
ACE Energy Co., Ltd.	Associate

Simula Technology Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Related parties	Relationship
Qisda Electronics (Suzhou) Co., Ltd	Associate
Golden Spirit Co., Ltd	Associate
Unictron Technologies Corporation	Associate

(2) Significant transactions with related parties

A. Sales

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2025	2024	2025	2024
	Parent company	\$14,735	\$30,191	\$114,312
Associate	4,668	5,896	10,403	9,234
Total	<u>\$19,403</u>	<u>\$36,087</u>	<u>\$124,715</u>	<u>\$79,306</u>

The Group's sales to related parties are mainly merchandises, and because there are fewer cases of selling the same goods to non-related parties, the transaction prices cannot be compared.

The collection term is 30 to 120 days from the end of delivery month.

B. Purchases

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2025	2024	2025	2024
	Parent company	\$-	\$-	\$-
Associate	28	261	10,658	282
Total	<u>\$28</u>	<u>\$261</u>	<u>\$10,658</u>	<u>\$874</u>

The Group's purchases from related parties are mainly merchandises, and because there are fewer cases of purchasing the same goods from non-related parties, the transaction prices cannot be compared.

Simula Technology Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The payment term is 30 to 60 days from the end of delivery month.

C. Accounts receivable - related parties

	As of		
	June 30, 2025	December 31, 2024	June 30, 2024
Parent company	\$8,674	\$96,532	\$14,164
Associate	5,316	5,438	8,102
Total	\$13,990	\$101,970	\$22,266

D. Other receivables - related parties

	As of		
	June 30, 2025	December 31, 2024	June 30, 2024
Associate	\$-	\$51	\$51

E. Prepayment

	As of		
	June 30, 2025	December 31, 2024	June 30, 2024
Associate	\$172	\$112	\$-

F. Prepayment for equipment

	As of		
	June 30, 2025	December 31, 2024	June 30, 2024
Associate	\$4,481	\$1,089	\$-

Simula Technology Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

G. Accounts payable - related parties

	As of		
	June 30, 2025	December 31, 2024	June 30, 2024
Associate	\$28	\$35,138	\$6

H. Other payables - related parties

	As of		
	June 30, 2025	December 31, 2024	June 30, 2024
Parent company	\$679	\$616	\$604
Associate	13,923	6,859	5,813
Total	\$14,602	\$7,475	\$6,417

I. Cost of good sold and operating expenses

	Account	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
		2025	2024	2025	2024
Associate	Other expense	\$22	\$215	\$220	\$758
Associate	Processing fee	7,548	4,410	11,956	8,681
Parent company and associate	Other	404	371	700	203
Total		\$7,974	\$4,996	\$12,876	\$9,642

Simula Technology Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

J. The Company leased factory from related parties for the six-month periods ended June 30, 2025 and 2024 was as follow:

(a) Rent expense

	Object	Rental Period	Total Rent	Monthly rent and Payment
<u>2025.1.1-2025.6.30</u>				
Other related party	Xizhi Office	2025.1.1~ 2025.12.31	NT\$1,200	NT\$200 thousand per month and to be paid each month.
<u>2024.1.1-2024.6.30</u>				
Other related party	Xizhi Office	2024.1.1~ 2024.12.31	NT\$1,200	NT\$200 thousand per month and to be paid each month.

K. Other income

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2025	2024	2025	2024
Parent company	\$-	\$4	\$-	\$4
Associate	-	1,061	627	1,061
Total	\$-	\$1,065	\$627	\$1,065

L. Purchase of property, plant, and equipment

	For the six-month periods ended June 30,	
	2025	2024
Associate	\$-	\$893

Simula Technology Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

M. Salaries and rewards to key management of the Company

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2025	2024	2025	2024
Short-term employee benefits	\$6,563	\$7,837	\$13,108	\$17,082
Post-employee benefits	279	279	559	559
Termination benefits	-	3,365	-	3,365
Total	<u>\$6,842</u>	<u>\$11,481</u>	<u>\$13,667</u>	<u>\$21,006</u>

8. ASSETS PLEDGED AS COLLATERAL

The following table lists assets of the Group pledged as collateral:

Item	Carrying Amount as of			Secured liabilities
	June 30, 2025	December 31, 2024	June 30, 2024	
Financial assets measured at amortized cost	<u>\$4,547</u>	<u>\$4,992</u>	<u>\$4,960</u>	Deposit of forward currency contract

9. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED CONTRACT COMMITMENTS

None.

10. LOSSES DUE TO MAJOR DISASTERS

None.

11. SIGNIFICANT SUBSEQUENT EVENTS

None.

Simula Technology Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

12. OTHERS

(1) Categories of financial instruments

Financial assets

	As of		
	June 30, 2025	December 31, 2024	June 30, 2024
Financial assets at fair value through profit or loss:			
Mandatorily measured at fair value through P/L	\$14,447	\$-	\$32
Financial assets at fair value through OCI	1,447	1,447	3,858
Financial assets measured at amortized cost (Note)	983,051	1,153,065	1,056,865
Total	<u>\$998,945</u>	<u>\$1,154,512</u>	<u>\$1,060,755</u>

Financial liabilities

	As of		
	June 30, 2025	December 31, 2024	June 30, 2024
Financial liabilities measured at amortized cost:			
Short-term loans	\$30,000	\$30,000	\$20,000
Payables (including related parties)	424,981	622,411	473,827
Long-term loans (including current portion with maturity less than 1 year)	50,000	70,000	90,000
Lease liabilities	49,038	60,199	72,970
Financial liabilities at fair value through profit or loss:			
Mandatorily measured at fair value through P/L	649	3,732	2,132
Total	<u>\$554,668</u>	<u>\$786,342</u>	<u>\$658,929</u>

Note: Including cash and cash equivalents, financial assets measured at amortized cost, accounts receivable (including related parties), other receivables (including related parties) and refundable deposits.

(2) Financial risk management objectives and policies

The Group's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Group identifies, measures, and manages the aforementioned risks based on its policy and risk appetite.

The Group has established appropriate policies, procedures, and internal controls for financial risk management. Before entering significant transactions, due approval process by the Board of Directors and Audit Committee must be carried out based on related protocols and internal control procedures. The Group always complies with its financial risk management policies.

(3) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market risk comprises currency risk and interest rate risk (e.g., equity instruments).

In practice, it is rarely the case that a single risk variable will change independently from other risk variables. There are usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign currency risk

The Group's exposure to foreign currency risk relates primarily to the Group's operating activities (when revenue or expense are denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign operations.

The Group has certain foreign currency receivables denominated in the same foreign currency as certain foreign currency payables, therefore natural hedge is achieved. Therefore, hedge accounting is not adopted. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Group.

The foreign currency sensitivity analysis of possible change in foreign exchange rates on the Group's profit/loss and equity is performed on significant monetary items denominated in foreign currencies as of the reporting period-end. The Group's foreign currency risk is mainly related to volatility in the exchange rates of US dollars and CNY dollars. The information of the sensitivity analyses is as follows:

If NT dollars appreciates/depreciates against US dollars by 1%, net income (loss) for the six-month periods ended June 30, 2025 and 2024 would decrease/increase by NT\$3,356 thousand and NT\$2,734 thousand, respectively.

If NT dollars appreciates/depreciates against CNY dollars by 1%, net income (loss) for the six-month periods ended June 30, 2025 and 2024 would increase/decrease by NT\$1,404 thousand and NT\$1,928 thousand, respectively.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk relates primarily to the Group's investments with variable interest rates and loans with fixed and variable interest rates, which are all categorized as loans and receivables.

The Group manages its interest rate risk by having a balanced portfolio of fixed and variable loans and borrowings and entering interest rate swaps. Hedge accounting does not apply to these swaps as they do not qualify for it.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as of the end of the reporting period and presumed to be held for one accounting year, including investments and bank borrowings with variable interest rates. If interest rate increases/decreases by 1%, the net income (loss) for the six-month periods ended June 30, 2025 and 2024 would increase/decrease by NT\$252 thousand and by NT\$282 thousand, respectively.

Equity price risk

The fair value of the Group's unlisted equity securities is susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group's unlisted equity securities are classified under financial assets measured at fair value through other comprehensive income. The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Board of Directors reviews and approves all equity investment decisions.

Please refer to Note 12(9) for sensitivity analysis information of other equity instruments or derivatives that are linked to such equity instruments whose fair value measurement is categorized under Level 3.

(4) Credit risk management

Credit risk is the risk that counterparty will not meet its obligations under a contract and result in a financial loss. The Group is exposed to credit risk from operating activities (primarily for accounts and notes receivable) and from its financing activities, including bank deposits and other financial instruments.

Credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to credit risk management. Credit risk of all customers are assessed based on a comprehensive review of the customers' financial status, credit ratings from credit institutions, past transactions, current economic conditions, and the Group's internal credit ratings. The Group also employs some credit enhancement instruments (e.g., prepayment or insurance) to reduce certain customers' credit risk.

As of June 30, 2025, December 31, 2024 and June 30, 2024, receivables from the top ten customers were accounted for 75.67%, 77.29% and 83.11% of the Group's total accounts receivable, respectively. The concentration of credit risk is relatively insignificant for the remaining receivables.

Simula Technology Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Credit risk from balances with banks and other financial instruments is managed by the Group's finance division in accordance with the Group's policy. The counterparties that the Group transacts with are determined by internal control procedures. They are banks with fine credit ratings and financial institutions, corporate and government agencies with investment-grade credit ratings. Thus, there is no significant default risk. Conclusively, no significant credit risk is expected by the Group.

(5) Liquidity risk management

The Group maintains financial flexibility through the use of cash and cash equivalents, highly liquid marketable securities, bank loans, etc. The table below summarizes the maturity profile of the Group's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted interest payment relating to borrowings with variable interest rates is extrapolated based on the estimated yield curve as of the end of the reporting period.

Non-derivative financial instruments

	Less than 1 year	1 to 2 years	2 to 3 years	More than 3 years	Total
<u>As of June 30, 2025</u>					
Short-term loans	\$30,017	\$-	\$-	\$-	\$30,017
Payables (including related parties)	424,981	-	-	-	424,981
Lease liabilities	26,018	19,948	2,290	2,240	50,496
Long-term loans (including current portion with maturity less than 1 year)	40,544	10,003	-	-	50,547

Simula Technology Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	Less than 1 year	1 to 2 years	2 to 3 years	More than 3 years	Total
<u>As of December 31, 2024</u>					
Short-term loans	\$30,012	\$-	\$-	\$-	\$30,012
Payables (including related parties)	622,411	-	-	-	622,411
Lease liabilities	26,121	24,958	8,420	2,594	62,093
Long-term loans (including current portion with maturity less than 1 year)	40,966	30,166	-	-	71,132
<u>As of June 30, 2024</u>					
Short-term loans	\$20,032	\$-	\$-	\$-	\$20,032
Payables (including related parties)	473,827	-	-	-	473,827
Lease liabilities	26,812	25,505	20,526	2,712	75,555
Long-term loans (including current portion with maturity less than 1 year)	41,395	40,544	10,003	-	91,942

Simula Technology Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(6) Movement schedule of liabilities arising from financing activities

Movement schedule of liabilities for the six-month period ended June 30, 2025:

	Short-term loans	Long-term loans	Leases liabilities	Total liabilities from financing activities
As of January 1, 2025	\$30,000	\$70,000	\$60,199	\$160,199
Cash flows	-	(20,000)	(14,031)	(34,031)
Non-cash changes	-	-	2,870	2,870
As of June 30, 2025	\$30,000	\$50,000	\$49,038	\$129,038

Movement schedule of liabilities for the six-month period ended June 30, 2024:

	Short-term loans	Long-term loans	Leases liabilities	Total liabilities from financing activities
As of January 1, 2024	\$-	\$110,000	\$13,423	\$123,423
Cash flows	20,000	(20,000)	(12,154)	(12,154)
Non-cash changes	-	-	71,701	71,701
As of June 30, 2024	\$20,000	\$90,000	\$72,970	\$182,970

(7) Fair values of financial instruments

A. The evaluation methods and assumptions applied in determining the fair value

Fair value is the price that would be received to sell a financial asset or paid to transfer a financial liability in an orderly transaction between willing market participants (not under coercion or liquidation). The following methods and assumptions are used by the Group in estimating the fair values of financial assets and liabilities:

- a. The carrying amount of cash and cash equivalents, receivables, payables, and other current liabilities approximate their fair value due to their short maturity terms.

- b. Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).

- c. Fair value of debt instruments without market quotations, bank loans, bonds payable and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the Taiwan Over-The-Counter Securities Exchanges, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)

B. Fair value of financial instruments measured at amortized cost

The carrying amount of the Group's financial assets and liabilities measure at amortized cost approximates their fair value.

C. Fair value measurement hierarchy for financial instruments

Please refer to Note 12(9) for fair value measurement hierarchy for financial instruments of the Group.

(8) Derivative financial instrument

The Group's derivative financial instruments include forward currency contracts and embedded derivatives. The related information for derivative financial instruments not qualified for hedge accounting and not yet settled as of June 30, 2025, December 31, 2024 and June 30, 2024 is as follows:

Forward currency contracts

The Group entered forward currency contracts to manage its exposure to financial risk, but these contracts are not designated as hedging instruments. The table below lists the information related to forward currency contracts:

Items (by contract)	Notional Amount (in Thousands)	Contract Period
As of June 30, 2025		
Forward currency contract	Sell USD 9,517	2025.3.17~2025.10.20
As of December 31, 2024		
Forward currency contract	Sell USD 7,143	2024.9.26~2025.4.2
As of June 30, 2024		
Forward currency contract	Sell USD 6,406	2024.2.20~2024.9.30
Forward currency contract	Buy USD 400	2024.5.30~2024.8.16

(9) Fair value measurement hierarchy

A. Fair value measurement hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement. Level 1, 2 and 3 inputs are described as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date

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Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – Unobservable inputs for the asset or liability

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

B. Fair value measurement hierarchy of the Group’s assets and liabilities

The Group does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Group’s assets and liabilities measured at fair value on a recurring basis is as follows:

As of June 30, 2025

	Level 1	Level 2	Level 3	Total
<u>Financial assets:</u>				
Financial assets at fair value through profit or loss				
Forward currency contract	\$-	\$14,447	\$-	\$14,447
Financial assets at fair value through OCI	\$-	\$-	\$1,447	\$1,447
<u>Financial liabilities:</u>				
Financial liabilities at fair value through profit or loss				
Forward currency contract	\$-	\$649	\$-	\$649

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Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

As of December 31, 2024

	Level 1	Level 2	Level 3	Total
<u>Financial assets:</u>				
Financial assets at fair value through profit or loss				
Forward currency contract	\$-	\$-	\$-	\$-
Financial assets at fair value through OCI	\$-	\$-	\$1,447	\$1,447
<u>Financial liabilities:</u>				
Financial liabilities at fair value through profit or loss				
Forward currency contract	\$-	\$3,732	\$-	\$3,732

As of June 30, 2024

	Level 1	Level 2	Level 3	Total
<u>Financial assets:</u>				
Financial assets at fair value through profit or loss				
Forward currency contract	\$-	\$32	\$-	\$32
Financial assets at fair value through OCI	\$-	\$-	\$3,858	\$3,858
<u>Financial liabilities:</u>				
Financial liabilities at fair value through profit or loss				
Forward currency contract	\$-	\$2,132	\$-	\$2,132

Reconciliation for fair value measurements on a recurring basis in Level 3 hierarchy

For the six-month periods ended June 30, 2025 and 2024, there were no transfers in Level 3 hierarchy.

Simula Technology Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Information on significant unobservable inputs to valuation in Level 3 hierarchy

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

As of June 30, 2025

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets: At fair value through OCI					
Stock	Market approach	Discount for lack of marketability	30%	The higher the discount for lack of marketability, the lower the fair value of the stocks	1% increase (decrease) in the discount for lack of marketability would result in decrease (increase) in the Group's equity by NT\$14 thousand

As of December 31, 2024

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets: At fair value through OCI					
Stock	Market approach	Discount for lack of marketability	30%	The higher the discount for lack of marketability, the lower the fair value of the stocks	1% increase (decrease) in the discount for lack of marketability would result in decrease (increase) in the Group's equity by NT\$14 thousand

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Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

As of June 30, 2024

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
At fair value through OCI					
Stock	Market approach	Discount for lack of marketability	30%	The higher the discount for lack of marketability, the lower the fair value of the stocks	1% increase (decrease) in the discount for lack of marketability would result in decrease (increase) in the Group's equity by NT\$19 thousand

(10) Significant financial assets and liabilities denominated in foreign currencies

Information regarding the significant financial assets and liabilities denominated in foreign currencies was listed below. (In Thousands)

	As of		
	June 30, 2025		
	Foreign Currencies	Exchange Rate	NTD
<u>Financial assets</u>			
Monetary items:			
USD	\$15,860	29.30	\$464,686
CNY	\$7,729	4.0891	\$31,603
<u>Financial liabilities</u>			
Monetary items:			
USD	\$4,350	29.30	\$127,449
CNY	\$42,228	4.0891	\$172,675

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Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	As of		
	December 31, 2024		
	Foreign Currencies	Exchange Rate	NTD
<u>Financial assets</u>			
Monetary items:			
USD	\$17,144	32.785	\$562,078
CNY	\$9,678	4.4915	\$43,471
<u>Financial liabilities</u>			
Monetary items:			
USD	\$8,104	32.774	\$265,601
CNY	\$45,662	4.4915	\$205,092
	As of		
	June 30, 2024		
	Foreign Currencies	Exchange Rate	NTD
<u>Financial assets</u>			
Monetary items:			
USD	\$12,731	32.45	\$413,112
CNY	\$6,994	4.4658	\$31,232
<u>Financial liabilities</u>			
Monetary items:			
USD	\$4,264	32.45	\$138,358
CNY	\$50,387	4.4658	\$225,020

Simula Technology Inc. and Subsidiaries

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(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Foreign exchange gain/loss on monetary financial assets and liabilities is shown as below.

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2025	2024	2025	2024
USD	\$(25,851)	\$(3,742)	\$(27,889)	\$7,415
Other	(551)	(136)	(440)	(5)
Total	<u>\$(26,402)</u>	<u>\$(3,878)</u>	<u>\$(28,329)</u>	<u>\$7,410</u>

The above information is disclosed based on the carrying amount of foreign currency (after being converted to functional currency).

(11) Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios to support its business and maximize shareholder value. The Group manages and adjusts its capital structure in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

13. ADDITIONAL DISCLOSURES

(1) Information on significant transactions

- A. Financing provided to others: None.
- B. Endorsement/Guarantee provided to others: None.
- C. Marketable securities held as of June 30, 2025 (excluding investments in subsidiaries, associates and joint ventures): Please refer to attachment 1.
- D. Individual securities acquired or disposed of with accumulated amount of at least NT\$ 100 million or 20 percent of the paid-in capital for the six-month period ended June 30, 2025: None.

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Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

- E. Receivables from related parties of at least NT\$100 million or 20 percent of the paid-in capital as of June 30, 2025: None.
- F. Inter Group relationships and significant inter Group transactions for the six-month period ended June 30, 2025: Please refer to attachment 5.

(2) Information on investees

- A. Names, Locations and Related Information of Investees (excluding investees in Mainland China): Please refer to attachment 3.
- B. Investees over which the Group exercises control shall be disclosed of information:
 - a. Financing provided to others: None.
 - b. Endorsement/Guarantee provided to others: None.
 - c. Marketable securities held as of June 30, 2025 (excluding investments in subsidiaries, associates, and joint ventures): None
 - d. Related party transactions with purchase or sales amount of at least NT\$100 million or 20 percent of the paid-in capital for the six-month period ended June 30, 2025: Please refer to attachment 4.
 - e. Receivables from related parties of at least NT\$100 million or 20 percent of the paid-in capital as of June 30, 2025: None.

Simula Technology Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(3) Information on investments in Mainland China:

A. Name of investee in China, main business, paid-in capital, method of investment, investment flows, percentage of ownership, investment gain or loss, carrying amount at the end of reporting period, inward remittance of earning or loss and the upper limit on investment in China:

(In Thousands of New Taiwan Dollars)

Name of Investee in China	Main Business	Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2025	Investment Flows		Accumulated Outflow of Investment from Taiwan as of June 30, 2025	Profit/Loss of Investee	Percentage of Ownership (Direct or Indirect Investment)	Share of Profit/Loss	Carrying Amount as of June 30, 2025	Accumulated Inward Remittance of Earnings as of June 30, 2025	Accumulated Outflow of Investment from Taiwan to Mainland China as of June 30, 2025	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment in China by Investment Commission, MOEA
					Outflow	Inflow									
Simula Technology (ShenZhen) Co., LTD.	Manufacture of electronic connector, socket and plastic hardware	\$191,437 (Note 3)	Note 1	\$141,375	\$-	\$-	\$141,375	\$(13,298) (Note 3)	100%	\$(13,298) (Note 2) (Note 4)	\$73,894 (Note 3) (Note 4)	\$-	\$247,212	\$297,274	\$1,111,665

Simula Technology Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Note 1: Indirect investment in Mainland China is through a holding company established in a third country.

Note 2: Investment income or loss was recognized based on the reviewed financial statements by the auditors.

Note 3: The amount of this attachment are expressed in New Taiwan Dollars.

Note 4: Transactions are eliminated upon preparation of consolidated financial statement.

Simula Technology Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

- B. Purchase and balances of related accounts payable as of June 30, 2025: Please refer to attachment 5.
- C. Sale and balance of related accounts receivable as of June 30, 2025: Please refer to attachment 5.
- D. Property transaction amounts and resulting gain or loss: None.
- E. Ending balance of endorsements/guarantees or collateral provided and the purposes: None.
- F. Maximum balance, ending balance, interest rate range and total interest for current period from financing provided to others: None.
- G. Transactions that have significant impact on profit or loss of current period or the financial position, such as services provided or rendered: Please refer to attachment 5.
- H. The above transactions between the Company are eliminated upon preparation of consolidated financial statements. Please refer to attachment 5.

14. SEGMENT INFORMATION

The major sales of the Group come from sales of connectors (wires) and other electronic products. The Group is aggregated into a single segment. The Group's operating segments adopts the same accounting policies as the ones in Note 4.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Simula Technology Inc. and Subsidiaries

Marketable Securities Held (Excluding Investments in Subsidiaries, Associates and Joint Ventures)

As of June 30, 2025

Attachment 1

(In Thousands of New Taiwan Dollars)

Name of Held Company	Type and Name of Marketable Securities	Relationship with the Issuer	Financial Statement Account	As of June 30,2025				Guarantee, Pledge or Other Restricted Conditions		
				Shares (Unit)	Carrying Amount	%	Fair Value	Shares	Carrying Amount	Note
Simula Technology Inc.	Stocks: Taiwan Competition Co., LTD.	-	Financial assets at fair value through OCI	500,000	1,447	16.67%	1,447	-	\$-	-
			Total		<u>\$1,447</u>	<u>\$1,447</u>				

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Simula Technology Inc.

Related Party Transactions with Purchase or Sales Amount of At least NT\$ 100 Million or 20% of the Paid-in Capital

For the six-month period ended June 30, 2025

Attachment 2

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details			Abnormal Transaction		Notes/ Accounts Payable or Receivable		Note	
			Purchase/ Sale	Amount	% to Total	Payment/ Collection Term	Unit Price	Payment/ Collection Term	Ending Balance		% to Total
Simula Technology Inc.	Simula Technology (ShenZhen) Co., LTD.	Subsidiary	Purchase	\$263,162	83.85%	Payment within 60 days from the end of delivery month	Specs of goods purchased are different from others. Cannot be reasonably compared.	Other vendors also enjoy payment within 30~120 days from the end of delivery month	\$(60,002)	59.97%	Note

Note: Transactions are eliminated when preparing the consolidated financial statements.

Simula Technology Inc. and Subsidiaries

Investees over Whom the Company Exercise Significant Influence or Control Directly or Indirectly (Excluding Investees in Mainland China)

As of June 30, 2025

Attachment 3

(In Thousands of New Taiwan Dollars)

Investor	Investee	Business Location	Main Business and Product	Original Investment Amount		Balance as of June 30, 2025 (Note 3)			Net Income (Loss) of the Investee	Share of Income (Loss) of the Investee (Note 3)	Note
				As of June 30, 2025	As of December 31, 2024	Shares	%	Carrying Value			
Simula Technology Inc.	Stocks: ASPIRE ASIA INC.	British Virgin Islands	Holding company	\$276,221	\$276,221	9,072,560	100%	\$71,624	\$(7,231)	\$(9,019) Note 1	Subsidiary
Simula Technology Inc.	Simula Technology Corp.	USA	Selling in Northern America	\$15,699	\$15,699	500,000	100%	\$49,673	\$1,922	\$1,922	Subsidiary
Simula Technology Inc.	Simula Company Limited	Hong Kong	Holding company	\$187,625	\$187,625	50,500,000	52.31%	\$80,626	\$(15,125)	\$(7,912)	Subsidiary
Simula Technology Inc.	Action Star Technology Co., Ltd.	Taiwan	R&D & development manufacture and sale of USB docking station product	\$983,858	\$983,858	32,000,571	59.35%	\$847,173	\$(20,637)	\$(26,614) Note 2	Subsidiary
ASPIRE ASIA INC.	Simula Company Limited	Hong Kong	Holding company	\$181,726	\$181,726	46,033,370	47.69%	\$73,495	\$(15,125)	\$(7,213)	Subsidiary

Note 1: Including investment loss recognized under equity method amounted to NT\$(7,231) thousand, unrealized profit on transaction between subsidiaries amounted to NT\$(1,655) thousand, realized loss on transaction between subsidiaries amounted to NT\$(257) thousand and realized gain on disposal of fixed assets from upstream transaction between subsidiaries amounted to NT\$124 thousand.

Note 2: Including investment loss recognized under equity method amounted to NT\$(12,247) thousand, and the amortization of differences between the investment cost and the entity's share of the net value to NT\$(14,367) thousand.

Note 3: Transactions are eliminated when preparing the consolidated financial statements.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Simula Technology Inc.

Related Party Transactions with Purchase or Sales Amount of At least NT\$ 100 Million or 20% of the Paid-in Capital

For the six-month period ended June 30, 2025

Attachment 4

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details			Abnormal Transaction		Notes/ Accounts Payable or Receivable		Note	
			Purchase/ Sale	Amount	% to Total	Payment/ Collection Term	Unit Price	Payment/ Collection Term	Ending Balance		% to Total
Simula Technology (ShenZhen) Co., LTD.	Simula Technology Inc.	Parent company	Sales	\$264,713	88.91%	Payment within 60 days from the end of delivery month	Similar to those to third party customers.	Non relative parties are 30~120 days monthly closing.	\$60,152	81.18%	Note
Action Star Technology Co., Ltd.	Qisda Corporation	Associate	Sales	\$114,312	25.93%	Payment within 60 days from the end of delivery month	The same or similar products are not sold to third party customers.	Non relative parties are 30~90 days on board date.	\$8,674	4.83%	

Note: Transactions are eliminated when preparing the consolidated financial statements.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Simula Technology Inc. and Subsidiaries

Intercompany Relationships and Significant Intercompany Transactions for the six-month Period Ended June 30, 2025

Attachment 5

(In Thousands of CNY Dollars / New Taiwan Dollars)

No. (Note 1)	Company Name	Counter-Party	Nature of Relationship (Note 2)	Intercompany Transaction			Percentage to Consolidated Net Revenue or Total Assets (Note 3)
				Financial Statement Account	Amount	Terms	
	<u>2024.01.01~2024.06.30</u>						
0	Simula Technology Inc.	Simula Technology Corp.	1	Other payables	\$453	On demand	0.02%
0	Simula Technology Inc.	Simula Technology Corp.	1	Other receivables	425	60 days after monthly closing	0.05%
0	Simula Technology Inc.	Simula Technology Corp.	1	Promotion expense	5,182	On demand	0.59%
0	Simula Technology Inc.	Simula Technology Corp.	1	Accounts receivable	26,394	60 days after monthly closing	1.08%
0	Simula Technology Inc.	Simula Technology Corp.	1	Sales	91,879	60 days after monthly closing	10.45%
0	Simula Technology Inc.	Action Star Technology Co., Ltd.	1	Sales	211	60 days after monthly closing	0.02%
0	Simula Technology Inc.	Action Star Technology Co., Ltd.	1	Manufacturing overhead	3,608	60 days after monthly closing	0.41%
0	Simula Technology Inc.	Action Star Technology Co., Ltd.	1	Utilities	90	On demand	0.01%
0	Simula Technology Inc.	Action Star Technology Co., Ltd.	1	Miscellaneous	22	60 days after monthly closing	-
0	Simula Technology Inc.	Action Star Technology Co., Ltd.	1	Other expense	3,930	On demand	0.45%
0	Simula Technology Inc.	Action Star Technology Co., Ltd.	1	Other payables	3,465	60 days after monthly closing	0.14%
0	Simula Technology Inc.	Action Star Technology Co., Ltd.	1	Accounts receivable	143	60 days after monthly closing	0.01%
0	Simula Technology Inc.	Simula Technology (ShenZhen) Co., LTD.	1	Purchase	259,762	60 days after monthly closing	29.56%
0	Simula Technology Inc.	Simula Technology (ShenZhen) Co., LTD.	1	Purchase-others	4,764	60 days after monthly closing	0.54%
0	Simula Technology Inc.	Simula Technology (ShenZhen) Co., LTD.	1	Purchase-return	1,364	60 days after monthly closing	0.16%
0	Simula Technology Inc.	Simula Technology (ShenZhen) Co., LTD.	1	Miscellaneous	120	60 days after monthly closing	0.01%
0	Simula Technology Inc.	Simula Technology (ShenZhen) Co., LTD.	1	Other expense	67	60 days after monthly closing	0.01%
0	Simula Technology Inc.	Simula Technology (ShenZhen) Co., LTD.	1	Technical service income	5,847	60 days after monthly closing	0.67%
0	Simula Technology Inc.	Simula Technology (ShenZhen) Co., LTD.	1	Other payables	150	60 days after monthly closing	0.01%
0	Simula Technology Inc.	Simula Technology (ShenZhen) Co., LTD.	1	Other receivables	15,497	60 days after monthly closing	0.64%
0	Simula Technology Inc.	Simula Technology (ShenZhen) Co., LTD.	1	Accounts payable	60,002	60 days after monthly closing	2.46%
1	Simula Technology (ShenZhen) Co., LTD.	Simula Technology Corp.	3	Accounts receivable	RMB 14	60 days after monthly closing	-
1	Simula Technology (ShenZhen) Co., LTD.	Simula Technology Corp.	3	Sales	RMB 1,675	60 days after monthly closing	0.84%
1	Simula Technology (ShenZhen) Co., LTD.	Simula Company Limited	2	Accounts payable	RMB 4,362	60 days after monthly closing	0.73%
1	Simula Technology (ShenZhen) Co., LTD.	Simula Company Limited	2	Other receivables	RMB 612	60 days after monthly closing	0.10%

Note 1: Transaction information between Parent company and its subsidiaries should be disclosed by codes below:

- (1) Parent company is coded "0".
- (2) The subsidiaries are coded from "1" in the order presented in the table above.

Note 2: Relationship are divided into the following three types and the types are required to be indicated:

- (1) From the parent company to a subsidiary.
- (2) From a subsidiary to the parent company.
- (3) Between subsidiaries.

Note 3: Regarding the percentage of transaction amount to consolidated operating revenues or total assets, it is computed based on the ending balance to consolidated total assets for balance sheet items; and based on interim accumulated amount to consolidated net revenue for income statement items.