

English Translation of Financial Statements and a Report Originally Issued in Chinese

Ticker: 3511

**SIMULA TECHNOLOGY INC.
PARENT-COMPANY-ONLY FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT
AS OF DECEMBER 31, 2022 AND 2021
AND FOR THE YEARS 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.

English Translation of Financial Statements and a Report Originally Issued in Chinese
Parent-company-only financial statements
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English Translation of an Audit Report Originally Issued in Chinese
INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying parent-company-only balance sheets of Simula Technology Inc. (the "Company") as of December 31, 2022 and 2021, and the related parent-company-only statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the parent-company-only financial statements, including the summary of significant accounting policies (together referred as "the parent-company-only financial statements").

In our opinion, the parent-company-only financial statements referred to above present fairly, in all material respects, the parent-company-only financial position of the Company as of December 31, 2022 and 2021, and the parent-company-only financial performance and cash flows for the years then ended, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of the most significance in our audit of parent-company-only financial statements for the year ended December 31, 2022.

These matters were addressed in the context of our audit of the parent-company-only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

We determine that revenue recognition is one of the key audit matters. The Company's revenue amounting to NT\$1,122,031 thousand for the year ended December 31, 2022 is a significant account to the Company's financial statements. The Company has conducted these sale activities in multi-marketplace, including Taiwan, China, USA, etc. Furthermore, the timing of fulfilling performance obligation needs to be determined based on varieties of sale terms and conditions enacted in the main sale contracts or sale orders. Our audit procedures therefore include, but not limit to, evaluating the properness of accounting policy for revenue recognition, assessing and testing the effectiveness of relevant internal controls related to revenue recognition, sampling-test of details, including obtaining major sale orders or agreements to inspect the terms and conditions, checking the consistency of the fulfillment timing, performing analytical review procedures on monthly sale revenues, executing sale cut-off tests, etc. We have also evaluated the appropriateness of the related disclosure in Note 6 to the parent-company-only financial statements.

Market valuation on inventory (including inventories of the subsidiaries under the equity method)

We determine the market valuation on inventory including inventories of the subsidiaries under the equity method is one of the key audit matters in considering that the amount of inventory was significant and the assessment of sufficiency of inventory loss requires significant management judgement. The Company's main products, are characterized by rapid development in technology and the trend of consumers' preference. Management, in timely considering the status of new products development and the demand from clients, has to evaluate the loss due to market value decline as well as write-down on slow-moving inventories to their net realizable value. Our audit procedures therefore include, but not limit to, evaluating the Company's policy with respect to the assessment of the loss from slow-moving inventory and phased-out items, testing the accuracy of inventory aging schedule, analyzing inventory movement, performing observation on the Company's inventory physical-taking, and inspecting the current status of inventory usage, etc.

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

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

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

Those charged with governance, including audit committee, are responsible for overseeing the financial reporting process of the Company.

Auditor's Responsibilities for the Audit of the Parent-Company-Only Financial Statements

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2022 parent-company-only financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

/s/Chen, Kuo-Shuai

/s/Hong, Mao-Yi

Ernst & Young
February 21, 2023
Taipei, Taiwan,
Republic of China

Notice to Readers

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

Accordingly, the accompanying parent-company-only 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 Parent-Company-Only Financial Statements Originally Issued in Chinese

Simula Technology Inc.

Parent-Company-Only Balance Sheets

As of December 31, 2022 and 2021

(Amounts Expressed in Thousands of New Taiwan Dollars)

Assets			2022.12.31		2021.12.31	
Code	Accounts	Notes	Amount	%	Amount	%
	Current assets					
1100	Cash and cash equivalents	4, 6(1)	\$244,890	11.68	\$242,773	11.25
1110	Financial assets at fair value through profit or loss	4, 6(2)	2,361	0.11	512	0.02
1170	Accounts receivable, net	4, 6(3), 6(16)	166,364	7.93	311,911	14.46
1180	Accounts receivable - related parties, net	4, 6(3), 6(16), 7	1,344	0.07	13,631	0.63
1200	Other receivables		1,048	0.05	1,517	0.07
1210	Other receivables - related parties	7	36,070	1.72	47,008	2.18
130x	Inventories	4, 6(4)	24,835	1.18	18,202	0.84
1410	Prepayments		3,619	0.17	7,033	0.33
1470	Other current assets		105	0.01	391	0.02
11XX	Total current assets		<u>480,636</u>	<u>22.92</u>	<u>642,978</u>	<u>29.80</u>
	Non-current assets					
1517	Financial assets at fair value through OCI	4, 6(5)	3,858	0.18	4,880	0.23
1550	Investment accounted for under equity method	4, 6(6)	1,456,740	69.46	1,341,607	62.19
1600	Property, plant and equipment, net	4, 6(7), 7	142,588	6.80	153,394	7.11
1755	Right-of-use assets	4, 6(17), 7	216	0.01	5,173	0.24
1780	Intangible assets	4, 6(8)	2,054	0.10	2,557	0.12
1840	Deferred income tax assets	4, 6(21)	2,813	0.13	4,229	0.19
1915	Prepayment for equipment	7	8,195	0.39	1,300	0.06
1920	Refundable deposits		137	0.01	1,273	0.06
15XX	Total non-current assets		<u>1,616,601</u>	<u>77.08</u>	<u>1,514,413</u>	<u>70.20</u>
1XXX	Total Assets		<u>\$2,097,237</u>	<u>100.00</u>	<u>\$2,157,391</u>	<u>100.00</u>

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

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Simula Technology Inc.

Parent-Company-Only Balance Sheets (Continued)

As of December 31, 2022 and 2021

(Amounts Expressed in Thousands of New Taiwan Dollars)

Liabilities and Equity			2022.12.31		2021.12.31	
Code	Accounts	Notes	Amount	%	Amount	%
	Current liabilities					
2100	Short-term loans	6(9)	\$-	-	\$106,880	4.95
2120	Financial liabilities at fair value through profit or loss	4, 6(10)	102	-	28	-
2130	Contract liability	4, 6(15)	2,139	0.10	10,071	0.47
2170	Accounts payable		10,989	0.53	36,797	1.71
2180	Accounts payable - related parties	7	55,578	2.65	88,538	4.10
2200	Other payables	6(11)	90,811	4.33	101,844	4.72
2220	Other payables - related parties	7	2,099	0.10	3,651	0.17
2230	Current income tax liabilities	4, 6(21)	21,535	1.03	26,794	1.24
2281	Lease liabilities	4, 6(17)	227	0.01	2,739	0.13
2282	Lease liabilities - related parties	4, 6(17), 7	-	-	2,280	0.11
2320	Long-term liabilities, current portion	6(12)	40,000	1.91	40,000	1.85
2399	Other current liabilities		898	0.04	882	0.04
21XX	Total current liabilities		<u>224,378</u>	<u>10.70</u>	<u>420,504</u>	<u>19.49</u>
	Non-current liabilities					
2540	Long-term loans	6(12)	110,000	5.24	150,000	6.95
2570	Deferred income tax liabilities	4, 6(21)	452	0.02	97	-
2581	Lease liabilities	4, 6(17)	-	-	345	0.02
2640	Net defined benefit liability	4, 6(13)	2,938	0.15	10,020	0.47
25XX	Total non-current liabilities		<u>113,390</u>	<u>5.41</u>	<u>160,462</u>	<u>7.44</u>
2XXX	Total liabilities		<u>337,768</u>	<u>16.11</u>	<u>580,966</u>	<u>26.93</u>
31xx	Equity					
3100	Capital	6(14)				
3110	Common stock		<u>799,729</u>	<u>38.13</u>	<u>799,729</u>	<u>37.07</u>
3200	Capital surplus	6(14)	<u>551,718</u>	<u>26.30</u>	<u>551,718</u>	<u>25.57</u>
3300	Retained earnings	6(14)				
3310	Legal reserve		93,144	4.44	82,080	3.81
3320	Special reserve		27,425	1.31	26,375	1.22
3350	Unappropriated earnings		297,334	14.18	143,948	6.67
	Total retained earnings		<u>417,903</u>	<u>19.93</u>	<u>252,403</u>	<u>11.70</u>
3400	Other components of equity		(9,881)	(0.47)	(27,425)	(1.27)
3XXX	Total equity		<u>1,759,469</u>	<u>83.89</u>	<u>1,576,425</u>	<u>73.07</u>
	Total liabilities and equity		<u>\$2,097,237</u>	<u>100.00</u>	<u>\$2,157,391</u>	<u>100.00</u>

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

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Simula Technology Inc.

Parent-Company-Only Statements of Comprehensive Income

For the Years Ended December 31, 2022 and 2021

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

Code	Accounts	Notes	2022		2021	
			Amount	%	Amount	%
4000	Operating revenues	4, 6(15), 7	\$1,122,031	100.00	\$1,305,242	100.00
5000	Operating costs	6(4), 7	(861,165)	(76.75)	(981,136)	(75.17)
5900	Gross profit		<u>260,866</u>	<u>23.25</u>	<u>324,106</u>	<u>24.83</u>
6000	Operating expenses	7				
6100	Sales and marketing		(74,053)	(6.60)	(76,047)	(5.83)
6200	General and administrative		(86,448)	(7.70)	(103,276)	(7.91)
6300	Research and development		(37,031)	(3.30)	(50,630)	(3.88)
6450	Expected credit gains (losses)	4, 6(16)	-	-	(200)	(0.02)
	Total operating expenses		<u>(197,532)</u>	<u>(17.60)</u>	<u>(230,153)</u>	<u>(17.64)</u>
6900	Operating income		<u>63,334</u>	<u>5.65</u>	<u>93,953</u>	<u>7.19</u>
7000	Non-operating income and expenses	6(19), 7				
7100	Interest income		386	0.03	431	0.03
7010	Other income		32,965	2.94	33,782	2.59
7020	Other gains and losses		18,854	1.68	(5,851)	(0.45)
7050	Finance costs		(2,821)	(0.25)	(2,496)	(0.19)
7070	Share of profit or loss of subsidiaries, associates and joint ventures	4, 6(6)	<u>155,426</u>	<u>13.85</u>	<u>13,974</u>	<u>1.07</u>
	Total non-operating income and expenses		<u>204,810</u>	<u>18.25</u>	<u>39,840</u>	<u>3.05</u>
7900	Income before income tax		<u>268,144</u>	<u>23.90</u>	<u>133,793</u>	<u>10.24</u>
7950	Income tax expense	4, 6(21)	<u>(18,909)</u>	<u>(1.69)</u>	<u>(22,577)</u>	<u>(1.73)</u>
8000	Net income		<u>249,235</u>	<u>22.21</u>	<u>111,216</u>	<u>8.51</u>
8300	Other comprehensive income (loss)	6(20)				
8310	Items that not be reclassified subsequently to profit or loss					
8311	Actuarial gain (loss) on defined benefit plans		7,096	0.63	(573)	(0.04)
8316	Unrealized gain (losses) on valuation of financial assets at fair value through OCI		(1,022)	(0.09)	-	-
8360	Items that may be reclassified subsequently to profit or loss					
8361	Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures		<u>7,708</u>	<u>0.69</u>	<u>980</u>	<u>0.09</u>
	Total other comprehensive income, net of tax		<u>13,782</u>	<u>1.23</u>	<u>407</u>	<u>0.05</u>
8500	Total comprehensive income		<u>\$263,017</u>	<u>23.44</u>	<u>\$111,623</u>	<u>8.56</u>
	Earnings per share (in NT\$)	6(22)				
9750	Earnings per share - basic (in NT\$)					
9710	Net income		<u>\$3.12</u>		<u>\$1.39</u>	
9850	Earnings per share - diluted (in NT\$)					
9810	Net income		<u>\$3.09</u>		<u>\$3.09</u>	

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

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Simula Technology Inc.

Parent-Company-Only Statements of Changes in Equity

For the Years Ended December 31, 2022 and 2021

(Amounts Expressed in Thousands of New Taiwan Dollars)

Code	Items	Common Stock	Capital Surplus	Retained Earnings			Other Components of equity		Total Equity
				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	3XXX
A1	Balance as of January 1, 2021	\$799,729	\$570,361	\$76,158	\$26,375	\$59,220	\$(14,537)	\$(13,868)	\$1,503,438
	Appropriation and distribution of 2020 earnings								
B1	Legal reserve appropriated			5,922		(5,922)			-
B5	Cash dividends - common shares					(19,993)			(19,993)
	Other changes in capital surplus								
C7	Changes in equity of associates and joint ventures accounted for using equity method		1,350						1,350
C15	Cash dividends distributed from capital surplus		(19,993)						(19,993)
D1	Net income for 2021					111,216			111,216
D3	Other comprehensive income (loss) for 2021					(573)	980		407
D5	Total comprehensive income (loss)	-	-	-	-	110,643	980	-	111,623
Z1	Balance as of December 31, 2021	799,729	551,718	82,080	26,375	143,948	(13,557)	(13,868)	1,576,425
	Appropriation and distribution of 2021 earnings								
B1	Legal reserve			11,064		(11,064)			-
B3	Special reserve				1,050	(1,050)			-
B5	Cash dividends - common shares					(79,973)			(79,973)
D1	Net income for 2022					249,235			249,235
D3	Other comprehensive income (loss) for 2022					7,096	7,708	(1,022)	13,782
D5	Total comprehensive income (loss)	-	-	-	-	256,331	7,708	(1,022)	263,017
Q1	Disposal of equity instruments at fair value through other comprehensive income					(10,858)		10,858	-
Z1	Balance as of December 31, 2022	\$799,729	\$551,718	\$93,144	\$27,425	\$297,334	\$(5,849)	\$(4,032)	\$1,759,469

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

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Simula Technology Inc.

Parent-Company-Only Statements of Cash Flows

For the Years Ended December 31, 2022 and 2021

(Amounts Expressed in Thousands of New Taiwan Dollars)

Code	Items	2022	2021	Code	Items	2022	2021
AAAA	Cash flows from operating activities:			BBBB	Cash flows from investing activities:		
A00010	Profit before tax	\$268,144	\$133,793	B01800	Acquisition of investment accounted for under equity method	-	(983,858)
A20000	Adjustments:			B02700	Acquisition of property, plant and equipment	(12,047)	(13,024)
A20010	Profit or loss not effecting cash flows:			B02800	Proceeds from disposal of property, plant and equipment	21,633	190
A20100	Depreciation (including right-of-use assets)	15,085	19,542	B04500	Acquisition of intangible assets	(669)	(1,158)
A20200	Amortization	1,172	1,010	B03800	Decrease (increase) in refundable deposits	1,136	2
A20300	Expected credit losses (gain on recovery)	-	200	BBBB	Net cash provided by (used in) investing activities	10,053	(997,848)
A20400	Net loss (gain) of financial assets (liabilities) at fair value through profit or loss	(1,775)	890				
A20900	Interest expense	2,821	2,496	CCCC	Cash flows from financing activities:		
A21200	Interest income	(386)	(431)	C00100	Increase in short-term loans	-	64,355
A22300	Share of profit or loss of subsidiaries, associates and joint ventures	(155,426)	(13,974)	C00200	Decrease in short-term loans	(106,880)	-
A22500	Loss (gain) on disposal of property, plant and equipment	(16,205)	(74)	C01600	Increase in long-term borrowings	-	190,000
A22600	Property, plant and equipment transferred to expense	-	1,913	C01700	Repayment of long-term loans	(40,000)	-
A29900	Loss (gain) on lease modification	(49)	-	C03000	Increase (decrease) in deposits received	-	(270)
A30000	Changes in operating assets and liabilities:			C04020	Payments of lease liabilities	(4,011)	(7,469)
A31130	Notes receivable	-	6	C04500	Cash dividends	(79,973)	(39,986)
A31150	Accounts receivable	145,547	(80,664)	CCCC	Net cash provided by (used in) financing activities	(230,864)	206,630
A31160	Accounts receivable - related parties	12,287	20,295				
A31180	Other receivables	469	(1,517)	EEEE	Net Increase (decrease) in cash and cash equivalents	2,117	(739,112)
A31190	Other receivables - related parties	10,938	40,462	E00100	Cash and cash equivalents at beginning of period	242,773	981,885
A31200	Inventories	(6,633)	1,137	E00200	Cash and cash equivalents at end of period	\$244,890	\$242,773
A31220	Prepayments	3,414	1,740				
A31240	Other current assets	286	2,634				
A32125	Contract liabilities	(7,932)	(393)				
A32150	Accounts payable	(25,808)	17,680				
A32160	Accounts payable - related parties	(32,960)	(96,316)				
A32180	Other payables	(11,760)	17,596				
A32190	Other payables - related parties	(1,552)	166				
A32240	Net defined benefit liability	14	(24)				
A32230	Other current liabilities	16	(1,095)				
A33000	Cash generated from (used in) operations	199,707	67,072				
A33100	Interest received	386	431				
A33100	Dividends received	48,001	-				
A33300	Interest paid	(2,769)	(2,029)				
A33500	Income tax paid	(22,397)	(13,368)				
AAAA	Net cash provided by (used in) operating activities	222,928	52,106				

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

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.

2. DATE AND PROCEDURE OF AUTHORIZATION FOR FINANCIAL STATEMENTS ISSUANCE

The financial statements of the Company were authorized to be issued in accordance with a resolution of the Board of Directors’ meeting held on February 21, 2023.

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 Company 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 January 1, 2022. The adoption of these new standards and amendments had no material impact on the Company.

- (2) Standards or interpretations issued, revised or amended, by International Accounting Standards Board (“IASB”) which are endorsed by FSC, but not yet adopted by the Company as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	Disclosure Initiative – Accounting Policies – Amendments to IAS 1	January 1, 2023
b	Definition of Accounting Estimates – Amendments to IAS 8	January 1, 2023
c	Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	January 1, 2023

(A) Disclosure Initiative – Accounting Policies – Amendments to IAS 1

The amendments improve accounting policy disclosures that to provide more useful information to investors and other primary users of the financial statements.

(B) Definition of Accounting Estimates – Amendments to IAS 8

The amendments introduce the definition of accounting estimates and included other amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to help companies distinguish changes in accounting estimates from changes in accounting policies.

(C) Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual period beginning on or after January 1, 2023. The Company assesses all standards and interpretations have no material impact on the Company.

(3) Standards or interpretations issued, revised or amended, by IASB which are not endorsed by FSC, and not yet adopted by the Company as at the end of the reporting period 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	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	January 1, 2024
d	Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	January 1, 2024
e	Non-current Liabilities with Covenants – Amendments to IAS 1	January 1, 2024

(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 January 1, 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) Classification of Liabilities as Current or Non-current – Amendments to IAS 1

These are the amendments to paragraphs 69-76 of IAS 1 Presentation of Financial statements and the amended paragraphs related to the classification of liabilities as current or non-current.

(D) Lease Liability in a Sale and Leaseback – Amendments to IFRS 16

The amendments add seller-lessees additional requirements for the sale and leaseback transactions in IFRS 16, thereby supporting the consistent application of the standard.

(E) Non-current Liabilities with Covenants – Amendments to IAS 1

The amendments improved the information companies provide about long-term debt with covenants. The amendments specify that covenants to be complied within twelve months after the reporting period do not affect the classification of debt as current or non-current at the end of the reporting period.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Company's financial statements were authorized for issue, the local effective dates are to be determined by FSC. The Company assesses all standards and interpretations have no material impact on the Company.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of compliance

The parent-company-only financial statements of the Company for the years ended December 31, 2022 and 2021 were prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”).

(2) Basis of preparation

The Company prepared parent-company-only financial statements in accordance with Article 21 of the Regulations, which provided that the profit or loss and other comprehensive income for the period presented in the parent-company-only financial statements shall be the same as the profit or loss and other comprehensive income attributable to stockholders of the parent presented in the consolidated financial statements for the period, and the total equity presented in the parent-company-only financial statements shall be the same as the equity attributable to the parent company presented in the consolidated financial statements. Therefore, the Company accounted for its investments in subsidiaries using equity method and, accordingly, made necessary adjustments.

The parent-company-only financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The parent-company-only financial statements are expressed in thousands of New Taiwan Dollars (“NT\$”) unless otherwise stated.

(3) Foreign currency transactions

The Company's parent-company-only financial statements are presented in its functional currency, New Taiwan Dollars (NTD). Items included in the parent-company-only financial statements are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Company at functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following.

- (a) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
- (b) Foreign currency items within the scope of IFRS 9 Financial Instruments are accounted for based on the accounting policy for financial instrument.
- (c) Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

(4) Translation of financial statements in foreign currency

The assets and liabilities of foreign operations are translated into NTD at the closing rate of exchange prevailing at the reporting date and the income and expenses are translated at an average exchange rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. The following are accounted for as disposals even if an interest in the foreign operation is retained by the Company: the loss of control over a foreign operation, the loss of significant influence over a foreign operation, or the loss of joint control over a foreign operation.

On partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or jointly controlled entity that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

(5) Current and non-current distinction

An asset is classified as current when:

- (a) The Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle.
- (b) The Company holds the asset primarily for the purpose of trading.
- (c) The Company expects to realize the asset within twelve months after the reporting period.
- (d) The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

- (a) The Company expects to settle the liability in its normal operating cycle.
- (b) The Company holds the liability primarily for the purpose of trading.
- (c) The liability is due to be settled within twelve months after the reporting period.
- (d) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

(6) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value (include fixed-term deposits that have matures of 3 months from the date of acquisition).

(7) Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

The Company determines the classification of its financial assets at initial recognition. In accordance with IFRS 9 and the Regulations, financial assets of the Company are classified as financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, financial assets measured at amortized cost and notes, accounts and other receivables. All financial assets are recognized initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable costs. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the income statement.

(A) Financial assets: Recognition and Measurement

Purchase or sale of financial assets is recognized using trade date accounting.

The Company classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both:

- (a) The Company's business model for managing the financial assets and
- (b) The contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, trade receivables financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

- (a) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- (b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize the impairment gains or losses.

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

- (a) Purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
- (b) Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Financial asset measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

- (a) The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- (b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described as below:

- (a) A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
- (b) When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.

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

- (i) Purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
- (ii) Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Besides, at initial recognition, the Company make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies. Amounts presented in other comprehensive income are not be subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and should recorded as financial assets measured at fair value through other comprehensive income on balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represents a recovery of part of the cost of investment.

Financial asset measured at fair value through profit or loss

Financial assets were measured at amortized cost or measured at fair value through other comprehensive income only if they met particular conditions. All other financial assets were measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss and trade receivable.

Such financial assets are measured at fair value, the gains or losses resulting from remeasurement is recognized in profit or loss which includes any dividend or interest received on such financial assets.

(B) Impairment of financial assets

The Company is recognized a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and not reduce the carrying amount in the statement of financial position.

The Company measures expected credit losses of a financial instrument in a way that reflects:

- (a) An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- (b) The time value of money; and
- (c) Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measures as follows:

- (a) At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Company measures the loss allowance for a financial asset at an amount equal to lifetime expected credit losses in the previous reporting period but determines at the current reporting date that condition is no longer met.
- (b) At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
- (c) For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.

(d) For lease receivables arising from transactions within the scope of IFRS 16, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Company needs to assess whether the credit risk on a financial asset has been increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

(C) Derecognition of financial assets

A financial asset is derecognized when:

- (a) The rights to receive cash flows from the asset have expired
- (b) The Company has transferred the asset and substantially all the risks and rewards of the asset have been transferred
- (c) The Company has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

(D) Financial liabilities and equity

Classification between liabilities or equity

The Company classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Financial liabilities

Financial liabilities within the scope of IFRS 9 Financial Instruments are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

(E) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(8) Derivative instrument

The Company uses derivative instruments to hedge its foreign currency risks and interest rate risks. A derivative is classified in the balance sheet as financial assets or liabilities at fair value through profit or loss except for derivatives that are designated as and effective hedging instruments which are classified as financial assets or liabilities for hedging.

Derivative instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. The changes in fair value of derivatives are taken directly to profit or loss, except for the effective portion of hedges, which is recognized in either profit or loss or equity according to types of hedges used.

When the host contracts are either non-financial assets or liabilities, derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not designated at fair value through profit or loss.

(9) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- (a) In the principal market for the asset or liability, or
- (b) In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

(10) Inventories

Inventories are valued at lower of cost or net realizable value item by item.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows.

Raw materials - At actual purchase cost, using weighted average method

Finished goods and work in progress - Including cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity, using weighted average method.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Rending of service is accounted in accordance with IFRS 15 but not within the scoping of inventories.

(11) Investments accounted for using the equity method

The Company accounted for its investments in subsidiaries using equity method and made necessary adjustments in accordance with Article 21 of the Regulations. Such adjustments were made after the Company considered the different accounting treatments to account for its investments in subsidiaries in the consolidated financial statements under IFRS 10 “Consolidated Financial Statements” and the different IFRSs adopted from different reporting entity’s perspectives, and the Company recorded such adjustments by crediting or debiting to investments accounted for under the equity method, share of profit or loss of subsidiaries, associates and joint ventures and share of other comprehensive income of subsidiaries, associates and joint ventures.

The Company’s investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Company has significant influence. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture.

Under the equity method, the investment in the associate or investment in a joint venture is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Company’s share of net assets of the associate or joint venture. After the interest in the associate or joint venture is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. Unrealized gains and losses resulting from transactions between the Company and the associate or joint venture are eliminated to the extent of the Company’s related interest in the associate or joint venture.

When changes in the net assets of an associate or a joint venture occur and not those that are recognized in profit or loss or other comprehensive income and do not affect the Company’s percentage of ownership interests in the associate or joint venture, the Company recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate or joint venture on a pro rata basis.

When the associate or joint venture issues new stock, and the Company's interest in an associate or a joint venture is reduced or increased as the Company fails to acquire shares newly issued in the associate or joint venture proportionately to its original ownership interest, the increase or decrease in the interest in the associate or joint venture is recognized in Additional Paid in Capital and Investment accounted for using the equity method. When the interest in the associate or joint venture is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Company disposes the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate or an investment in a joint venture is impaired in accordance with IAS 28 Investments in Associates and Joint Ventures. If this is the case the Company calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in accordance with IAS 36 Impairment of Assets. In determining the value in use of the investment, the Company estimates:

- (a) Its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or
- (b) The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate or an investment in a joint venture is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 Impairment of Assets.

Upon loss of significant influence over the associate or joint venture, the Company measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss. Furthermore, if an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the entity continues to apply the equity method and does not remeasure the retained interest.

(12) Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 “Property, plant and equipment”. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Buildings	48 to 50 years
Machinery	4 to 7 years
Office equipment	3 to 5 years
Transportation	5 years
Other equipment	2 to 6 years
Leasehold improvements	The shorter of lease terms or economic useful lives

An item of property, plant and equipment or any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The property, plant and equipment's residual values, useful lives and methods of depreciation are reviewed at each financial year. If the expected values differ from the estimates, the differences are recorded as a change in accounting estimate.

(13) Leases

The Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Company assesses whether, throughout the period of use, has both of the following:

- (a) the right to obtain substantially all of the economic benefits from use of the identified asset; and
- (b) the right to direct the use of the identified asset.

For a contract that is, or contains, a lease, the Company accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Company for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Company estimates the stand-alone price, maximising the use of observable information.

Company as a lessee

Except for leases that meet and elect short-term leases or leases of low-value assets, the Company recognizes right-of-use asset and lease liability for all leases which the Company is the lessee of those lease contracts.

At the commencement date, the Company measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments discount using the interest rate implicit in the lease if that rate can be readily determined. If that rate cannot be readily determined, the Company uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- (a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- (b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- (c) amounts expected to be payable by the lessee under residual value guarantees;
- (d) the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- (e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Company measures the lease liability on an amortised cost basis, which is increasing the carrying amount to reflect interest on the lease liability by using an effective interest method; and reducing the carrying amount to reflect the lease payments made.

At the commencement date, the Company measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

- (a) the amount of the initial measurement of the lease liability;
- (b) any lease payments made at or before the commencement date, less any lease incentives received;
- (c) any initial direct costs incurred by the lessee; and
- (d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

For subsequent measurement of the right-of-use asset, the Company measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Company measures the right-of-use applying a cost model.

If the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Company will exercise a purchase option, the Company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Company depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Company applies IAS 36 “Impairment of Assets” to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for leases that meet and elect short-term leases or leases of low-value assets, the Company presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the statement comprehensive income.

For short-term leases or leases of low-value assets, the Company elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

Company as a lessor

At inception of a contract, the Company classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Company recognizes assets held under a finance lease in its balance sheet and present them as a receivable at an amount equal to the net investment in the lease.

For a contract that contains lease components and non-lease components, the Company allocates the consideration in the contract applying IFRS 15.

The Company recognizes lease payments from operating leases as rental income on either a straight-line basis or another systematic basis. Variable lease payments for operating leases that do not depend on an index or a rate are recognized as rental income when incurred.

(14) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, not meeting the recognition criteria, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit (CGU) level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are recognized in profit or loss.

The Company's accounting policies for intangible assets are as follows:

	Patents	Cost of Computer Software
Useful economic life	5 years	3 to 5 years
Amortization method	Straight-line method during the period of the patent	Straight-line method during the contract term
Internally generated or acquired externally	Acquired externally	Acquired externally

(15) Impairment of non-financial assets

The Company assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 “Impairment of Assets” may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company would conduct impairment tests at individual or CGU level. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired. An asset’s recoverable amount is the higher of an asset’s net fair value or its value in use.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the recoverable amount of the asset or CGU. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized for the asset in prior years.

Impairment loss or reversals of continuing operations are recognized in profit or loss.

(16) Revenue recognition

The Company's revenue arising from contracts with customers mainly includes sale of goods. The accounting policies for the Company's types of revenue are explained as follow:

Sale of goods

The Company mainly manufactures and sells of its products. Sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers. The main product of the Company is substrate and revenue is recognized based on the consideration stated in the contract. The remaining sales transactions are usually accompanied by volume discounts (based on the accumulated total sales amount for a specified period). Therefore, revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method. Revenue is only recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. During the period specified in the contract, refund liability is recognized for the products expected to be returned.

The credit period of the Company's sale of goods is from 30 to 120 days. For most of the contracts, when the Company transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The period between the time when the Company transfers the goods to customers and when the customers pay for that goods is usually short and have no significant financing component to the contract. In the case that the Company has the right to transfer the goods to customers but does not has a right to an amount of consideration that is unconditional, these contacts should be presented as contract assets. Besides, in accordance with IFRS 9, the Company measures the loss allowance for a contract asset at an amount equal to the lifetime expected credit losses.

(17) Post-employment benefits

All regular employees of the Company are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company. Therefore, fund assets are not included in the Company's parent-company-only financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations.

For the defined contribution plan, the Company will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due. Overseas subsidiaries and branches make contribution to the plan based on the requirements of local regulations and the contribution is expensed as incurred.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Remeasurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

- (a) the date of the plan amendment or curtailment, and
- (b) the date that the Company recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

(18) Income tax

Income tax expense (benefit) 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 of the Company is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

Deferred income tax

Deferred income tax is a temporary difference between the tax bases of assets and liabilities and their carrying amounts in balance sheet at the reporting date.

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

- (a) 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 and, at the time of the transaction, affects neither the accounting profit nor taxable profit (loss);
- (b) In respect of taxable temporary differences associated with investments in subsidiaries, and associates and interests in joint ventures, 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, any unused tax losses and carry forward of unused tax credits 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:

- (a) 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 and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- (b) In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will be reversed 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 liabilities reflects the tax consequences that would follow from the manner in which the Company 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 and recognized at each reporting date.

Deferred tax assets and 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.

5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. 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.

(1) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that would have a significant risk for a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are discussed below.

(a) Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including income approach (for example, the discounted cash flows model) or the market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note 12 for more details.

(b) Post-employment benefits

The cost of post-employment benefit pension plan and the present value of the defined benefit obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions, including the change in the discount rate and expected salary level. The assumptions used for measuring pension cost and defined benefit obligation are disclosed in Note 6(13).

(c) Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective company's domicile.

Deferred tax assets are recognized for all carryforward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies.

(d) Accounts receivables – estimation of impairment loss

The Company estimates the impairment loss of accounts receivables at an amount equal to lifetime expected credit losses. The credit loss is the present value of the difference between the contractual cash flows that are due under the contract (carrying amount) and the cash flows that expects to receive (evaluate forward looking information). However, as the impact from the discounting of short-term receivables is not material, the credit loss is measured by the undiscounted cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6(16) for more details.

(e) Inventory

Estimates of net realizable value of inventories take into consideration that inventories may be damaged, become wholly or partially obsolete, or their selling prices have declined. The estimates are based on the most reliable evidence available at the time the estimates are made. Please refer to Note 6(4) for more details.

6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	As of December 31,	
	2022	2021
Cash and petty cash	\$67	\$67
Checking and savings	244,823	242,706
Total	<u>\$244,890</u>	<u>\$242,773</u>

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

	As of December 31,	
	2022	2021
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	2,361	512
Total	<u>\$2,361</u>	<u>\$512</u>
Current	<u>\$2,361</u>	<u>\$512</u>
Non-current	<u>\$-</u>	<u>\$-</u>

No financial asset at fair value through profit or loss was pledged as collateral.

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

A. Accounts receivable, net

	As of December 31,	
	2022	2021
Accounts receivable, gross	\$166,702	\$312,449
Less: loss allowance	(338)	(538)
Net of allowances	<u>166,364</u>	<u>311,911</u>
Accounts receivable - related parties, gross	1,344	13,631
Less: loss allowance	-	-
Net of allowances	<u>1,344</u>	<u>13,631</u>
Total accounts receivable, net	<u>\$167,708</u>	<u>\$325,542</u>

B. Account receivables were not pledged.

C. Accounts receivable are generally on 30-120 day terms. The total carrying amount for the year ended December 31, 2022 and 2021, are NT\$168,046 thousand and NT\$326,080 thousand, respectively. Please refer to Note 6 (16) for more details on loss allowance of accounts receivable for the year ended December 31, 2022 and 2021. Please refer to Note 12 for more details on credit risk management.

(4) Inventory

	As of December 31, 2022		
	Allowance for Inventory Valuation and Obsolescence		
	Inventories, gross	Losses	Inventories, net
Raw material	\$11,651	\$(1,976)	\$9,675
Work in process	8,283	(746)	7,537
Merchandises	9,388	(1,765)	7,623
Total	<u>\$29,322</u>	<u>\$(4,487)</u>	<u>\$24,835</u>

	As of December 31, 2021		
	Allowance for Inventory Valuation and Obsolescence		
	Inventories, gross	Losses	Inventories, net
Raw material	\$4,432	\$(1,418)	\$3,014
Work in process	4,665	(601)	4,064
Merchandises	12,290	(1,166)	11,124
Total	<u>\$21,387</u>	<u>\$(3,185)</u>	<u>\$18,202</u>

A. For the year ended December 31, 2022 and 2021, the Company recognized NT\$861,165 thousand and NT\$981,136 thousand under the caption of costs of sale, respectively. The following items were also included in cost:

Item	For the year ended December 31,	
	2022	2021
Loss from inventory market decline	\$1,302	\$330
Loss from inventory write-off obsolescence	1,500	-
Total	\$2,802	\$330

B. The inventories were not pledged.

(5) Financial assets at fair value through other comprehensive income

	2022.12.31	2021.12.31
Unlisted companies stocks	\$3,858	\$4,880

Financial assets at fair value through other comprehensive income were not pledged.

In consideration of the Company's investment strategy, the Company disposed and derecognized partial equity instrument investments measured at fair value through other comprehensive income. Details on derecognition of such investments for the year ended December 31, 2022 as follow:

	For the year ended December 31, 2022
The fair value of the investments at the date of derecognition	\$-
The cumulative gain or loss on disposal reclassified from other equity to retained earnings	(10,858)

(6) Investments accounted for under the equity method

Investee companies	As of December 31,			
	2022		2021	
	Amount	Percentage of Ownership	Amount	Percentage of Ownership
Investments in subsidiaries:				
ASPIRE ASIA INC.	\$142,565	100.00%	\$151,360	100.00%
Simula Technology Corp.	42,177	100.00%	30,231	100.00%
Simula Company Limited	143,342	52.31%	150,145	52.31%
Action Star Technology Co., Ltd.	1,128,656	59.35%	1,008,924	59.35%
Total	1,456,740		1,340,660	
Investments in associates:				
Mcurich Inc.	6,322	23.33%	7,269	23.33%
Accumulated impairment	(6,322)		(6,322)	
Subtotal	-		947	
Total	\$1,456,740		\$1,341,607	

A. Investments in subsidiaries

Investments in subsidiaries were present in the parent-company-only financial statements under the caption of investments accounted for under equity method. Valuation adjustment is made if deemed necessary.

On April 12, 2021, the Company acquired 23,775,571 shares from the original shareholders of Action Star Technology Co., Ltd. with NT\$844,033 thousand in cash, and participated in the cash capital increase of Action Star Technology Co., Ltd., subscribed for 8,225,000 shares for NT\$139,825 thousand, obtained a total of 32,000,571 shares, with a shareholding ratio of 59.35%, and obtained more than half of the directors' seats, thereby gaining control of the company, and began to merge into the merged entity after the controlling date.

B. Investments in associates:

The Company's investments in Mcurich Inc. was not individually material. The aggregate carrying amount of the Company's interests in Mcurich Inc. was NT\$ 0 and NT \$947 thousand as of December 31, 2022 and 2021 respectively. The aggregate financial information based on the Company's share of other companies was as follows:

	As of December 31,	
	2022	2021
Accounting profit before tax from continuing operations	\$(947)	\$(2,290)
Total other comprehensive income, net of tax	-	-
Total comprehensive income	\$(947)	\$(2,290)

The Company's investments accounted for under the equity method were not pledged.

(7) Property, plant and equipment

	Land	Buildings	Machinery	Office		Lease	Other	Total
				Equipment	Transportation	Improvement	Equipment	
<u>Cost:</u>								
As of 1/1/2022	\$83,973	\$57,848	\$46,069	\$6,392	\$4,094	\$4,668	39,893	\$242,937
Addition	-	968	2,600	526	-	-	1,785	5,879
Disposals	(3,130)	(5,987)	(8,165)	(14)	(3,476)	-	(347)	(21,119)
Reclassification	-	-	-	-	-	-	-	-
As of 12/31/2022	\$80,843	\$52,829	\$40,504	\$6,904	\$618	\$4,668	\$41,331	\$227,697
As of 1/1/2021	\$83,973	\$57,848	\$44,974	\$5,727	\$2,822	\$4,688	\$39,849	\$239,861
Addition	-	-	1,095	665	1,852	-	2,156	5,768
Disposals	-	-	-	-	(580)	-	-	(580)
Reclassification	-	-	-	-	-	-	(2,122)	(2,122)
As of 12/31/2021	\$83,973	\$57,848	\$46,069	\$6,392	\$4,094	\$4,668	\$39,893	\$242,937

	Land	Buildings	Machinery	Office Equipment	Transportation	Lease Improvement	Other Equipment	Total
<u>Depreciation and impairment:</u>								
As of 1/1/2022	\$-	\$6,903	\$40,733	\$4,747	\$2,169	\$1,011	\$33,980	\$89,543
Depreciation	-	1,474	2,373	960	216	934	5,300	11,257
Disposal	-	(5,110)	(8,165)	(14)	(2,055)	-	(347)	(15,691)
Reclassification	-	-	-	-	-	-	-	-
As of 12/31/2022	\$-	\$3,267	\$34,941	\$5,693	\$330	\$1,945	\$38,933	\$85,109
As of 1/1/2021	\$-	\$5,445	\$38,647	\$3,982	\$2,131	\$78	\$27,505	\$77,788
Depreciation	-	1,458	2,086	765	502	933	6,674	12,418
Disposal	-	-	-	-	(464)	-	-	(464)
Reclassification	-	-	-	-	-	-	(199)	(199)
As of 12/31/2021	\$-	\$6,903	\$40,733	\$4,747	\$2,169	\$1,011	\$33,980	\$89,543
<u>Net carrying amount:</u>								
As of 12/31/2022	\$80,843	\$49,562	\$5,563	\$1,211	\$288	\$2,723	\$2,398	\$142,588
As of 12/31/2021	\$83,973	\$50,945	\$5,336	\$1,645	\$1,925	\$3,657	\$5,913	\$153,394

Property, plant and equipment were not pledged.

(8) Intangible assets

	Patent	Computer software	Total
<u>Cost:</u>			
As of January 1, 2022	\$314	\$5,650	\$5,964
Additions – acquired separately	-	669	669
As of December 31, 2022	\$314	\$6,319	\$6,633
As of January 1, 2021	\$314	\$4,492	\$4,806
Additions – acquired separately	-	1,158	1,158
Derecognized upon retirement	-	-	-
As of December 31, 2021	\$314	\$5,650	\$5,964

	Patent	Computer software	Total
<u>Amortization and Impairment:</u>			
As of January 1, 2022	\$314	\$3,093	\$3,407
Amortization	-	1,172	1,172
As of December 31, 2022	\$314	\$4,265	\$4,579
As of January 1, 2021	\$314	\$2,083	\$2,397
Amortization	-	1,010	1,010
Derecognized upon retirement	-	-	-
As of December 31, 2021	\$314	\$3,093	\$3,407
<u>Carrying amount, net:</u>			
As of December 31, 2022	\$-	\$2,054	\$2,054
As of December 31, 2021	\$-	\$2,557	\$2,557

Amounts of amortization recognized for intangible assets are as follows:

	For the year ended December 31,	
	2022	2021
Operating expense	\$1,172	\$1,010

(9) Short-term loans

	Interest interval (%)	As of December 31,	
		2022	2021
Unsecured bank loans	0.67%~1.153%	\$-	\$106,880

As of December 31, 2022 and 2021, the line of unused short-term loans credit for the Company amounted to NT\$503,650 thousand and NT\$219,920 thousand, respectively.

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

	As of December 31,	
	2022	2021
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	102	28
Total	<u>\$102</u>	<u>\$28</u>
Current	<u>\$102</u>	<u>\$28</u>
Non-current	<u>\$-</u>	<u>\$-</u>

(11) Other payables

	As of December 31,	
	2022	2021
Employee benefit payable	\$36,027	\$28,792
Accrued expense	53,576	72,571
Equipment payable	1,208	481
Total	<u>\$90,811</u>	<u>\$101,844</u>

(12) Long-term loans

Details of long-term loans were as follows:

Debtor	2022.12.31	Interest rate	Repayment
Taiwan Business Bank Credit loan	\$150,000	Variable interest rate +0.41%	Effective July 5, 2021 to July 5, 2026. Repayable quarterly NT\$10,000 thousand.
Less: current portion	<u>(40,000)</u>		
Total	<u>\$110,000</u>		

Debtor	2021.12.31	Interest rate	Repayment
Taiwan Business Bank Credit loan	\$190,000	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	<u>\$150,000</u>		

Long-term loans were not pledged.

(13) Post-employment benefits

Defined contribution plan

The Company adopted a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Company will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Company has made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Expenses under the defined contribution plan for the years ended December 31, 2022 and 2021 are NT\$4,092 thousand and NT\$4,126 thousand, respectively.

Defined benefits plan

The Company adopts a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company contributes an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee.

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandate, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Group expects to contribute NT\$141 thousand to its defined benefit plan during the 12 months beginning after December 31, 2022.

As of December 31, 2022 and 2021, the maturities of the Company's defined benefit plan are in 2031 and 2030.

Pension costs recognized in profit or loss are as follows:

	For the year ended December 31,	
	2022	2021
Current service costs	\$102	\$99
Net interest of defined benefit liability (asset)	66	32
Total	\$168	\$131

Reconciliation of liability (asset) of the defined benefit plan is as follows:

	As of December 31,	
	2022	2021
Defined benefit obligation	\$8,989	\$17,996
Plan assets at fair value	(6,051)	(7,976)
Other non-current liabilities – net defined benefit liability	\$2,938	\$10,020

Reconciliation of liability (asset) of the defined benefit liability is as follows:

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability(asset)
1/1/2021	\$17,156	\$(7,685)	\$9,471
Current service cost	99	-	99
Interest cost	58	(26)	32
Total	157	(26)	131
Re-measurement on defined benefit liability/assets:			
Actuarial gain/loss due to change in financial assumptions	(558)	-	(558)
Experience gain/loss	887	-	887
Actuarial gain/loss due to change in population statistic assumptions	354	-	354
Re-measurement on defined benefit assets	-	(110)	(110)
Total	683	(110)	573
Benefits paid	-	-	-
Contributions by employer	-	(155)	(155)
12/31/2021	17,996	(7,976)	10,020
Current service cost	102	-	102
Interest cost	117	(51)	66
Total	219	(51)	168
Re-measurement on defined benefit liability/assets:			
Actuarial gain/loss due to change in financial assumptions	(721)	-	(721)
Experience gain/loss	(5,763)	-	(5,763)
Re-measurement on defined benefit assets	-	(612)	(612)
Total	(6,484)	(612)	(7,096)
Benefits paid	(2,742)	2,742	-
Contributions by employer	-	(154)	(154)
12/31/2022	\$8,989	\$ (6,051)	\$2,938

The actuarial assumptions used for the Company's defined benefit plan are shown below.

	As of December 31,	
	2022	2021
Discount rate	1.35%	0.67%
Expected rate of salary increases	2.00%	2.00%

Sensitivity analysis

	For the year ended December 31,			
	2022		2021	
	Increase in defined benefit obligation	Decrease in defined benefit obligation	Increase in defined benefit obligation	Decrease in defined benefit obligation
Discount rate increased by 0.25%	\$-	\$(260)	\$-	\$(414)
Discount rate decreased by 0.25%	270	-	432	-
Expected salary level increased by 0.5%	539	-	846	-
Expected salary level decreased by 0.5%	-	(503)	-	(792)

For the purpose of sensitivity analysis above, the Company calculated the impact on defined benefit obligation due to a reasonable and feasible change of one single assumption (i.e. discount rate or expected salary level) with other assumptions remaining equal. Please note that the sensitivity analysis has its limitation due to the co-relation between different actuarial assumptions and the rarity that only one assumption changes at a time.

The method used in the analysis is consistent for both current and prior years.

(14) Equity

A. Common stock

As of December 31, 2022 and 2021, the Company's authorized capital were NT\$1,200,000 thousand, the Company's paid-in capital were NT\$799,729 thousand, each share at par value of NT\$10, respectively, divided into 79,972,945 shares, respectively.

B. Capital surplus

	As of December 31,	
	2022	2021
Additional paid-in capital	\$545,978	\$545,978
All changes in interests in subsidiaries	1,172	1,172
Changes in equity of investment accounted for using equity method	1,350	1,350
Other	3,218	3,218
Total	\$551,718	\$551,718

According to Taiwan 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.

On August 18, 2021, the board of directors resolved at their meeting to appropriate the 2020 earnings by distributing the cash dividends NT\$19,993 thousand from capital surplus of NT\$565,971 thousand on the basis of the shareholdings of each shareholder as set out in the register of shareholders on the basis date of the allotment.

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 December 31, 2022 and 2021, 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.

(2) Dividend policies

The policy of dividend distribution should reflect factors such as the current and future investment environment, fund requirements, financial structures and earnings etc. 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 to the Company's Articles of Incorporations 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.

The appropriations of earnings for the years 2022 were approved through the Board of Directors' meetings and held on February 21, 2023. The details of the distributions are as follows:

	<u>Appropriation of earnings</u>	<u>Dividend per share</u>
	2022	2022
Legal reserve	\$24,547	
Special reserve	(1,050)	
Cash dividend(Note)	199,932	\$2.5
Total	<u>\$223,429</u>	

The appropriations of earnings for the years 2021 were approved through the shareholders' meetings held on June 10, 2022. The details of the distributions are as follows:

	<u>Appropriation of earnings</u>	<u>Dividend per share</u>
	2021	2021
Legal reserve	\$11,064	
Special reserve	1,050	
Cash dividend(Note)	79,973	\$1
Total	<u>\$92,087</u>	

According to the Company's Articles of Incorporations, The appropriations of Cash dividend for the years 2021 were approved through the Board of Directors' meeting held on February 25, 2022.

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

(15) Sales

	For the year ended December 31,	
	2022	2021
Revenue from customer contracts		
Sales of goods	\$1,122,031	\$1,305,242

Analysis of revenue from contracts with customers during the year ended December 31, 2022 and 2021 are as follows:

A. Disaggregation of revenue

	For the year ended December 31,	
	2022	2021
Sales of goods	\$1,122,031	\$1,305,242
The timing for revenue recognition:		
At a point in time	\$1,122,031	\$1,305,242

B. Contract balances

(a) Contract liabilities – current

	As of	
	12/31/2022	12/31/2021
Sales of goods	\$2,139	\$10,071

The significant changes in the Company's balances of contract liabilities for the year periods ended December 31, 2022 and 2021 are as follows:

	2022	2021
The opening balance transferred to revenue	\$(8,646)	\$(10,381)
Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue during the period)	714	9,988

C. Assets recognized from costs to fulfil a contract

None.

(16) Expected credit losses (gains)

	For the year ended December 31,	
	2022	2021
Operating expenses – Expected credit losses / (gains)		
Accounts receivable	\$-	\$200

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

The Company measures the loss allowance of its contract assets and accounts receivable (including notes receivable and accounts receivable) at an amount equal to lifetime expected credit losses. The assessment of the Company's loss allowance as of December 31, 2022 and 2021 are as follows:

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

December 31, 2022	Not past due (Note)	Past due					Total
		<=30 days	31-90 days	91-120 days	121-270 days	>=271 days	
Gross carrying amount	\$145,294	\$6,485	\$10,063	\$5,992	\$212	\$-	\$168,046
Loss ratio	-%	-%	-%	-%	100%	-%	
Lifetime expected credit losses	-	-	-	(126)	(212)	-	(338)
Carrying amount of accounts receivable	\$145,294	\$6,485	\$10,063	\$5,866	\$-	\$-	\$167,708
December 31, 2021	Not past due (Note)	Past due					Total
		<=30 days	31-90 days	91-120 days	121-270 days	>=271 days	
Gross carrying amount	\$319,350	\$6,156	\$571	\$3	\$-	\$-	\$326,080
Loss ratio	-%	5%	35%	100%	-%	-%	
Lifetime expected credit losses	-	(336)	(199)	(3)	-	-	(538)
Carrying amount of accounts receivable	\$319,350	\$5,820	\$372	\$-	\$-	\$-	\$325,542

The movement in the provision for impairment of notes receivable, and accounts receivable during the years ended December 31, 2022 and 2021 are as follows:

	<u>Accounts receivable</u>
Beginning balance as of January 1, 2022	\$538
Addition/(reversal) for the current period	-
Transfer to other receivable	(200)
Write off	-
Ending balance as of December 31, 2022	<u>\$338</u>
Beginning balance as of January 1, 2021	\$338
Addition/(reversal) for the current period	200
Transfer to other receivable	-
Write off	-
Ending balance as of December 31, 2021	<u>\$538</u>

(17) Leases

Company as a lessee

The Company leases various properties, including real estate such as buildings and transportation equipment. The lease terms range from 3 to 10 years.

The Company'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

	<u>As of December 31,</u>	
	<u>2022</u>	<u>2021</u>
Buildings	\$216	\$4,933
Transportation equipment	-	240
Total	<u>\$216</u>	<u>\$5,173</u>

b. Lease liabilities

	As of December 31,	
	2022	2021
Lease liabilities (include related party)	\$227	\$5,364
Current	\$227	\$5,019
Non-current	\$-	\$345

Please refer to Note 6 (19)(3) for the interest on lease liabilities recognized during the year ended December 31, 2022 and 2021 and refer to Note 12 (5) Liquidity Risk Management for the maturity analysis for lease liabilities as at December 31, 2022 and 2021.

B. Amounts recognized in the income statement

Right-of-use assets

	For the year ended December 31,	
	2022	2021
Buildings	\$3,669	\$6,164
Transportation equipment	159	960
Total	\$3,828	\$7,124

C. Income and costs relating to leasing activities

	For the year ended December 31,	
	2022	2021
The expenses relating to short-term leases	\$143	\$246
The expenses relating to leases of low-value assets-non-current	464	209

The portfolio of short-term leases of the Company 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

During the year ended December 31, 2022 and 2021, the Company's total cash outflow for leases amounting to NT\$4,618 thousand and NT\$7,924 thousand, respectively.

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

Function Nature	2022			2021		
	Cost of goods sold	Operating expense	Total	Cost of goods sold	Operating expense	Total
Employee benefit						
Salaries & wages	\$-	\$ 75,425	\$ 75,425	\$-	\$ 81,287	\$ 81,287
Labor and health insurance	-	7,191	7,191	-	7,647	7,647
Pension	-	4,260	4,260	-	4,257	4,257
Directors' remuneration	-	6,438	6,438	-	5,763	5,763
Other employee benefit	-	33,210	33,210	-	28,556	28,556
Depreciation	5,300	9,785	15,085	-	19,542	19,542
Amortization	-	1,172	1,172	-	1,010	1,010

Note 1 : The headcounts of the Company amounted to 77 and 86, respectively, as of December 31, 2022 and 2021. Among the Company's directors, there were 6 and 6 who were not the employees, respectively.

Note 2 : Companies who have been listed on Taiwan Stock Exchange or Taiwan Over – The Counter Securities Exchange should disclose the following information:

- (1) Average employee benefits of 2022 and 2021 are NT\$1,599 thousand and NT\$1,573 thousand, respectively.
- (2) Average salaries of 2022 and 2021 are NT\$1,005 thousand and NT\$1,050 thousand, respectively.
- (3) Change in average salaries are (4.33)%.
- (4) In accordance with the regulations, the Company has established an audit committee to replace the supervisor, so the supervisor's remuneration has not been recognized.

(5) The salary and remuneration policy of the Company:

Board of Directors and managers' salaries are referred to the industry standards, and the bonuses are allocated according to their performance, risk taking and level of contribution, etc. Employees' salaries are based on their academic background, professional knowledge, years of experience, and their KPI. Employees' annual salaries are also adjusted based on Company's condition to motivate and retain outstanding employees.

Note 3 : According to the resolution, not lower than 5% of profit of the current year is distributable as employees' compensation and no higher than 3% 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 aforementioned employees' compensation will be distributed in shares or cash. The employees who fulfill specific requirements may be granted such compensation.

The Company's shareholders meeting held on August 18, 2021 resolved an amendment on the ration of employees' compensation. 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 Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' 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.

The Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2022 and 2021 to be not lower than 6% and not higher than 0.75% of profit of the current period, respectively, recognized as employee benefits expense. As such, employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2022 amounted to NT\$17,253 thousand and NT\$2,157 thousand, respectively, and, for the year ended December 31, 2021 amounted to NT\$8,609 thousand and NT\$1,076 thousand, respectively. The employees' compensation and remuneration to directors and supervisors were recognized as salaries.

The board of directors of the company resolved to pay the employees' compensation and remuneration to directors and supervisors amount NT\$8,609 thousand and NT\$1,076 thousand respectively on February 25, 2022.

The board of directors of the company resolved to pay the employees' compensation and remuneration to directors and supervisors amount NT\$17,253 thousand and NT\$2,157 thousand respectively on February 21, 2023.

(19) Non-operating incomes and expenses

A. Other incomes

	For the year ended December 31,	
	2022	2021
Interest income	\$386	\$431
Rent income	-	180
Other income	32,965	33,602
Total	<u>\$33,351</u>	<u>\$ 34,213</u>

B. Other gains and losses

	For the year ended December 31,	
	2022	2021
Foreign exchange gain (loss), net	\$1,386	\$(4,331)
Gain (Loss) from disposal of property, plant and equipment	16,205	74
Gains on lease modification	49	-
Gain of financial assets at fair value through profit or loss	1,775	(890)
Other expenses	(561)	(704)
Total	<u>\$18,854</u>	<u>\$(5,851)</u>

C. Finance costs

	For the year ended December 31,	
	2022	2021
Interests on bank loans	\$2,769	\$2,252
Interest on lease liabilities	52	244
Total	\$2,821	\$2,496

(20) Components of other comprehensive income (OCI)

For the year ended December 31, 2022

	Arising during the period	Reclassification during the period	Subtotal	Income tax benefit (expense))	OCI, Net of tax
<u>Not reclassified to profit or loss:</u>					
Actuarial gains or losses on defined benefits plan	\$7,096	\$-	\$7,096	\$-	\$7,096
Unrealised gain (losses) on valuation of financial assets at fair value through OCI	(1,022)	-	(1,022)	-	(1,022)
<u>May be reclassified to profit or loss in subsequent period:</u>					
Share of other comprehensive income of subsidiaries, associates, and joint ventures accounted for using the equity method	7,708	-	7,708	-	7,708
Total OCI	\$13,782	\$-	\$13,782	\$-	\$13,782

For the year ended December 31, 2021

	Arising during the period	Reclassification during the period	Subtotal	Income tax benefit (expense)	OCI, Net of tax
<u>Not reclassified to profit or loss:</u>					
Actuarial gains or losses on defined benefits plan	\$(573)	\$-	\$(573)	\$-	\$(573)
<u>May be reclassified to profit or loss in subsequent period:</u>					
Share of other comprehensive income of subsidiaries, associates, and joint ventures accounted for using the equity method	980	-	980	-	980
Total OCI	\$407	\$-	\$407	\$-	\$407

(21) Income tax

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

Income tax expense (benefit) recognized in profit or loss

	<u>For the year ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Current income tax expense (benefit):		
Current income tax expense	\$18,664	\$23,549
Adjustments in respect of current income tax of prior periods	(2,675)	(3,052)
Surtax on undistributed earnings	980	1,665
Land value increment tax	169	-
Deferred tax expense (benefit):		
Deferred tax expense (benefit) relating to origination and reversal of temporary differences	1,771	415
Total income tax expense	\$18,909	\$22,577

A reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	For the year ended December 31,	
	2022	2021
Accounting profit before tax from continuing operations	\$268,144	\$133,793
Tax payable at the enacted tax rates	\$53,629	\$26,759
Tax effect of expenses not deductible for tax purposes	(35,464)	(4,555)
Tax effect of deferred tax assets/liabilities	2,270	1,760
Adjustments in respect of current income tax of prior periods	(2,675)	(3,052)
Land value increment tax	169	-
Surtax on undistributed earnings	980	1,665
Total income tax recognized in profit or loss	\$18,909	\$22,577

Deferred tax assets (liabilities) relate to the following.

For the year ended December 31, 2022

	Beginning balance as of January 1, 2022	Deferred tax	Ending balance as of December 31, 2022
		income (expense) recognized in profit or loss	
Temporary differences			
Allowance for inventory valuation and obsolescence losses	\$637	\$260	\$897
Bad debts loss	562	316	878
Unrealized exchange loss (gain)	15	260	275
Impairment loss on assets	2,773	(2,252)	521
Realized financial assets measured at fair value through profit or loss	(97)	(355)	(452)
Provisions of employee benefit obligations	242	-	242
Deferred tax income/ (expense)		\$(1,771)	
Net deferred tax assets/(liabilities)	\$4,132		\$2,361

English Translation of Parent-Company-Only Financial Statements and Footnotes Originally Issued in Chinese
 Simula Technology Inc.
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	Beginning balance as of January 1, 2022	Deferred tax income (expense) recognized in profit or loss	Ending balance as of December 31, 2022
Reflected in balance sheet as follows:			
Deferred tax assets	\$4,229		\$2,813
Deferred tax liabilities	\$(97)		\$(452)

For the year ended December 31, 2021

	Beginning balance as of January 1, 2021	Deferred tax income (expense) recognized in profit or loss	Ending balance as of December 31, 2021
Temporary differences			
Allowance for Inventory			
Valuation and Obsolescence	\$571	\$66	\$637
Losses			
Bad debts loss	642	(80)	562
Unrealized exchange loss (gain)	674	(659)	15
Impairment loss on assets	2,693	80	2,773
Realized financial assets			
measured at fair value through profit or loss	(275)	178	(97)
Provisions of employee benefit obligations	242	-	242
Deferred tax income/ (expense)		\$(415)	
Net deferred tax assets/(liabilities)	\$4,547		\$4,132

Reflected in balance sheet as follows:

Deferred tax assets	\$4,822	\$4,229
Deferred tax liabilities	\$(275)	\$(97)

A. Unrecognized deferred tax assets

As of December 31, 2022 and 2021, deferred tax assets that have not been recognized as they may not be used to offset future taxable income amounted to NT\$40,052 thousand and NT\$37,782 thousand, respectively.

B. The assessment of income tax return

As of December 31, 2022, the tax assessments on the Company's tax filings have been approved up to the year of 2020.

(22) 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.

A. Basic earnings per share

	For the year ended December 31,	
	2022	2021
Net income available to common shareholders of the parent	\$249,235	\$111,216
Weighted average number of common shares outstanding (in thousand shares)	79,973	79,973
Basic earnings per share (in NT\$)	\$3.12	\$1.39

B. Diluted earnings per share

	For the year ended December 31,	
	2022	2021
Net income available to common shareholders of the parent	\$249,235	\$111,216
Net income available to common shareholders of the parent after dilution	\$249,235	\$111,216
Weighted average number of common shares outstanding (in thousand shares)	79,973	79,973
Effect of dilution:		
Employee bonus (compensation) – stock (in thousand shares)	560	236
Weighted average number of common shares outstanding after dilution (in thousand shares)	80,533	80,209
Diluted earnings per share (in NT\$)	\$3.09	\$1.39

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.

7. RELATED PARTY TRANSACTIONS

1. Deal with related parties as of the end of the reporting period

Related parties and Relationship

Related parties	Relationship
Qisda Corporation	Parent company
Simula Technology Corporation	Subsidiary
Action Star Technology Co., Ltd.	Subsidiary
Simula Company Limited	Subsidiary
Simula Technology (ShenZhen) Co., LTD.	Subsidiary
DFI Inc.	Associate
Global Intelligence Network Co., Ltd.	Associate

Related parties	Relationship
QS Control Corp. Taichung Branch	Associate
Concord Medical Co., Ltd	Associate
BenQ Materials Corp.	Associate
BenQ Asia Pacific Corp.	Associate
Yu, Su-Kuan	Vice chairman and general manager of the Company (Note)
Directors, supervisors, general managers and deputy general managers or above	The management of the Company

(Note) Resigned on February 25, 2022

2. Sales

	For the year ended December 31,	
	2022	2021
Parent company	\$8,836	\$797
Subsidiaries	120,614	131,290
Associate	424	49
Total	<u>\$129,874</u>	<u>\$132,136</u>

Selling prices and collection terms to related parties are similar to those to third party customers for the year ended December 31, 2022 and 2021. The collection terms are 60 to 120 days from the end of delivery month.

3. Purchases

	For the year ended December 31,	
	2022	2021
Parent company	\$-	\$6,668
Subsidiaries	712,171	832,516
Total	<u>\$712,171</u>	<u>\$839,184</u>

(a) The product specification of goods purchased from related parties in the year ended December 31, 2022 and 2021, differed from those purchased from other vendors.

(b) The payment term for related parties is 60 days from the end of delivery month.

(c) For the year ended December 31, 2022, the Company recognized other income of NT\$ 6,795 thousand, the amount of materials purchased for subsidiary was NTS 109,011 thousand, after deducting the cost of NT\$102,216 thousand.

For the year ended December 31, 2021, the Company recognized other income of NT\$ 6,019 thousand, the amount of materials purchased for subsidiary was NTS117,409 thousand, after deducting the cost of NT\$111,390 thousand.

4. Accounts receivable - related parties

	As of December 31,	
	2022	2021
Parent company	\$1,170	\$214
Subsidiaries	174	13,392
Associate	-	25
Total	\$1,344	\$13,631

5. Other receivables – related parties

	As of December 31,	
	2022	2021
Parent company	\$-	\$346
Subsidiaries	36,070	46,662
Total	\$36,070	\$47,008

6. Accounts payable - related parties

	As of December 31,	
	2022	2021
Parent company	\$-	\$698
Subsidiaries	55,578	87,840
Total	\$55,578	\$88,538

7. Other payables - related parties

	As of December 31,	
	2022	2021
Parent company	\$600	\$700
Subsidiaries	1,333	2,662
Associate	166	289
Total	<u>\$2,099</u>	<u>\$3,651</u>

8. Operating expenses

	Account	For the year ended December 31,	
		2022	2021
Parent company	Inspection fee	\$-	\$7
Associate	Rent expense	385	-
Associate	Other expense	207	53
Associate	Maintenance fee	20	-
Associate	Miscellaneous	64	-
Associate	Processing fee	2	-
Total		<u>\$678</u>	<u>\$60</u>

9. The Company leased factory from related parties for the year ended December 31, 2022 and 2021, respectively was as follow.

(a) Rent expense

	Object	Rental Period	Total Rent	Monthly rent and Payment
<u>2022.1.1-2022.12.31</u>				
The management of the Company	13F., No. 1351, Zhongzheng Taoyuan Dist., Taoyuan City	2017.08.01~2022.07.31	NT\$658	NT\$329 thousand per month and to be paid before the 5th of each month.

	Object	Rental Period	Total Rent	Monthly rent and Payment
<u>2021.1.1-2021.12.31</u>				
The management of the Company	13F., No. 1351, Zhongzheng Rd., Taoyuan Dist., Taoyuan City	2017.08.01~ 2022.07.31	NT\$3,946	NT\$329 thousand per month and to be paid before the 5th of each month.

(b) Right-of-use assets

	As of December 31,	
	2022	2021
The management of the Company	\$-	\$2,186

(c) Lease liabilities

	As of December 31,	
	2022	2021
The management of the Company	\$-	\$2,280

(d) Interest expenses

	For the year ended December 31,	
	2022	2021
The management of the Company	\$-	\$115

10. For the year ended December 31, 2022 and 2021, the Company collected revenue from technical services from related parties were NT\$22,607 thousand and NT\$24,293 thousand, respectively.

11. For the year ended December 31, 2022 and 2021, the Company collected revenue from sample selling from related parties were NT\$276 thousand and NT\$299 thousand, respectively.

12. For the year ended December 31, 2022 and 2021, the Company paid the promotion expenses to Simula Technology Corp. to expand its business in North America were NT\$19,847 thousand and NT\$21,024 thousand, respectively.

13. Purchase of property, plant and equipment

	For the year ended December 31,	
	2022	2021
Associate	\$-	\$665

14. Salaries and rewards to key management of the Company

	For the year ended December 31,	
	2022	2021
Short-term employee benefits	\$17,280	\$17,280
Post-employee benefits	584	584
Total	\$17,864	\$17,864

8. PLEDGED ASSETS

None.

9. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED CONTRACT COMMITMENTS

None.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT SUBSEQUENT EVENT

None.

12. OTHERS

(1) Categories of financial instruments

Financial assets

	As of December 31,	
	2022	2021
Financial assets at fair value through profit or loss:		
Mandatorily measured at fair value through P/L	\$2,361	\$512
Financial assets at fair value through OCI	3,858	4,880
Financial assets measured at amortized cost (Note)	449,716	616,840
Total	<u>\$455,935</u>	<u>\$622,232</u>

Note: Including Cash and cash equivalents, accounts receivable, Accounts receivable-related parties, other receivables and other receivables-related parties.

Financial liabilities

	As of December 31,	
	2022	2021
Financial liabilities at fair value through profit or loss:		
Mandatorily measured at fair value through P/L	\$102	\$28
Financial liabilities measured at amortized cost:		
Short-term loans	-	106,880
Payables	159,477	230,830
Long-term loans (including current portion with maturity less than 1 year)	150,000	190,000
Lease liabilities	227	5,364
Total	<u>\$309,806</u>	<u>\$533,102</u>

(2) Objectives and policies of financial risk management

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

The Company has established appropriate policies, procedures and internal controls for financial risk management. Before entering into 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 Company complies with its financial risk management policies at all times.

(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, interest rate risk and other price 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 Company's exposure to foreign currency risk relates primarily to the Company's operating activities (when revenue or expense are denominated in a different currency from the Company's functional currency) and the Company's net investments in foreign operations.

The Company has certain foreign currency receivables denominated in the same foreign currency as certain foreign currency payables, therefore natural hedge is achieved. Thus, hedge accounting is not adopted.

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

If NT dollars appreciates/depreciates against US dollars by 1%, the net income (loss) for the years ended December 31, 2022 and 2021 would decrease/increase by NT\$1,726 thousand and NT\$2,213 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 Company's exposure to interest rate risk relates primarily to the Company's investments with variable interest rates and loans with fixed and variable interest rates, which are all categorized as loans and receivables.

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 loans with variable interest rates. If interest rate increases/decreases by 0.1%, the net income (loss) for the years ended December 31, 2022 and 2021 would decrease/increase by NT\$95 thousand and NT\$54 thousand, respectively.

Equity price risk

The fair value of the Company's listed and unlisted equity securities and conversion rights of the Euro-convertible bonds issued are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Company's listed and unlisted equity securities are classified under financial assets measured at fair value through profit or loss and financial assets measured at fair value through other comprehensive income, while conversion rights of the Euro-convertible bonds issued are classified as financial liabilities at fair value through profit or loss as it does not satisfy the definition of an equity component. The Company 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 Company's senior management on a regular basis. The Company'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 1.

(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 Company is exposed to credit risk from operating activities (primarily for accounts and notes receivable) and financing activities (primarily for bank deposits and other financial instruments).

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer 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 Company's internal credit ratings. The Company also employs some credit enhancement instruments (e.g. prepayment or insurance) to reduce certain customers' credit risk.

As of December 31, 2022 and 2021, receivables from the top ten customers were accounted for 77.63% and 83.95% of the Company's total accounts receivable, respectively. The concentration of credit risk is relatively not significant for the remaining receivables.

Credit risk from balances with banks, fixed-income securities and other financial instruments is managed by the Company's finance division in accordance with the Company's policy. The counterparties that the Company 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. Consequently, there is no significant credit risk for these counter parties.

(5) Liquidity risk management

The Company 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 Company'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 December 31, 2022</u>					
Payables	\$159,477	\$-	\$-	\$-	\$159,477
Lease liabilities	228	-	-	-	228
Loans	42,352	41,604	40,854	30,149	154,959
<u>As of December 31, 2021</u>					
Short-term loans	\$107,019	\$-	\$-	\$-	\$107,019
Payables	230,830	-	-	-	230,830
Lease liabilities	5,079	318	30	-	5,427

(6) Movement schedule of liabilities arising from financing activities

Movement schedule of liabilities for the year ended December 31, 2022:

	Short-term borrowings	Refundable deposits	Long-term borrowings	Lease liabilities	Total liabilities from financing activities
As of January 1, 2022	\$106,880	\$-	\$190,000	\$5,364	\$302,244
Cash flows	(106,880)	-	(40,000)	(4,011)	(150,891)
Non-cash changes	-	-	-	(1,126)	(1,126)
As of December 31, 2022	\$106,880	\$-	\$150,000	\$227	\$150,227

Movement schedule of liabilities for the year ended December 31, 2021:

	Short-term borrowings	Refundable deposits	Long-term borrowings	Lease liabilities	Total liabilities from financing activities
As of January 1, 2021	\$42,525	\$270	\$-	\$12,252	\$55,047
Cash flows	64,355	(270)	190,000	(7,469)	246,616
Non-cash changes	-	-	-	581	581
As of December 31, 2021	\$106,880	\$-	\$190,000	\$5,364	\$302,244

(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 Company 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 Company'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 Company.

(8) Derivative financial instruments

The Company'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 at December 31 2022 and 2021 is as follows:

Forward currency contracts

The Company entered into 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	Contract Period
As of December 31 2022		
Forward currency contract	Sell foreign currency USD 5,025	2022.09.29 ~ 2023.03.31
As of December 31 2021		
Forward currency contract	Sell foreign currency USD 6,900	2021.10.26 ~ 2022.04.15

(9) Fair value measurement hierarchy

A. Fair value measurement hierarchy

All asset 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 as a whole. 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

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 Company 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 Company's assets and liabilities

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

As of December 31, 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets:</u>				
Financial assets at fair value through profit or loss				
Forward currency contract	\$-	\$2,361	\$-	\$2,361
Financial assets at fair value through other comprehensive income				
	\$-	\$-	\$3,858	\$3,858
<u>Financial liabilities:</u>				
Financial liabilities at fair value through profit or loss				
Forward currency contract	\$-	\$102	\$-	\$102

As of December 31, 2021

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets:</u>				
Financial assets at fair value through profit or loss				
Forward currency contract	\$-	\$512	\$-	\$512
Financial assets at fair value through other comprehensive income	\$-	\$-	\$4,880	\$4,880
<u>Financial liabilities:</u>				
Financial liabilities at fair value through profit or loss				
Forward currency contract	\$-	\$28	\$-	\$28

Transfers between Level 1 and Level 2 during the period

For the year ended December 31, 2022 and 2021, there were no transfers between Level 1 and Level 2 fair value hierarchy.

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy for movements during the period is as follows:

	<u>Assets</u>
	<u>At fair value through other comprehensive income</u>
Beginning balances as of January 1, 2022	\$4,880
Amount recognized in gains/losses (report on other comprehensive income)	(1,022)
Ending balances as of December 31, 2022	\$3,858

Information on significant unobservable inputs to valuation

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

As of December 31, 2022

	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\$37 thousand

As of December 31, 2021

	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\$25 thousand

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

Information regarding the Company's significant financial assets and liabilities denominated in foreign currencies was listed below: (In Thousands)

	As of December 31, 2022		
	Foreign currencies	Foreign exchange rate	NTD
<u>Financial assets</u>			
Monetary items:			
USD	\$8,262	30.73	\$253,889
<u>Financial liabilities</u>			
Monetary items:			
USD	\$2,617	30.73	\$80,436

	As of December 31, 2021		
	Foreign currencies	Foreign exchange rate	NTD
<u>Financial assets</u>			
Monetary items:			
USD	\$15,808	27.68	\$437,557
<u>Financial liabilities</u>			
Monetary items:			
USD	\$7,850	27.68	\$217,297

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

Foreign currency resulting in exchange gain or loss	For the year ended December 31,	
	2022	2021
USD	\$1,382	\$(4,301)
Other	4	(30)
Total	\$1,386	\$(4,331)

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 Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Company manages and adjusts its capital structure considering changes in economic conditions. To maintain or adjust the capital structure, the Company 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 December 31, 2022 (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\$300 million or 20 percent of the paid-in capital for the year ended December 31, 2022: None.

E. Acquisition of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital for the year ended December 31, 2022: None.

F. Disposal of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital for the year ended December 31, 2022: None.

G. Related party transactions with purchase or sales amount of at least NT\$100 million or 20 percent of the paid-in capital for the year ended December 31, 2022: Please refer to attachment 2.

H. Receivables from related parties of at least NT\$100 million or 20 percent of the paid-in capital as of December 31, 2022: None.

I. Derivative instrument transactions: Please refer to Note 12(8).

(2) Information on investees

A. Investees over whom the Company exercises significant influence or control (excluding investees in Mainland China): Please refer to attachment 3.

B. Investees over which the Company 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 December 31, 2022 (excluding investments in subsidiaries, associates and joint ventures): None.

(d) Individual securities acquired or disposed of with accumulated amount of at least NT\$300 million or 20 percent of the paid-in capital for the year ended December 31, 2022: None.

(e) Acquisition of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital for the year ended December 31, 2022: None.

(f) Disposal of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital for the year ended December 31, 2022: None.

(g) Related party transactions with purchase or sales amount of at least NT\$100 million or 20 percent of the paid-in capital for the year ended December 31, 2022: Please refer to attachment 4.

(h) Receivables from related parties of at least NT\$100 million or 20 percent of the paid-in capital as of December 31, 2022: None.

(i) Derivative instrument transactions: Please refer to Note 12(8).

English Translation of Parent-Company-Only Financial Statements and Footnotes Originally Issued in Chinese
 Simula Technology Inc.
 Notes to Parent-Company-Only Financial Statements (Continued)

(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, 2022	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2022	Profit/Loss of Investee	Percentage of Ownership (Direct or Indirect Investment)	Share of Profit/Loss	Carrying Amount as of December 31, 2022	Accumulated Inward Remittance of Earnings as of December 31, 2022	Accumulated Outflow of Investment from Taiwan to Mainland China as of December 31, 2022	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	\$(17,462) (Note 3)	100%	\$(17,462) (Note 2)	\$180,757 (Note 3)	\$-	\$257,755	\$307,817	\$1,495,635

English Translation of Parent-Company-Only Financial Statements and Footnotes Originally Issued in Chinese

Simula Technology Inc.

Notes to Parent-Company-Only Financial Statements (Continued)

Name of Investee in China	Main Business	Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2022	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2022	Profit/Loss of Investee	Percentage of Ownership (Direct or Indirect Investment)	Share of Profit/Loss	Carrying Amount as of December 31, 2022	Accumulated Inward Remittance of Earnings as of December 31, 2022	Accumulated Outflow of Investment from Taiwan to Mainland China as of December 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment in China by Investment Commission, MOEA
					Outflow	Inflow									
Opti Cloud Technologies, Inc.	Development of High-speed optical transmission cable and module product technology	\$137,336 (Note 2)	Note 1	\$95,099	\$-	\$-	\$95,099	\$(5,767) (Note 3)	51.18%	\$(2,952) (Note 2)	\$12,125 (Note 3)	\$-	\$257,755	\$307,817	\$1,495,635

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 audited financial statements by the auditors.

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

- B. Purchase and accounts payable with the related parties: Please refer to attachment 2.
- C. Sales and receivables with the related parties: None.
- 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:
- a. For the year ended December 31, 2022, the Company was entrusted by Simula Technology (ShenZhen) Co., LTD. to provide labor services, and the amount of technical service income collected was NT\$22,607 thousand and recognized other receivable of NT\$4,171 thousand as of December 31, 2022.
 - b. For the year ended December 31, 2022, the Company recognized other income of NT\$ 6,795 thousand, the amount of materials purchased for subsidiary was NTS 109,011 thousand, after deducting the cost of NT\$102,216 thousand and recognized other receivable of NT\$31,833 thousand as of December 31, 2022.

(4) Information on major shareholders:

Ownership of shares	Number of shares held	Ownership ratio
Name	(shares)	
Qisda Corporation	30,000,000	37.51%
Darly2 Venture, Inc.	5,500,000	6.87%
Darly Venture Inc.	5,390,000	6.73%

14. OPERATING SEGMENT INFORMATION

The major sales of the Company come from sales of connectors (wires) and other electronic products The Company is aggregated into a single segment.

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Simula Technology Inc.

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

As of December 31, 2022

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 December 31, 2022				Guarantee, Pledge or Other Restricted Conditions		
				Shares (Unit)	Carrying Amount	%	Fair Value	Shares	Carrying Amount	Note
Simula Technology Inc.	Stocks: Optomedia Technology Inc.	-	Financial assets at fair value through other comprehensive income	264,864	\$2,890	3.26%	\$2,411	-	\$-	-
Simula Technology Inc.	Taiwan Competition Co., LTD.	-	Financial assets at fair value through other comprehensive income	500,000	5,000	16.67%	1,447	-	\$-	-
			Less:		(4,032)					
			Unrealized gain (losses) on valuation of financial assets at fair value through other comprehensive income							
			Total		<u>\$3,858</u>		<u>\$3,858</u>			

English Translation of Parent-Company-Only 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 Year Ended December 31, 2022

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	\$325,702	39.99%	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	\$(6,164)	7.26%	
Simula Technology Inc.	Simula Company Limited	Subsidiary	Purchase	\$384,386	47.19%	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	\$(49,414)	58.17%	
Simula Technology Inc.	Simula Technology Corp.	Subsidiary	Sales	\$119,471	10.65%	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.	\$29	0.02%	

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Simula Technology Inc.

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

As of December 31, 2022

Attachment 3

(In Thousands of Foreign Currency / New Taiwan Dollars)

Investor	Investee	Business Location	Main Business and Product	Original Investment Amount		Balance as of December 31, 2022			Net Income (Loss) of the Investee	Share of Income (Loss) of the Investee	Note
				As of December 31, 2022	As of December 31, 2021	Shares	%	Carrying Value			
Simula Technology Inc.	Stocks: ASPIRE ASIA INC.	British Virgin Islands	Holding company	\$286,764	\$286,764	9,402,560	100%	\$142,565	\$(10,891)	\$(10,737)	Subsidiary Note 1
Simula Technology Inc.	Simula Technology Corp.	USA	Sells in Northern America	\$15,699	\$15,699	500,000	100%	\$42,177	\$8,087	\$8,087	Subsidiary
Simula Technology Inc.	Simula Company Limited	Hong Kong	Holding company	\$187,625	\$187,625	50,500,000	52.31%	\$143,342	\$(16,649)	\$(8,710)	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%	\$1,128,656	\$333,344	\$167,733	Subsidiary Note 2
Simula Technology Inc.	Mcurich Inc.	Taiwan	Sales of electronic products	\$15,029	\$15,029	645,000	23.33%	\$-	\$(6,710)	\$(947)	Subsidiary
ASPIRE ASIA INC.	ASPIRE ELECTRONICS CORP.	Samoan Islands	Holding company	\$95,099	\$95,099	2,187,690	95.10%	\$12,130	\$(3,104)	\$(2,952)	Subsidiary
ASPIRE ASIA INC.	Simula Company limited	Hong Kong	Holding company	\$181,726	\$181,726	46,033,370	47.69%	\$130,663	\$(16,649)	\$(7,939)	Subsidiary

Note 1: Including investment loss recognized under equity method amounted to NT\$(10,891) thousand, unrealized profit on transaction between subsidiaries amounted to NT\$302 thousand and realized profit on transaction between subsidiaries amounted to NT\$456 thousand.

Note 2: Including investment gain recognized under equity method amounted to NT\$197,830 thousand, and the amortization of differences between the investment cost and the entity's share of the net value to NT\$(30,097) thousand.

English Translation of Parent-Company-Only 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 Year Ended December 31, 2022

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	\$325,702	39.08%	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.	\$6,164	5.62%	
Simula Technology (ShenZhen) Co., LTD.	Simula Company limited	Parent company	Sales	\$367,891	44.14%	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.	\$51,561	47.00%	
Simula Company Limited	Simula Technology (ShenZhen) Co., LTD.	Subsidiary	Purchase	\$367,891	100.00%	Payment within 60 days from the end of delivery month	No manufacturers to be compared with.	No manufacturers to be compared with.	\$(51,561)	100.00%	
Simula Company Limited	Simula Technology Inc.	Parent company	Sales	\$384,386	100.00%	Payment within 60 days from the end of delivery month	No customers to be compared with.	No customers to be compared with.	\$49,414	100.00%	
Simula Technology Corp.	Simula Technology Inc.	Parent company	Purchase	\$119,471	80.11%	Payment within 60 days from the end of delivery month	No manufacturers to be compared with.	Payment within 60 days from the end of delivery month	\$(29)	1.06%	

Simula Technology Inc.

1. Statement of Cash and Cash Equivalents

As of December 31, 2022

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Cash and petty cash:		\$67	As of December 31, 2022
			USD : NTD=1:30.73
			EUR : NTD=1:32.83
			HKD : NTD=1:3.941
Checkings and savings:			
Cathay United Bank—Minchuang Branch	Demand deposits#3996	122,878	
Taiwan Business Bank—Hwei Long Branch	Demand deposits#2545-1	57,182	
Cathay United Bank—Guanghua Branch	Foreign currency deposit#9036	30,262	USD985
Taiwan Business Bank—Hwei Long Branch	Foreign currency deposit#02266-0	10,352	USD337
Taishin International Bank—International Department	Foreign currency deposit#5556	9,580	USD311、HKD9
CTBC Bank—Taoyuan Branch	Foreign currency deposit#6688	8,061	USD255、EUR7
Taishin International Bank—International Department	Demand deposits#2001	2,225	
CTBC Bank—Taoyuan Branch	Demand deposits#6888	2,091	
Yuanta Bank—Business Department	Demand deposits#0771	1,879	
Other(<1,000)		313	
Subtotal		244,823	
Total		244,890	

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Simula Technology Inc.

2. Statement of Financial assets at fair value through profit or loss

As of December 31, 2022

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Forward Exchange Agreement	Sell USD 500	\$410	2022/09/29/~2023/01/06
Forward Exchange Agreement	Sell USD 300	243	2022/09/30/~2023/01/16
Forward Exchange Agreement	Sell USD 400	505	2022/10/24/~2023/01/18
Forward Exchange Agreement	Sell USD 350	479	2022/10/25/~2023/01/31
Forward Exchange Agreement	Sell USD 535	667	2022/10/31/~2023/02/10
Forward Exchange Agreement	Sell USD 370	25	2022/11/24/~2023/02/15
Forward Exchange Agreement	Sell USD 450	1	2022/12/29/~2023/03/27
Forward Exchange Agreement	Sell USD 390	23	2022/11/25/~2023/02/22
Forward Exchange Agreement	Sell USD 280	8	2022/12/29/~2023/03/31
Total		<u>\$2,361</u>	

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Simula Technology Inc.

3. Statement of Accounts Receivable, net

As of December 31, 2022

(In Thousands of New Taiwan Dollars)

Client Name	Amount	Note
Client A	\$42,531	1.The amount of individual client included in others does not exceed 5% of the account balance.
Client B	20,727	
Client C	18,401	2.Non related parties.
Client D	18,194	
Client E	14,934	
Client F	13,212	
Others	<u>38,703</u>	
Subtotal	166,702	
Less: loss allowance	<u>(338)</u>	
Net	<u><u>\$166,364</u></u>	

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Simula Technology Inc.

4. Statement of Accounts Receivable-Related Party, net

As of December 31, 2022

(In Thousands of New Taiwan Dollars)

Client Name	Amount	Note
Qisda Corporation	\$1,170	
Action Star Technology Co., Ltd.	145	
Simula Technology Corp.	<u>29</u>	
Total	<u><u>\$1,344</u></u>	

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Simula Technology Inc.

5. Statement of Other Receivables

As of December 31, 2022

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
Income Tax Refund Receivables	<u>\$1,048</u>	1.The amount of individual client included in others does not exceed 5% of the account balance. 2.Non related parties.

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Simula Technology Inc.

6. Statement of Other Receivables-Related Party, net

As of December 31, 2022

(In Thousands of New Taiwan Dollars)

Client Name	Amount	Note
Simula Technology (ShenZhen) Co., LTD.	\$36,003	Technical service revenue and purchasing raw materials.
Simula Technology Corp.	<u>67</u>	Sample revenue.
Total	<u><u>\$36,070</u></u>	

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Simula Technology Inc.

7. Statement of Inventories

As of December 31, 2022

(In Thousands of New Taiwan Dollars)

Item	Amount		Note
	Cost	Net Realizable Value	
Raw materials	\$11,651	\$9,675	1. Inventories are valued at lower of cost or net realizable value item by item.
Work in progress	8,283	7,537	
Merchandises	9,388	11,897	
Subtotal	29,322	<u>\$29,109</u>	2. The insurance coverage for inventories was NT\$ 12,300 thousand as of December 31, 2022.
Less: allowance for inventory valuation losses	(4,487)		
Net	<u>\$24,835</u>		

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Simula Technology Inc.

8. Statement of Prepayments

As of December 31, 2022

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
Repair and maintenance	\$1,913	1.The amount of individual client included in others does not exceed 5% of the account balance.
Annual fee	990	
Prepaid Insurance	341	
Other prepayments	375	
Total	<u>\$3,619</u>	

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Simula Technology Inc.

9. Statement of Other Current Assets

As of December 31, 2022

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
Payment on behalf of others	\$70	
Temporary payments	<u>35</u>	
Total	<u><u>\$105</u></u>	

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Simula Technology Inc.

10. Statement of Financial assets at fair value through other comprehensive income

For the Year ended December 31, 2022

(In Thousands of New Taiwan Dollars)

Investee companies	As of January 1, 2022		Additions		Decrease		As of December 31, 2022		Collateral	Note
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount		
Optomedia Technology INC.	817	\$2,411	-	\$-	(552)	\$-	265	\$2,411	None	
Taiwan Competition CO., LTD.	500	2,469	-	-	-	(1,022)	500	1,447	None	
Total		<u>\$4,880</u>		<u>\$-</u>		<u>\$-</u>		<u>\$3,858</u>		

Simula Technology Inc.

11. Statement of Changes in Investment Accounted for Under Equity Method

For the Year ended December 31, 2022

(In Thousands of New Taiwan Dollars)

Investee companies	As of January 1, 2022		Additions		Decrease		As of December 31, 2022			Fair Value/Net assets value		Valuation method	Collateral
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	%	Amount	Unit price (NTD)	Total amount		
ASPIRE ASIA INC.	9,402,560	\$151,360	-	\$-	-	\$(8,795)	9,402,560	100.00%	\$142,565	15.19	\$142,867	Equity Method	-
Simula Technology Corp.	500,000	30,231	-	11,946	-	-	500,000	100.00%	42,177	84.35	42,177	Equity Method	-
Simula Company Limited	50,500,000	150,145	-	-	-	(6,803)	50,500,000	52.31%	143,342	2.84	143,342	Equity Method	-
Action Star Technology Co., Ltd.	32,000,571	1,008,924	-	119,732	-	-	32,000,571	59.35%	1,128,656	23.37	747,953	Equity Method	-
Mcurich Inc.	645,000	947	-	-	-	(947)	645,000	23.33%	-	(0.96)	(618)	Equity Method	-
Total		<u>\$1,341,607</u>		<u>\$131,678</u>		<u>\$(16,545)</u>			<u>\$1,456,740</u>		<u>\$1,075,721</u>		

Note1: Including investment loss recognized under equity method amounted to NT\$(10,891) thousand and foreign currency statements translation adjustments amounted to NT\$1,942 thousand.

realized profit on transaction between subsidiaries amounted to NT\$456thousand, unrealized profit on transaction between subsidiaries amounted to NT\$(302) thousand

Note2: Including investment gain amounted to NT\$8,087 thousand and foreign currency statements translation adjustments amounted to NT\$3,859 thousand.

Note3: Including investment loss amounted to NT\$(8,710) thousand and foreign currency statements translation adjustments amounted to NT\$1,907 thousand.

Note4: Including investment gain amounted to NT\$197,830 thousand, and the amortization of differences between the investment cost and the entity's share of the net value to NT\$(30,097) thousand, and cash dividends NT\$(48,001) thousand.

Note5: Including investment loss recognized under equity method amounted to NT\$(947) thousand

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Simula Technology Inc.

12.Statement of Right-of-use assets

For the Year ended December 31, 2022

(In Thousands of New Taiwan Dollars)

Item	As of January 1, 2022	Additions	Decrease	Reclassification during the period	As of December 31, 2022	Note
Acquired costs						
Buildings	\$23,226	\$-	\$(19,828)	\$-	\$3,398	
Transportation equipment	2,879	-	(2,879)	-	-	
Total	26,105	-	(22,707)	-	3,398	
Accumulated depreciation						
Buildings	18,293	3,669	(18,780)	-	3,182	
Transportation equipment	2,639	159	(2,798)	-	-	
Total	20,932	3,828	(21,578)	-	3,182	
Right-of-use assets, net	\$5,173				\$216	

Simula Technology Inc.

13. Statement of Prepayments of Equipment

For the Year ended December 31, 2022

(In Thousands of New Taiwan Dollars)

Item	As of January 1, 2022	Additions	Decrease	As of December 31, 2022
Prepayments of Equipment	<u>\$1,300</u>	<u>\$8,195</u>	<u>\$(1,300)</u>	<u>\$8,195</u>

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Simula Technology Inc.

14.Statement of Refundable deposits

As of December 31, 2022

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
Lease	\$132	
Others	5	
Total	<u>\$137</u>	

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Simula Technology Inc.

15. Statement of Financial Liabilities at Fair Value Through Profit or Loss

As of December 31, 2022

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Forward Exchange Agreement	Sell USD 500	\$32	2022/12/26/~2023/03/15
Forward Exchange Agreement	Sell USD 300	43	2022/12/28/~2023/03/31
Forward Exchange Agreement	Sell USD 400	27	2022/12/28/~2023/03/01
Total		<u>\$102</u>	

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Simula Technology Inc.

16. Statement of Contract Liabilities

As of December 31, 2022

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
Client A	\$1,004	1.The amount of individual client included in others does not exceed 5% of the account balance.
Client B	522	
Client C	214	
Others	399	
Total	<u>\$2,139</u>	

English Translation of Parent-Company-Only Financial St

Simula Technology Ir

17. Statement of Accounts

As of December 31, 20

Vendor Name	Amount
Arrow Electronics Taiwan LTD.	\$2,615
Yin Kwan Enterprise Co.	1,408
Yeong Jiunn Wiring Systems Corp.	1,042
Yang-Tai Technology Co.	846
Vsolution Electronics Limited	582
Other	<u>4,496</u>
Total	<u><u>\$10,989</u></u>

English Translation of Parent-Company-Only Financial St

Simula Technology Ir

18. Statement of Accounts Payable

As of December 31, 20

Item	Amount
Simula Company Limited	\$49,414
Simula Technology (ShenZhen) Co., LTD.	<u>6,164</u>
Total	<u><u>\$55,578</u></u>

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Payable

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(In Thousands of New Taiwan Dollars)

Note
1. The amount of individual vendor included in "others" does not exceed 5% of the account balance.
2. All accounts are not related parties.

Statements Originally Issued in Chinese

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-Related Parties

2022

(In Thousands of New Taiwan Dollars)

Note

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Simula Technology Inc.

19. Statement of Other Payables

As of December 31, 2022

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
Other Accounts Payable		The amount of individual vendor included in others does not exceed 5% of the account balance.
Arrow Electronics Taiwan LTD.	\$5,158	
Avnet Asia PTE LTD., Taiwan Branch(Singapore)	3,877	
Edom Technology CO., LTD.	3,368	
Avnet, Inc	1,490	
Others	4,492	
Subtotal	<u>18,385</u>	
Accrued Expense		
Accrued Employees' Compensation	17,253	
Tooling Payable	15,916	
Accrued Payroll	12,158	
Processing fees payable	10,619	
Compensation Payable to Directors	2,157	
Employee Benefit Provision	1,211	
Pensions Payable	1,179	
Royalty payable	241	
Others	<u>10,484</u>	
Total	<u>71,218</u>	
Payables to Equipment suppliers		
Horng Fuu Precision Industrial CO., LTD.	693	
Chuen Jia INC.	298	
Data Systems Consulting CO., LTD.	169	
Others	48	
Subtotal	<u>1,208</u>	
Total	<u><u>\$90,811</u></u>	

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Simula Technology Inc.

20. Statement of Other Payable-Related Parties

As of December 31, 2022

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
Simula Technology Corp.	\$1,304	
Qisda Corporation	600	
Qs Control CORP. Taichung Branch	145	
Action Star Technology Co., Ltd.	29	
Global Intelligence Network CO., LTD.	21	
Total	<u>\$2,099</u>	

Simula Technology Inc.

21. Statement of Changes in Current Tax Liabilities

For the Year ended December 31, 2022

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
Balance as of January 1, 2022	\$26,794	
Add: Income tax accrual for 2022	19,813	
Less: Income tax payment for 2021	(19,245)	
Supplementary payment in 2021	(1,020)	
Interim temporary tax payment	(26)	
Withholding of income from sources in mainland China	(1,937)	
Land value increment tax	(169)	
Adjustments in respect of current income tax of prior periods	(2,675)	
Balance as of December 31, 2022	<u>\$21,535</u>	

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Simula Technology Inc.

22. Statement of Lease liabilities

For the Year ended December 31, 2022

(In Thousands of New Taiwan Dollars)

Item	Rental period	Discount rate	As of December 31, 2022	Note
Buildings	2013/4/1~2023/3/31	2.85%	\$227	
Less:Lease liabilities, current			(227)	
Lease liabilities, non current			\$-	

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Simula Technology Inc.

23. Statement of Other Current Liabilities

As of December 31, 2022

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
Payment on behalf of others	\$894	
Temporary payments	<u>4</u>	
Total	<u><u>\$898</u></u>	

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Simula Technology Inc.

24.Statement of Long-term Loans

As of December 31, 2022

(In Thousands of New Taiwan Dollars)

Description	Type	Amount	Contract Period	Interest Rates	Collateral	Note
Taiwan Business Bank	Credit loans	\$150,000	2021.07.05-2026.07.05	Taiwan Business Bank variable interest rate +0.41%	None	
Less:Long-term Loans, current		<u>(40,000)</u>				
Long-term Loans, non current		<u><u>\$110,000</u></u>				

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Simula Technology Inc.

25. Statement of Operating Revenues

For the Year ended December 31, 2022

(In Thousands of New Taiwan Dollars)

Item	Quantity	Amount	Note
Automotive 、 Medical 、 Industrial products	25,745	\$473,821	
Consuming products	25,814	355,108	
Wearable products	5,661	285,997	
Others	720	7,105	
Total	57,940	\$1,122,031	

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Simula Technology Inc.

26. Statement of Operating Costs

For the Year ended December 31, 2022

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
Merchandise cost		
Beginning balance	\$12,290	
Add: Merchandise purchased	745,539	
Outsourced	97,187	
Others	674	
Less: Ending balance	(9,388)	
Transferred to manufacturing overhead and operating expenses	(3,013)	
Scrapped	(617)	
Work order production	(1,036)	
Cost of merchandise sold	<u>841,636</u>	
Manufacturing cost		
Direct Materials		
Add: Beginning balance	4,432	
Raw materials purchased	52,267	
Outsourced	15,504	
Others	559	
Less: Ending balance	(11,651)	
Sales	(4,616)	
Transferred to manufacturing overhead and operating expenses	(669)	
Scrapped	(883)	
Others	(40)	
Direct materials used	<u>54,903</u>	
Manufacturing overhead (Detailed list 27)	60,343	
Finish goods used	1,036	
Add: Work in process, beginning balance	4,665	
Others	27	
Less: Work in process, ending balance	(8,283)	
Manufacturing cost	<u>\$112,691</u>	
Cost of raw materials sold directly	4,616	
Loss for market price decline and obsolete and slow-moving inventories	1,302	
Loss from inventory scrapped	1,500	
Tooling costs	1,581	
Depreciation expense	5,300	
Others	6,730	
Operating costs	<u><u>\$862,665</u></u>	

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Simula Technology Inc.

27. Statement of Manufacturing Overhead

For the Year ended December 31, 2022

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
Manufacturing overhead – outsourced	<u>\$60,343</u>	

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Simula Technology Inc.

28. Statement of Selling Expenses

For the Year ended December 31, 2022

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
Salaries	\$34,527	
Supplies	2	
Travelling	566	
Shipping	926	
Postage expenses	47	
Repair and maintenance	15	
Advertisement expense	370	
Insurance expense	2,948	
Entertainment expense	369	
Depreciation	1,611	
Meal expense	593	
Commission	283	
Training expense	4	
Import and export fee	2,148	
Bank charges	451	
Others	5,625	
Professional service expense	90	
Inspection fee	487	
Promotion fee	19,847	
Storage fee	1,425	
Royalty fee	1,719	
Total	<u>\$74,053</u>	

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Simula Technology INC.

29. Statement of Administrative Expenses

For the Year ended December 31, 2022

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
Salaries	\$54,988	
Rent expense	605	
Supplies	220	
Travelling	277	
Shipping	267	
Postage expenses	399	
Repair and maintenance	1,038	
Advertisement expense	28	
Utilities	1,194	
Insurance expense	4,061	
Entertainment expense	103	
Taxes	339	
Depreciation	5,975	
Amortization	690	
Meal expense	612	
Employee welfare	1,772	
Training expense	52	
Internet service fee	556	
Import and export fee	1,486	
Miscellaneous purchase	181	
Bank charges	72	
Professional service expense	4,221	
Management fee	773	
Consumption fee	2	
Others	6,537	
Total	<u>\$86,448</u>	

Simula Technology Inc.

30. Statement of Research and Development Expenses

For the Year ended December 31, 2022

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
Salaries	\$25,867	
Rent expense	2	
Supplies	2	
Travelling	152	
Shipping	6	
Postage expenses	10	
Repair and maintenance	2,267	
Utilities	2	
Insurance expense	1,658	
Depreciation	2,199	
Amortization	482	
Meal expense	600	
Training expense	34	
Miscellaneous purchase	116	
Professional service expense	956	
Inspection fee	213	
Others	2,465	
Total	<u>\$37,031</u>	

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Simula Technology Inc.

31. Statement of Non-operating Income and Expenses

For the Year ended December 31, 2022

Item	Description	Amount		Note
Other income				
	Interest income	\$386		
	Other income			
	Technology services income	22,607		
	Others	10,358		
	Subtotal		<u>\$33,351</u>	
Other gains and losses				
	Gain of financial assets at fair value through profit or loss	1,775		
	Gain (Loss) from disposal of property, plant and equipment	16,205		
	Foreign exchange gain (loss), net	1,386		
	Gains on lease modification	49		
	Other expenses	(561)		
	Subtotal		<u>18,854</u>	
Finance costs				
	Interest on bank loans	(2,769)		
	Interest on lease liabilities	(52)		
	Subtotal		<u>(2,821)</u>	
Share of profit or loss of subsidiaries, associates and joint ventures	Share of profit or loss of subsidiaries, associates and joint ventures	155,426	<u>155,426</u>	
	Total		<u><u>\$204,810</u></u>	