

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

Ticker: 3511

**SIMULA TECHNOLOGY INC. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT
AS OF DECEMBER 31, 2023 AND 2022
AND FOR THE YEARS THEN ENDED**

Address: 14F., No. 1351, Zhongzheng Rd., Taoyuan Dist., Taoyuan City, Taiwan
Telephone: (03) 301-0008

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.

**Consolidated Financial Statements
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MANAGEMENT REPRESENTATION LETTER

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

Very truly yours,

Simula Technology Inc.

By

Huang, Han-Zhou

Chairman

February 23, 2024

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidated balance sheets of Simula Technology Inc. (the "Company") and its subsidiaries as of December 31, 2023 and 2022, the related consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including the summary of significant accounting policies (together referred as "the consolidated financial statements").

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of December 31, 2023 and 2022, and its consolidated 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 and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China.

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 Consolidated Financial Statements section of our report. We are independent of the Company and its subsidiaries 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 most significance in our audit of 2023 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

We determine that revenue recognition is one of the key audit matters. The Company's consolidated revenue amounting to NT\$2,039,055 thousand for the year ended December 31, 2023 is a significant account to the Company's consolidated 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 consolidated financial statements.

Market valuation on inventory

We determined the market valuation on inventory 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 Group's net inventory amounted to NT\$317,831 thousand as of December 31, 2023. The Group'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. We also assessed the adequacy of the inventory-related disclosures shown in the Notes 5 and 6 to the consolidated financial statements.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the 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 or supervisors, are responsible for overseeing the financial reporting process of the Company.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 consolidated financial statements, including the accompanying notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2023 consolidated 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.

We have audited and expressed an unqualified opinion on the parent-company-only financial statements of the Company as of and for the years then ended December 31, 2023 and 2022.

/s/Chen, Kuo-Shuai

/s/ Lin, Cheng-Wei

Ernst & Young
February 23, 2024
Taipei, Taiwan,
Republic of China

Notice to Readers

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

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Simula Technology Inc.

Consolidated Balance Sheets

As of December 31, 2023 and 2022

(Amounts Expressed in Thousands of New Taiwan Dollars)

Assets			2023.12.31		2022.12.31	
Code	Accounts	Notes	Amount	%	Amount	%
	Current assets					
1100	Cash and cash equivalents	4, 6(1)	\$547,161	20.75	\$771,500	21.74
1110	Financial assets at fair value through profit or loss	4, 6(2)	6,114	0.23	4,591	0.13
1136	Financial assets carried at amortized cost	4, 6(3),8	124,771	4.73	4,877	0.14
1170	Accounts receivable, net	4, 6(4), 6(17)	350,131	13.28	849,641	23.94
1180	Accounts receivable - related parties, net	4, 6(4), 6(17), 7	25,722	0.98	11,321	0.32
1200	Other receivables		10,771	0.41	18,513	0.52
1210	Other receivables - related parties	7	99	-	-	-
1220	Current income tax assets		3,633	0.14	415	0.01
130x	Inventories	4, 6(5)	317,831	12.05	551,688	15.55
1410	Prepayments		14,671	0.56	14,137	0.40
1470	Other current assets		2,748	0.10	486	0.01
11XX	Total current assets		<u>1,403,652</u>	<u>53.23</u>	<u>2,227,169</u>	<u>62.76</u>
	Non-current assets					
1517	Financial assets at fair value through OCI	4, 6(6)	3,858	0.15	3,858	0.11
1600	Property, plant and equipment, net	4, 6(8), 7, 8	741,140	28.11	768,468	21.66
1755	Right-of-use assets	4, 6(18), 7	12,647	0.48	30,443	0.86
1780	Intangible assets	4, 6(9), 6(10)	439,810	16.68	479,988	13.53
1840	Deferred income tax assets	4, 6(22)	14,920	0.56	15,530	0.44
1915	Prepayment for equipment		15,665	0.59	21,847	0.62
1920	Refundable deposits		5,229	0.20	1,237	0.02
1990	Other Non-current assets		-	-	7	-
15XX	Total non-current assets		<u>1,233,269</u>	<u>46.77</u>	<u>1,321,378</u>	<u>37.24</u>
1XXX	Total Assets		<u>\$2,636,921</u>	<u>100.00</u>	<u>\$3,548,547</u>	<u>100.00</u>

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Simula Technology Inc.

Consolidated Balance Sheets-(Continued)

As of December 31, 2023 and 2022

(Amounts Expressed in Thousands of New Taiwan Dollars)

Liabilities and Equity			2023.12.31		2022.12.31	
Code	Accounts	Notes	Amount	%	Amount	%
	Current liabilities					
2120	Financial liabilities at fair value through profit or loss	4, 6(11)	\$51	-	\$1,110	0.03
2130	Contract liabilities	4, 6(16)	11,946	0.45	8,875	0.25
2170	Accounts payable		211,492	8.02	381,442	10.75
2180	Accounts payable - related parties	7	8	-	-	-
2200	Other payables	6(12)	177,336	6.72	246,766	6.95
2220	Other payables - related parties	7	4,641	0.18	779	0.02
2230	Current income tax liabilities	4, 6(22)	8,726	0.33	109,609	3.09
2281	Lease liabilities	4, 6(18)	9,206	0.35	20,580	0.58
2320	Long-term loans, current portion	6(13), 8	40,000	1.52	51,340	1.45
2399	Other current liabilities		8,358	0.32	21,567	0.61
21XX	Total current liabilities		<u>471,764</u>	<u>17.89</u>	<u>842,068</u>	<u>23.73</u>
	Non-current liabilities					
2540	Long-term loans	6(13), 8	70,000	2.66	198,556	5.60
2570	Deferred income tax liabilities	4, 6(22)	1,916	0.07	1,312	0.04
2581	Lease liabilities	4, 6(18)	4,217	0.16	10,948	0.31
2640	Net defined benefit liability	4, 6(14)	2,680	0.10	2,938	0.08
25XX	Total non-current liabilities		<u>78,813</u>	<u>2.99</u>	<u>213,754</u>	<u>6.03</u>
2XXX	Total liabilities		<u>550,577</u>	<u>20.88</u>	<u>1,055,822</u>	<u>29.76</u>
	Equity					
31xx	Equity					
3100	Capital					
3110	Common stock	6(15)	799,729	30.33	799,729	22.54
3200	Capital surplus	6(15)	551,718	20.92	551,718	15.55
3300	Retained earnings					
3310	Legal reserve	6(15)	117,691	4.46	93,144	2.62
3320	Special reserve		26,375	1.00	27,425	0.77
3350	Unappropriated earnings		(9,402)	(0.36)	297,334	8.38
	Total retained earnings		<u>134,664</u>	<u>5.10</u>	<u>417,903</u>	<u>11.77</u>
3400	Other components of equity		(7,462)	(0.28)	(9,881)	(0.28)
36xx	Non-controlling interests	6(15), 6(24)	607,695	23.05	733,256	20.66
3XXX	Total equity		<u>2,086,344</u>	<u>79.12</u>	<u>2,492,725</u>	<u>70.24</u>
	Total liabilities and equity		<u>\$2,636,921</u>	<u>100.00</u>	<u>\$3,548,547</u>	<u>100.00</u>

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Simula Technology Inc.

Consolidated Statements of Comprehensive Income

For the Years Ended December 31, 2023 and 2022

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

Code	Accounts	Notes	2023		2022	
			Amount	%	Amount	%
4000	Operating revenues	4, 6(16), 7	\$2,039,055	100.00	\$4,231,024	100.00
5000	Operating costs	6(5), 7	(1,754,673)	(86.05)	(3,317,423)	(78.41)
5900	Gross profit		284,382	13.95	913,601	21.59
6000	Operating expenses	7				
6100	Sales and marketing		(89,044)	(4.37)	(136,201)	(3.22)
6200	General and administrative		(202,485)	(9.93)	(240,288)	(5.68)
6300	Research and development		(78,987)	(3.87)	(104,912)	(2.48)
6450	Expected credit gains (losses)	4, 6(17)	(504)	(0.03)	(573)	(0.01)
	Total operating expenses		(371,020)	(18.20)	(481,974)	(11.39)
6900	Operating income (loss)		(86,638)	(4.25)	431,627	10.20
7000	Non-operating income and expenses	6(20), 7				
7100	Interest income		6,525	0.32	1,739	0.04
7010	Other income		6,801	0.34	9,455	0.22
7020	Other gains and losses		(19,490)	(0.96)	29,789	0.71
7050	Finance costs		(3,696)	(0.18)	(5,721)	(0.14)
7060	Share of the profit or loss of associates and joint ventures	4, 6(7)	-	-	(947)	(0.02)
	Total non-operating income and expenses		(9,860)	(0.48)	34,315	0.81
7900	Income (loss) before income tax		(96,498)	(4.73)	465,942	11.01
7950	Income tax expense	4, 6(22)	(4,552)	(0.22)	(104,625)	(2.47)
8200	Net income (loss)		(101,050)	(4.95)	361,317	8.54
8300	Other comprehensive income (loss)	6(21)				
8310	Items that not be reclassified subsequently to profit or loss					
8311	Remeasurements of defined benefit plans		143	0.01	7,096	0.17
8316	Unrealized gain (losses) on valuation of financial assets at fair value through OCI		-	-	(1,022)	(0.03)
8360	Items that may be reclassified subsequently to profit or loss					
8361	Exchange differences on translation of foreign operations		2,934	0.14	7,902	0.19
	Total other comprehensive income (loss), net of tax		3,077	0.15	13,976	0.33
8500	Total comprehensive income (loss)		\$(97,973)	(4.80)	\$375,293	8.87
8600	Net income (loss) attributable to:					
8610	Shareholders of the parent		\$83,450	(4.09)	\$249,235	5.89
8620	Non-controlling interests		(17,600)	(0.86)	112,082	2.65
			\$(101,050)	(4.95)	\$361,317	8.54
8700	Comprehensive income (loss) attributable to:					
8710	Shareholders of the parent		\$(80,888)	(3.96)	\$263,017	6.22
8720	Non-controlling interests		(17,085)	(0.84)	112,276	2.65
			\$(97,973)	(4.80)	\$375,293	8.87
9710	Earnings per share-basic (in NTD)	6(23)	\$(1.04)		\$3.12	
9850	Earnings per share-diluted (in NTD)		\$(1.04)		\$3.09	

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Simula Technology Inc.

Parent-Company-Only Statements of Changes in Equity

For the Years Ended December 31, 2023 and 2022

(Amounts Expressed in Thousands of New Taiwan Dollars)

Code	Items	Common Stock	Capital Surplus	Retained Earnings			Other Components of equity		Total	Non-controlling Interests	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 other comprehensive income			
				3100	3200	3310	3320	3350			
A1	Balance as of January 1, 2022	\$799,729	\$551,718	\$82,080	\$26,375	\$143,948	\$(13,557)	\$(13,868)	\$1,576,425	\$653,860	\$2,230,285
	Appropriation and distribution of 2021										
B1	Legal reserve appropriated			11,064		(11,064)			-		-
B3	Special reserve				1,050	(1,050)			-		-
B5	Cash dividends - common shares					(79,973)			(79,973)		(79,973)
D1	Net income for 2022					249,235			249,235	112,082	361,317
D3	Other comprehensive income (loss) for 2022					7,096	7,708	(1,022)	13,782	194	13,976
D5	Total comprehensive income (loss) for 2022	-	-	-	-	256,331	7,708	(1,022)	263,017	112,276	375,293
O1	Non-controlling interests increase (decrease)									(32,880)	(32,880)
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	733,256	2,492,725
	Appropriation and distribution of 2022										
B1	Legal reserve appropriated			24,547		(24,547)			-		-
B5	Cash dividends - common shares					(199,932)			(199,932)		(199,932)
B17	Reversal of special reserve				(1,050)	1,050			-		-
D1	Net loss for 2023					(83,450)			(83,450)	(17,600)	(101,050)
D3	Other comprehensive income (loss) for 2023					143	2,419		2,562	515	3,077
D5	Total comprehensive income (loss) for 2023	-	-	-	-	(83,307)	2,419	-	(80,888)	(17,085)	(97,973)
O1	Non-controlling interests increase (decrease)									(108,476)	(108,476)
Z1	Balance as of December 31, 2023	\$799,729	\$551,718	\$117,691	\$26,375	\$(9,402)	\$(3,430)	\$(4,032)	\$1,478,649	\$607,695	\$2,086,344

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Simula Technology Inc.

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2023 and 2022

(Amounts Expressed in Thousands of New Taiwan Dollars)

Code	Items	2023	2022	Code	Items	2023	2022
AAAA	Cash flows from operating activities:			BBBB	Cash flows from investing activities:		
A00010	Profit (loss) before tax	\$ (96,498)	\$465,942	B00040	Increase in financial assets measured at amortized cost	(119,971)	(14)
A20000	Adjustments:			B02700	Acquisition of property, plant and equipment	(57,703)	(54,736)
A20010	Profit or loss not effecting cash flows:			B02800	Proceeds from disposal of property, plant and equipment	-	22,495
A20100	Depreciation (including right-of-use assets)	104,465	122,336	B03700	Increase in refundable deposits	(4,004)	-
A20200	Amortization	44,860	44,137	B03800	Decrease in refundable deposits	-	1,542
A20300	Expected credit losses (gain on recovery)	504	573	B04500	Acquisition of intangible assets	(4,540)	(2,170)
A20400	Net loss (gain) of financial assets (liabilities) at fair value through profit or loss	(2,583)	(1,500)	B06800	Decrease in other non-current assets	7	67
A20900	Interest expense	3,696	5,721	BBBB	Net cash provided by (used in) investing activities	(186,211)	(32,816)
A21200	Interest income	(6,525)	(1,739)				
A22300	Share of profit or loss of subsidiaries, associates and joint ventures	-	947	CCCC	Cash flows from financing activities:		
A22500	Loss (gain) on disposal of property, plant and equipment	10	(16,372)	C00200	Decrease in short-term loans	-	(107,803)
A22600	Property, plant and equipment transferred to expense	7,340	-	C01700	Repayment of long-term loans	(139,896)	(51,340)
A23100	Loss (gain) on disposal of investments	6,653	-	C04020	Payments of lease liabilities	(22,120)	(25,445)
A23700	Impairment loss on non-financial assets	-	6,322	C04500	Cash dividends	(298,574)	(112,853)
A29900	Loss (gain) on lease modification	-	(49)	C05800	Changes in non-controlling interests	(9,834)	-
A30000	Changes in operating assets and liabilities:			CCCC	Net cash provided by (used in) financing activities	(470,424)	(297,441)
A31150	Accounts receivable	499,006	(58,217)				
A31160	Accounts receivable - related parties	(14,401)	15,778	DDDD	Effect of exchange rate changes on cash and cash equivalents	(1,300)	7,120
A31180	Other receivables	7,742	8,894	EEEE	Net Increase (decrease) in cash and cash equivalents	(224,339)	223,744
A31190	Other receivables - related parties	(99)	346	E00100	Cash and cash equivalents at beginning of period	771,500	547,756
A31200	Inventories	233,857	155,969	E00200	Cash and cash equivalents at end of period	\$547,161	\$771,500
A31230	Prepayments	(534)	12,884				
A31240	Other current assets	(1,191)	1,217				
A32125	Contract liabilities	3,071	(10,833)				
A32150	Accounts payable	(169,950)	(171,270)				
A32160	Accounts payable - related parties	8	(698)				
A32180	Other payables	(72,387)	3,748				
A32190	Other payables - related parties	3,862	(996)				
A32230	Other current liabilities	(13,209)	20,580				
A32240	Net defined benefit liability	(115)	14				
A33000	Cash generated from (used in) operations	537,582	603,734				
A33100	Interest received	6,525	1,739				
A33300	Interest paid	(3,072)	(4,558)				
A33500	Income tax paid	(107,439)	(54,034)				
AAAA	Net cash provided by (used in) operating activities	433,596	546,881				

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

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

2. DATE AND PROCEDURE OF AUTHORIZATION FOR FINANCIAL STATEMENTS ISSUANCE

The consolidated financial statements of the Company and its subsidiaries (“the Group”) were authorized to be issued in accordance with a resolution of the Board of Directors’ meeting held on February 23, 2024.

3. NEWLY ISSUED OR REVISED STANDARDS AND INTERPRETATIONS

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

The Group applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after January 1, 2023. The new standards and amendments had no material impact on the Group.

- (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 Group 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	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	January 1, 2024
b	Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	January 1, 2024
c	Non-current Liabilities with Covenants – Amendments to IAS 1	January 1, 2024
d	Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7	January 1, 2024

(A) 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.

(B) 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.

(C) 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.

(D) Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7

The amendments introduced additional information of supplier finance arrangements and added disclosure requirements for such arrangements.

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after January 1, 2024. The new or amended standards and interpretations have no material impact on the Group.

- (3) Standards or interpretations issued, revised or amended, by IASB which are not endorsed by FSC, and not yet adopted by the Group 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	Lack of Exchangeability – Amendments to IAS 21	January 1, 2025

(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 1 January 2023 (from the original effective date of 1 January 2021); provide additional transition reliefs; simplify some requirements to reduce the costs of applying IFRS 17 and revise some requirements to make the results easier to explain. IFRS 17 replaces an interim Standard – IFRS 4 Insurance Contracts – from annual reporting periods beginning on or after January 1, 2023.

(C) Lack of Exchangeability – Amendments to IAS 21

These amendments specify whether a currency is exchangeable into another currency and, when it is not, to determining the exchange rate to use and the disclosures to provide. The amendments apply for annual reporting periods beginning on or after January 1, 2025.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of compliance

The consolidated financial statements of the Group for the years ended December 31, 2023 and 2022 were prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations") and International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by the FSC.

(2) Basis of preparation

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

(3) Basis of consolidation

Preparation principle of consolidated financial statements

Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if and only if the Company has:

- (a) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- (b) Exposure, or rights, to variable returns from its involvement with the investee, and
- (c) The ability to use its power over the investee to affect its returns

When the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) The contractual arrangement with the other vote holders of the investee
- (b) Rights arising from other contractual arrangements
- (c) The Company's voting rights and potential voting rights

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are fully consolidated from the acquisition date, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using uniform accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Total comprehensive income of the subsidiaries is attributed to the owners of the parent and to the NCIs even if this results in a deficit balance of the NCIs.

If the Company loses control of a subsidiary, it:

- (a) Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- (b) Derecognizes the carrying amount of any non-controlling interest;
- (c) Recognizes the fair value of the consideration received;
- (d) Recognizes the fair value of any investment retained;
- (e) Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss, or transfers directly to retained earnings; and
- (f) Recognizes differences in profit or loss.

Simula Technology Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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

The consolidated entities are listed as follows:

Investor	Subsidiary	Main business	Percentage of Ownership (%), As of December 31,	
			2023	2022
The Company	ASPIRE ASIA INC.	Investing activities	100.00%	100.00%
The Company	Simula Technology CORP.	Sells in Northern America	100.00%	100.00%
The Company	Simula Company Limited	Investing activities	52.31%	52.31%
The Company	Action Star Technology Co., Ltd.	R&D & development manufacture and sale of USB docking station product	59.35%	59.35%
ASPIRE ASIA INC.	Simula Company Limited	Investing activities	47.69%	47.69%
ASPIRE ASIA INC.	ASPIRE ELECTRONICS CORP.	Investing activities	95.10%	95.10%
ASPIRE ELECTRONICS CORP.	Opti Cloud Technologies, Inc.	Development of High- speed optical transmission cable and module product technology	-% (Note)	53.82%
Simula Company Limited	Simula Technology (ShenZhen) Co., LTD	Manufacture of electronic connector, socket and plastic hardware	100.00%	100.00%

Note : Opti Cloud Technologies, Inc. completed the liquidation process on November 9, 2023.

(4) Foreign currency transactions

The Group's consolidated financial statements are presented in NT\$, which is the parent company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction. At the reporting date, monetary items denominated in foreign currencies are retranslated at the prevailing functional currency closing rate of exchange; non-monetary items measured at fair value in a foreign currency are retranslated using the exchange rates at the date when the fair value is determined; and non-monetary items 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 from the settlement or translation of 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 instruments.
- (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.

(5) Foreign currency transactions and translation of financial statements in foreign currency

The assets and liabilities of foreign operations are translated into NT\$ at the closing rate of exchange prevailing at the balance sheet date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income under exchange differences on translation of foreign operations. On disposal of the foreign operation, cumulative amount of the exchange differences recognized in other comprehensive income under separate component of equity is reclassified from equity to profit or loss when recognizing the disposal gain/loss.

On the 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 NCIs in that foreign operation, instead of recognized in profit or loss. 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 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.

(6) Current and non-current distinction for assets and liabilities

An asset is classified as current when:

- (a) The Group expects to realize the asset, or intends to sell or consume it, in its normal operating cycle
- (b) The Group holds the asset primarily for the purpose of trading
- (c) The Group 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 Group expects to settle the liability in its normal operating cycle
- (b) The Group 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 Group 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.

(7) Cash and cash equivalents

Cash and cash equivalents comprise 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 (including fixed-term deposits that have maturities equal to or less than three months from the date of acquisition).

(8) Financial instruments

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

The Group 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

The Group accounts for regular way purchase or sales of financial assets on the trade date.

The Group classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:

- (a) The Group'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 Group 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 Group 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 Group 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 Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Besides, at initial recognition, the Group 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 Group 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 Group 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 Group 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 Group 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 Group measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Group 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 Group has transferred the asset and substantially all the risks and rewards of the asset have been transferred
- (c) The Group 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 Group 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.

(9) Derivative instrument

The Group 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.

(10) 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 Group.

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 Group 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.

(11) 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 conditions 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.

Rendering of services is accounted in accordance with IFRS 15 but not within the scoping of inventories.

(12) Investments accounted for using the equity method

The Group'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 Group 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 an investment in a joint venture is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Group'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 Group 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 Group and the associate or joint venture are eliminated to the extent of the Group'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 Group's percentage of ownership interests in the associate or joint venture, the Group 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 Group's interest in an associate or a joint venture is reduced or increased as the Group 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 Group disposes the associate or joint venture.

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

The Group 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 Group 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 Group 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 Group 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.

(13) 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	3 to 50 years
Machinery	2 to 10 years
Office equipment	3 to 10 years
Transportation	5 to 8 years
Other equipment	2 to 5 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 residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

(14) Leases

The Group 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 Group 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 Group 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 Group 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 Group for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Group estimates the stand-alone price, maximising the use of observable information.

Group as a lessee

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

At the commencement date, the Group 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 Group 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 Group 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 Group 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 Group 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 Group measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Group measures the right-of-use applying a cost model.

If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group 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 Group 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 Group presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the statements’ comprehensive income.

For short-term leases or leases of low-value assets, the Group 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.

Group as a lessor

At inception of a contract, the Group 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 Group 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 Group allocates the consideration in the contract applying IFRS 15.

The Group 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.

(15) 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 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 measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

A summary of the policies information applied to the Group's intangible assets is as follows:

	Patents	Cost of Computer Software	Technology Expertise	Customer Relationship
Useful economic life	5 years	3 to 5 years	10 years	18.72 years
Amortization method	Straight-line method during the period of the patent	Amortized on a straight-line basis over the estimated useful life	Amortized on a straight-line basis over the estimated useful life	Amortized on a straight-line basis over the estimated useful life
Internally generated or acquired externally	Acquired externally	Acquired externally	Acquired externally	Internally generated

(16) Impairment of non-financial assets

The Group 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 Group 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 Group 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.

(17) Revenue recognition

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

Sale of goods

The Group 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 Group 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 Group's sale of goods is from 30 to 120 days. For most of the contracts, when the Group 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 Group 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 Group 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 Group measures the loss allowance for a contract asset at an amount equal to the lifetime expected credit losses.

(18) Post-employment benefits

All regular employees of Company are entitled to pension plans that are 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 Company. Therefore, fund assets are not included in the Group's consolidated 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, 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. Re-measurements, 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.

(19) 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 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 and its subsidiaries 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; at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.
- (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; at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.
- (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 deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(20) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred, the identifiable assets acquired and liabilities assumed are measured at acquisition date fair value. For each business combination, the acquirer measures any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are accounted for as expenses in the periods in which the costs are incurred and are classified under administrative expenses.

When the Group acquires a business, it assesses the assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at the acquisition-date fair value. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with IFRS 9 Financial Instruments either in profit or loss or as a change to other comprehensive income. However, if the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured as the amount of the excess of the aggregate of the consideration transferred and the non-controlling interest over the net fair value of the identifiable assets acquired and the liabilities assumed. If this aggregate is lower than the fair value of the net assets acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit or group of units to which the goodwill is so allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purpose and is not larger than an operating segment before aggregation.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation. Goodwill disposed of in this circumstance is measured based on the relative recoverable amounts of the operation disposed of and the portion of the cash-generating unit retained.

5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated 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.

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 detail.

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(14).

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 Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties 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 Group 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. Please refer to Note 6(22) for more details.

D. Accounts receivable - estimation of impairment loss

The Group estimates the impairment loss of accounts receivable 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(17) 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(5) for more details.

6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	As of December 31,	
	2023	2022
Cash and petty cash	\$508	\$654
Checking and savings	256,813	742,233
Time deposit	289,840	28,613
Total	<u>\$547,161</u>	<u>\$771,500</u>

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

	As of December 31,	
	2023	2022
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	6,114	4,591
Total	<u>\$6,114</u>	<u>\$4,591</u>
Current	<u>\$6,114</u>	<u>\$4,591</u>
Non-current	<u>\$-</u>	<u>\$-</u>

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

(3) Financial assets measured at amortized cost

	As of December 31,	
	2023	2022
Time deposit (More than three months)	\$119,960	\$-
Certificate of deposit - restricted	4,811	4,877
Total	<u>\$124,771</u>	<u>\$4,877</u>
Current	<u>\$124,771</u>	<u>\$4,877</u>
Non-current	<u>\$-</u>	<u>\$-</u>

Please refer to Note 8 for more details on financial assets measured at amortized cost pledged as collaterals.

Simula Technology Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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

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

	As of December 31,	
	2023	2022
Accounts receivable, gross	\$352,095	\$851,331
Less: loss allowance	(1,964)	(1,690)
Net	350,131	849,641
Accounts receivable - related parties, gross	25,722	11,321
Less: loss allowance	-	-
Net	25,722	11,321
Total accounts receivable, net	\$375,853	\$860,962

Account receivables were not pledged.

Accounts receivable are generally on 30-120 day terms. The total carrying amount for the year ended December 31, 2023 and 2022, are NT\$377,817 thousand and NT\$862,652 thousand, respectively. Please refer to Note 6 (17) for more details on loss allowance of accounts receivable for the year ended December 31, 2023 and 2022. Please refer to Note 12 for more details on credit risk management.

(5) Inventory

	As of December 31, 2023		
	Inventories, gross	Allowance for Inventory Valuation and Obsolescence Losses	Inventories, net
Raw material	\$151,458	\$(30,990)	\$120,468
Supplies	3,356	(841)	2,515
Work in process	121,815	(6,320)	115,495
Finished goods	90,094	(10,741)	79,353
Total	\$366,723	\$(48,892)	\$317,831

Simula Technology Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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

	As of December 31, 2022		
	Inventories, gross	Allowance for Inventory Valuation and Obsolescence Losses	Inventories, net
Raw material	\$192,454	\$(19,755)	\$172,699
Supplies	4,968	(913)	4,055
Work in process	240,488	(7,237)	233,251
Finished goods	151,938	(10,255)	141,683
Total	\$589,848	\$(38,160)	\$551,688

- A. For the year ended December 31, 2023 and 2022, the Group recognized NT\$1,754,673 thousand and NT\$3,317,423 thousand under the caption of costs of sale, respectively. The following items were also included in cost:

Item	For the year ended December 31,	
	2023	2022
Loss (gain) from inventory market decline	\$11,190	\$(15,510)
Loss from physical	(1,234)	(2,153)
Loss from inventory write-off obsolescence	17,419	38,612
Total	\$27,375	\$20,949

The Group recognized gains on recovery of inventory market decline for the year ended December 31, 2022 because some of the inventories previously provided with market loss or obsolescence were disposed.

- B. The inventories were not pledged.

Simula Technology Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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

(6) Financial assets at fair value through OCI

	As of December 31,	
	2023	2022
Unlisted companies stocks	\$3,858	\$3,858

Financial assets at fair value through OCI were not pledged.

In consideration of the Group's investment strategy, the Group 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)

(7) Investments accounted for under the equity method

Investee companies	As of December 31,			
	Amount	Percentage of Ownership	Amount	Percentage of Ownership
Investments in subsidiaries:				
Meurich Inc.	Not applicable		\$6,322	23.33%
Accumulated impairment			(6,322)	
Total			\$-	

Simula Technology Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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

A. Investments in associates:

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

	For the year ended December 31, 2022
Accounting profit before tax from continuing operations	\$(947)
Total other comprehensive income, net of tax	-
Total comprehensive income	\$(947)

B. There were no contingent liabilities or capital commitments with the investment in the associate as of December 31, 2022. Nor any of the Group's investments accounted for under the equity method was pledged as collateral.

C. The group's investments in associates was transferred into financial assets at fair value through OCI because the shareholding decreased.

(8) Property, plant and equipment

	Land	Buildings	Machinery	Office Equipment	Transportation	Lease Improvement	Other Equipment	Total
<u>Cost:</u>								
As of 1/1/2023	\$210,926	\$431,607	\$332,621	\$17,552	\$5,189	\$142,088	\$130,394	\$1,270,377
Addition	-	50	26,783	7,039	1,614	1,273	10,469	47,228
Disposals	-	-	(76,824)	(2,083)	(640)	-	(38,641)	(118,188)
Reclassification	-	-	8,227	181	229	1,685	228	10,550
Effect of EX rate	-	-	(1,352)	(61)	1	(2,177)	(1,193)	(4,782)
As of 12/31/2023	\$210,926	\$431,657	\$289,455	\$22,628	\$6,393	\$142,869	\$101,257	\$1,205,185

Simula Technology Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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

			Office		Lease		Other	Total
	Land	Buildings	Machinery	Equipment	Transportation	Improvement	Equipment	
As of 1/1/2022	\$214,056	\$457,917	\$343,318	\$18,289	\$9,907	\$157,411	\$149,698	\$1,350,596
Addition	-	968	26,701	4,142	125	644	12,820	45,400
Disposals	(3,130)	(27,278)	(19,038)	(4,951)	(5,054)	(17,943)	(33,867)	(111,261)
Reclassification	-	-	(20,436)	-	-	-	-	(20,436)
Effect of EX rate	-	-	2,076	72	211	1,976	1,743	6,078
As of 12/31/2022	\$210,926	\$431,607	\$332,621	\$17,552	\$5,189	\$142,088	\$130,394	\$1,270,377

Depreciation and impairment:

As of 1/1/2023	\$-	\$108,713	\$228,911	\$10,076	\$3,539	\$53,623	\$97,047	\$501,909
Depreciation	-	20,734	35,199	4,383	806	5,483	16,667	83,272
Impairment loss	-	-	-	-	-	-	-	-
Disposal	-	-	(76,824)	(2,073)	(640)	-	(38,641)	(118,178)
Reclassification	-	-	-	-	-	-	(362)	(362)
Effect of EX rate	-	-	(860)	(39)	1	(871)	(827)	(2,596)
As of 12/31/2023	\$-	\$129,447	\$186,426	\$12,347	\$3,706	\$58,235	\$73,884	\$464,045

As of 1/1/2022	\$-	\$111,421	\$220,203	\$11,287	\$6,346	\$65,304	\$104,124	\$518,685
Depreciation	-	23,692	42,146	3,696	615	5,521	22,234	97,904
Impairment loss	-	-	2,874	-	-	-	3,448	6,322
Disposal	-	(26,400)	(18,361)	(4,933)	(3,634)	(17,943)	(33,867)	(105,138)
Reclassification	-	-	(19,310)	-	-	-	-	(19,310)
Effect of EX rate	-	-	1,359	26	212	741	1,108	3,446
As of 12/31/2022	\$-	\$108,713	\$228,911	\$10,076	\$3,539	\$53,623	\$97,047	\$501,909

Net carrying amount:

As of 12/31/2023	\$210,926	\$302,210	\$103,029	\$10,281	\$2,687	\$84,634	\$27,373	\$741,140
As of 12/31/2022	\$210,926	\$322,894	\$103,710	\$7,476	\$1,650	\$88,465	\$33,347	\$768,468

The Group recognized an impairment loss amounting to NT\$6,322 thousand on certain real estate to an extent of the recoverable value in 2022. This impairment loss has been recorded in the Group's statements of comprehensive incomes. The recoverable value is measured at fair value less cost to sell.

Simula Technology Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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

Please refer to Note 8 for details on property, plant and equipment pledged as collaterals.

(9) Intangible assets

	Patent	Computer software	Technology expertise	Customer relationship	Goodwill	Total
<u>Cost:</u>						
As of January 1, 2023	\$314	\$26,856	\$356,603	\$115,236	\$75,095	\$574,104
Additions – acquired separately	-	4,540	-	-	-	4,540
Derecognized upon retirement	-	(5,020)	(282)	-	-	(5,302)
Reclassification	-	181	-	-	-	181
Effect of exchange rate changes	-	4	5	-	-	9
As of December 31, 2023	\$314	\$26,561	\$356,326	\$115,236	\$75,095	\$573,532
As of January 1, 2022	\$314	\$26,881	\$356,599	\$115,236	\$75,095	\$574,125
Additions – acquired separately	-	2,170	-	-	-	2,170
Derecognized upon retirement	-	(2,294)	-	-	-	(2,294)
Effect of exchange rate changes	-	99	4	-	-	103
As of December 31, 2022	\$314	\$26,856	\$356,603	\$115,236	\$75,095	\$574,104
<u>Amortization and Impairment:</u>						
As of January 1, 2023	\$314	\$21,684	\$61,535	\$10,583	\$-	\$94,116
Amortization	-	3,071	35,633	6,156	-	44,860
Derecognized upon retirement	-	(5,020)	(282)	-	-	(5,302)
Effect of exchange rate changes	-	43	5	-	-	48
As of December 31, 2023	\$314	\$19,778	\$96,891	\$16,739	\$-	\$133,722
As of January 1, 2022	\$314	\$21,546	\$25,899	\$4,427	\$-	\$52,186
Amortization	-	2,349	35,632	6,156	-	44,137
Derecognized upon retirement	-	(2,294)	-	-	-	(2,294)
Effect of exchange rate changes	-	83	4	-	-	87
As of December 31, 2022	\$314	\$21,684	\$61,535	\$10,583	\$-	\$94,116
<u>Carrying amount, net:</u>						
As of December 31, 2023	\$-	\$6,783	\$259,435	\$98,497	\$75,095	\$439,810
As of December 31, 2022	\$-	\$5,172	\$295,068	\$104,653	\$75,095	\$479,988

Amounts of amortization recognized for intangible assets are as follows:

	For the year ended December 31,	
	2023	2022
Operating costs	\$523	\$364
Operating expense	44,337	43,773
Total	\$44,860	\$44,137

(10) Impairment testing of goodwill and intangible assets with indefinite lives

Goodwill acquired through business combinations and licences with indefinite lives have been allocated to two cash-generating units, which are also reportable operating segments, for impairment testing as follows:

	112.12.31	111.12.31
Action Star Technology Co., Ltd.	\$75,095	\$75,095

The recoverable amount of the electronic cash-generating unit is NT\$2,214,076 thousand for the period ended December 31, 2023. This recoverable amount has been determined based on a value in use calculation using cash flow projections from financial budgets approved by management covering a five-year period. The projected cash flows have been updated to reflect the change in demand for products and services. The pre-tax discount rate applied to cash flow projections are 12.90% and 13.37% as of December 31, 2023 and 2022, and cash flows beyond the five-year period are extrapolated using 15%~20% and 8%~10% growth rate as of December 31, 2023 and 2022 that is the same as the long-term average growth rate for the electronics industry. As a result of the updated analysis, management did not identify an impairment for goodwill of NT\$75,095 thousand which is allocated to this cash-generating unit.

Key assumptions used in value-in-use calculations

The calculation of value-in-use for both electronics and fire prevention equipment units are most sensitive to the following assumptions:

- (a) Gross margin
- (b) Discount rates
- (c) Growth rate used to extrapolate cash flows beyond the budget period.

Gross margins – Gross margins are based on average values achieved in recent years preceding the start of the budget period.

Discount rates – Discount rates reflect the current market assessment of the risks specific to each cash generating unit (including the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted). The discount rate was estimated based on the weighted average cost of capital (WACC) for the Group, taking into account the particular situations of the Group and its operating segments. The WACC includes both the cost of liabilities and cost of equities. The cost of equities is derived from the expected returns of the Group's investors on capital, where the cost of liabilities is measured by the interest-bearing loans that the Group has obligation to settle. Specific risk relating to the operating segments is accounted for by considering the individual beta factor which is evaluated annually and based on publicly available market information.

Growth rate estimates – Rates are based on published industry research. For the reasons explained above, the long-term average growth rate used to extrapolate the budget for the fire prevention equipment unit has been adjusted because of the acquisition of a significant industry patent.

Sensitivity to changes in assumptions

With regard to the assessment of value-in-use of the fire prevention equipment unit, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

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

	As of December 31,	
	2023	2022
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	51	1,110
Total	<u>\$51</u>	<u>\$1,110</u>
Current	<u>\$51</u>	<u>\$1,110</u>
Non-current	<u>\$-</u>	<u>\$-</u>

(12) Other payables

	As of December 31,	
	2023	2022
Employee benefit payable	\$72,329	\$134,644
Equipment payable	7,670	4,713
Other payable	97,337	107,409
Total	<u>\$177,336</u>	<u>\$ 246,766</u>

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

(13) Long-term loans

Details of long-term loans as of December 31, 2023 were as follows:

Debtor	2023.12.31	Interest rate	Repayment
Taiwan Business Bank Credit loan	\$110,000	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	\$70,000		

Details of long-term loans as of December 31, 2022 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.
CTBC Bank Secured bank loan	99,896	Variable interest rate +0.7%	Effective October 26, 2016 to October 26, 2031. Repayable monthly NT\$945 thousand.
Subtotal	249,896		
Less: current portion	(51,340)		
Total	\$198,556		

There is no pledge or collateral for long-term loans of the Group as of December 31, 2023, Certain land and buildings are pledged as first priority security for secured bank loans with CTBC Bank. Please refer to Note 8 for more details as of December 31, 2022.

(14) 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.

Subsidiaries located in the People's Republic of China will contribute social welfare benefits based on a certain percentage of employees' salaries or wages to the employees' individual pension accounts.

Pension benefits for employees of overseas subsidiaries and branches are provided in accordance with the local regulations.

Expenses under the defined contribution plan for the years ended December 31, 2023 and 2022 amounted to NT\$12,677 thousand and NT\$13,217 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.

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Notes to Consolidated Financial Statements (Continued)

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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\$144 thousand to its defined benefit plan during the 12 months beginning after December 31, 2023.

As of December 31, 2023 and 2022, the maturities of the Company defined benefit plan are in 2033 and 2032.

Pension costs recognized in profit or loss are as follows:

	For the year ended December 31,	
	2023	2022
Current service costs	\$-	\$102
Net interest of defined benefit liability (asset)	39	66
Total	\$39	\$168

Reconciliation in the defined benefit obligation and fair value are as follows:

	As of December 31,	
	2023	2022
Defined benefit obligation	\$9,033	\$8,989
Plan assets at fair value	(6,353)	(6,051)
Other non-current liabilities – net defined benefit liability	\$2,680	\$2,938

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Notes to Consolidated Financial Statements (Continued)

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

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)
1/1/2022	\$17,996	\$(7,976)	\$10,020
Current service cost	102	-	102
Interest cost (income)	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
Current service cost	-	-	-
Interest cost (income)	120	(81)	39
Total	120	(81)	39
Re-measurement on defined benefit liability/assets:			
Actuarial gain/loss due to change in financial assumptions	123	-	123
Experience gain/loss	(199)	-	(199)
Re-measurement on defined benefit assets	-	(67)	(67)
Total	(76)	(67)	(143)
Benefits paid	-	-	-
Contributions by employer	-	(154)	(154)
12/31/2023	\$9,033	\$(6,353)	\$2,680

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

	As of December 31,	
	2023	2022
Discount rate	1.23%	1.35%
Expected rate of salary increases	2.00%	2.00%

Sensitivity analysis

	For the year ended December 31,			
	2023		2022	
	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%	\$-	\$(253)	\$-	\$(260)
Discount rate decreased by 0.25%	262	-	270	-
Expected salary level increased by 0.5%	515	-	539	-
Expected salary level decreased by 0.5%	-	(479)	-	(503)

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.

(15) Equity

A. Common stock

As of December 31, 2023 and 2022, 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, divided into 79,972,945 shares.

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B. Capital surplus

	As of December 31,	
	2023	2022
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 Company Act, the capital surplus shall not be used except for making good the deficit of the Company. When a company incurs no loss, it may distribute the capital surplus related to the income derived from the issuance of new shares at a premium or income from endowments received by the company up to a certain percentage of paid-in capital. The said capital surplus could be distributed in cash to its shareholders in proportion to the number of shares being held by each of them. Capital surplus related to long-term equity investments cannot be used for any purpose.

C. Appropriation of earnings and dividend policies

(a) Legal reserve

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

(b) Special reserve

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

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

As of December 31, 2023 and 2022, the Company first-time adoption of T-IFRS NT\$26,375 thousand, respectively.

(c) Earning distribution and dividend policies

(1) Earning distribution

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

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

(2) Dividend policies

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

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

As of December 31, 2023, the Company incurred accumulated losses and therefore had no proposal from the board of directors regarding the distribution of earnings.

The appropriations of earnings for the year 2022 were approved through the Board of Directors' meetings and held on June 9, 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>	

Note: According to the Company's Articles of Incorporations, the appropriations of cash dividend for the year 2022 were approved through the Board of Directors' meeting held on February 21, 2023.

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Please refer to Note 6(19) for details on employees' compensation and remuneration to directors and supervisors.

(d) Non-controlling interests

	For the year ended December 31,	
	2023	2022
Beginning balance	\$733,256	\$653,860
Profit (loss) attributable to non-controlling interests	(17,600)	112,082
Other comprehensive income, attributable to non-controlling interests, net of tax:		
Exchange differences resulting from translating the financial statements of a foreign operation	515	194
Decrease in non-controlling interests	(9,834)	-
Receive cash dividends	(98,642)	(32,880)
Ending balance	<u>\$607,695</u>	<u>\$733,256</u>

(16) Sales

	For the year ended December 31,	
	2023	2022
Revenue from customer contracts		
Sales of goods	<u>\$2,039,055</u>	<u>\$4,231,024</u>

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Analysis of revenue from contracts with customers during the year ended December 31, 2023 and 2022 are as follows:

A. Disaggregation of revenue

For the year ended December 31, 2023

	<u>Single department</u>
Sales of goods	<u>\$2,039,055</u>
The timing for revenue recognition:	
At a point in time	<u>\$2,039,055</u>

For the year ended December 31, 2022

	<u>Single department</u>
Sales of goods	<u>4,231,024</u>
The timing for revenue recognition:	
At a point in time	<u>4,231,024</u>

B. Contract balances

(a) Contract liabilities – current

	<u>As of December 31,</u>	
	<u>2023</u>	<u>2022</u>
Sales of goods	<u>\$11,946</u>	<u>\$8,875</u>

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The significant changes in the Group's balances of contract liabilities for the year periods ended December 31, 2023 and 2022 are as follows:

	For the year ended December 31,	
	2023	2022
The opening balance transferred to revenue	\$(3,915)	\$(16,300)
Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue during the period)	6,986	5,467

C. Assets recognized from costs to fulfil a contract

None.

(17) Expected credit losses (gains)

	For the year ended December 31,	
	2023	2022
Operating expenses – Expected credit losses / (gains)		
Accounts receivable	\$504	\$573

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

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The Group 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 Group's loss allowance as of December 31, 2023 and 2022 are as follows:

The Group 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, 2023	Not past due	Past due					Total
		<=30 days	31-90 days	91-120 days	121-270 days	>=271 days	
Gross carrying amount	\$325,529	\$24,323	\$27,965	\$-	\$-	\$-	\$377,817
Loss ratio	-%	0.5%	6.6%	-%	-%	-%	
Lifetime expected credit losses	-	(132)	(1,832)	-	-	-	(1,964)
Carrying amount of accounts receivable	\$325,529	\$24,191	\$26,133	\$-	\$-	\$-	\$375,853
December 31, 2022	Not past due	Past due					Total
		<=30 days	31-90 days	91-120 days	121-270 days	>=271 days	
Gross carrying amount	\$825,862	\$20,523	\$10,063	\$5,992	\$212	\$-	\$862,652
Loss ratio	-%	7%	-%	2%	100%	-%	
Lifetime expected credit losses	-	(1,352)	-	(126)	(212)	-	(1,690)
Carrying amount of accounts receivable	\$825,862	\$19,171	\$10,063	\$5,866	\$-	\$-	\$860,962

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	<u>Accounts receivable</u>
Beginning balance as of January 1, 2023	\$1,690
Addition/(reversal) for the current period	504
Overdue receivables transferred to loss allowance	(230)
Effect of exchange rate changes	-
Ending balance as of December 31, 2023	<u>\$1,964</u>
Beginning balance as of January 1, 2022	\$1,317
Addition/(reversal) for the current period	573
Overdue receivables transferred to loss allowance	(200)
Effect of exchange rate changes	-
Ending balance as of December 31, 2022	<u>\$1,690</u>

(18) Leases

Group as a lessee

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

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

A. Amounts recognized in the balance sheet

a. Right-of-use assets

	<u>As of December 31,</u>	
	<u>2023</u>	<u>2022</u>
Buildings	\$11,999	\$30,225
Transportation equipment	480	218
Office equipment	168	-
Total	<u>\$12,647</u>	<u>\$30,443</u>

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b. Lease liabilities

	As of December 31,	
	2023	2022
Lease liabilities	\$13,423	\$31,528
Current	\$9,206	\$20,580
Non-current	\$4,217	\$10,948

Please refer to Note 6 (20)(4) for the interest on lease liabilities recognized during the year ended December 31, 2023 and 2022 and refer to Note 12 (5) Liquidity Risk Management for the maturity analysis for lease liabilities as at December 31, 2023 and 2022.

B. Amounts recognized in the income statement

Right-of-use assets

	For the year ended December 31,	
	2023	2022
Buildings	\$20,932	\$24,238
Transportation equipment	211	160
Office equipment	50	34
Total	\$21,193	\$24,432

C. Income and costs relating to leasing activities

	For the year ended December 31,	
	2023	2022
The expenses relating to short-term leases	\$4,968	\$2,628
The expenses relating to leases of low-value assets-non-current	-	464

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

D. Cash outflow relating to leasing activities

During the year ended December 31, 2023 and 2022, the Group's total cash outflow for leases amounting to NT\$27,088 thousand and NT\$28,537 thousand, respectively.

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

Nature \ Function	2023			2022		
	Cost of goods sold	Operating expense	Total	Cost of goods sold	Operating expense	Total
Employee benefit						
Salaries & wages	\$229,252	\$143,519	\$372,771	\$281,899	\$158,871	\$440,770
Labor and health insurance	22,640	14,059	36,699	23,678	14,348	38,026
Pension	5,725	6,991	12,716	6,020	7,365	13,385
Other employee benefit	41,575	31,706	73,281	48,699	89,041	137,740
Depreciation	71,091	33,374	104,465	81,668	40,668	122,336
Amortization	523	44,337	44,860	364	43,773	44,137

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 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.

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The Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2022 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. 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\$17,253 thousand and NT\$2,157 thousand respectively on February 21, 2023.

For the year ended December 31, 2023, the Company incurred accumulated loss and therefore did not accrue the employees' compensation and remuneration to directors.

(20) Non-operating incomes and expenses

A. Interest income

	For the year ended December 31,	
	2023	2022
Interest income	\$6,525	\$1,739

B. Other incomes

	For the year ended December 31,	
	2023	2022
Rent income	\$299	\$304
Other income	6,502	9,151
Total	\$6,801	\$9,455

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C. Other gains and losses

	For the year ended December 31,	
	2023	2022
Gains on lease modification	\$-	\$49
Foreign exchange gain (loss), net	(14,922)	20,196
Impairment losses	-	(6,322)
Gain (Loss) from disposal of property, plant and equipment	(10)	16,372
Gain of financial assets at fair value through profit or loss	2,583	1,500
Loss on disposal of investments	(6,653)	
Other expenses	(488)	(2,006)
Total	<u>\$(19,490)</u>	<u>\$29,789</u>

D. Finance costs

	For the year ended December 31,	
	2023	2022
Interests on bank loans	\$3,072	\$4,526
Interest on lease liabilities	624	1,195
Total	<u>\$3,696</u>	<u>\$5,721</u>

Simula Technology Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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

(21) Components of other comprehensive income

For the year ended December 31, 2023

	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>					
Remeasurements of defined benefits plan	\$143	\$-	\$143	\$-	\$143
<u>May be reclassified to profit or loss in subsequent period:</u>					
Exchange differences arising on translation of foreign operations	2,934	-	2,934	-	2,934
Total OCI	<u>\$3,077</u>	<u>\$-</u>	<u>\$3,077</u>	<u>\$-</u>	<u>\$3,077</u>

Simula Technology Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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

For the 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>					
Remeasurements of 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>					
Exchange differences arising on translation of foreign operations	7,902	-	7,902	-	7,902
Total OCI	<u>\$13,976</u>	<u>\$-</u>	<u>\$13,976</u>	<u>\$-</u>	<u>\$13,976</u>

Simula Technology Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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

(22) Income tax

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

A. Income tax expense (benefit) recognized in profit or loss

	<u>For the year ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Current income tax expense (benefit):		
Current income tax expense	\$1,806	\$109,950
Adjustments in respect of current income tax of prior periods	(1,336)	(3,295)
Surtax on undistributed earnings	2,868	980
Land value increment tax	-	169
Deferred tax expense (benefit):		
Deferred tax expense (benefit) relating to origination and reversal of temporary differences	1,214	(3,179)
Total income tax expense	<u>\$4,552</u>	<u>\$104,625</u>

Simula Technology Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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

- B. 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,	
	2023	2022
Accounting profit (loss) before tax from continuing operations	\$(96,498)	\$465,942
Tax payable at the enacted tax rates	\$(25,081)	\$134,140
Tax effect of expenses not deductible for tax purposes	4,741	19
Tax effect of income tax-exempted	-	(35,465)
Tax effect of deferred tax assets/liabilities	24,309	8,077
Adjustments in respect of current income tax of prior periods	(2,285)	(3,295)
Surtax on undistributed earnings	2,868	980
Land value increment tax	-	169
Total income tax recognized in profit or loss	\$4,552	\$104,625

Simula Technology Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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

C. Deferred tax assets (liabilities) relate to the following:

For the year ended December 31, 2023

	Beginning balance as of January 1, 2023	Deferred tax income (expense) recognized in profit or loss	Ending balance as of December 31, 2023
Temporary differences			
Allowance for Inventory			
Valuation and Obsolescence	\$2,783	\$2,910	\$5,693
Losses			
Bad debts loss	878	65	943
Unrealized exchange loss (gain)	8,523	(1,002)	7,521
Impairment loss on assets	521	-	521
Realized financial assets measured at fair value through profit or loss	(610)	(604)	(1,214)
Sales returns and allowances	2,583	(2,583)	-
Provisions of employee benefit obligations	242	-	242
Land value increment tax	(702)	-	(702)
Deferred tax income/ (expense)		\$(1,214)	
Net deferred tax assets/(liabilities)	<u>\$14,218</u>		<u>\$13,004</u>
Reflected in balance sheet as follows:			
Deferred tax assets	<u>\$15,530</u>		<u>\$14,920</u>
Deferred tax liabilities	<u>\$(1,312)</u>		<u>\$(1,916)</u>

Simula Technology Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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

For the year ended December 31, 2022

	Beginning balance as of January 1, 2022	Deferred tax income (expense) recognized in profit or loss	Ending balance as of December 31, 2022
Temporary differences			
Allowance for Inventory			
Valuation and Obsolescence			
Losses	\$2,617	\$166	\$2,783
Bad debts loss	562	316	878
Unrealized exchange loss (gain)	5,877	2,646	8,523
Impairment loss on assets	2,773	(2,252)	521
Realized financial assets measured at fair value through profit or loss	(330)	(280)	(610)
Sales returns and allowances	-	2,583	2,583
Provisions of employee benefit obligations	242	-	242
Land value increment tax	(702)	-	(702)
Deferred tax income/ (expense)		\$3,179	
Net deferred tax assets/(liabilities)	\$11,039		\$14,218
Reflected in balance sheet as follows:			
Deferred tax assets	\$12,071		\$15,530
Deferred tax liabilities	\$(1,032)		\$(1,312)

Simula Technology Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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

D. Unused balance of deductible net operating loss within the Company was listed as follows:

The amount and duration of the unused deductible losses of the Company are as follows:

Occurrence year	Accumulated net operating loss	Unused balance		Expiration Year
		As of December 31, 2023	2022	
2023(expect)	\$3,700	\$3,700	\$-	2028

The amount and duration of the unused deductible losses of the Subsidiary are as follows:

Occurrence year	Accumulated net operating loss	Unused balance		Expiration Year
		As of December 31, 2023	2022	
2019	\$9,381	\$-	\$9,381	2024
2020	8,142	-	8,142	2025
2021	32,283	27,050	32,283	2026
2022	41,782	41,782	41,782	2027
2023 (expect)	39,997	39,997	-	2028
Total	\$131,585	\$108,829	\$91,588	

E. Unrecognized deferred tax assets

As of December 31, 2023 and 2022, deferred tax assets that have not been recognized as they may not be used to offset future taxable income amounted to NT\$84,103 thousand and NT\$74,591 thousand, respectively.

F. The assessment of income tax return

As of December 31, 2023, the assessment status of income tax returns of the Company and subsidiaries was as follows:

	<u>The assessment of income tax returns</u>
The Company	Assessed and approved up to 2021
Subsidiary – Action Star Technology Co., Ltd.	Assessed and approved up to 2021

Simula Technology Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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

(23) 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,	
	2023	2022
Net income (loss) available to common shareholders of the parent	\$(83,450)	\$249,235
Weighted average number of common shares outstanding (in thousand shares)	79,973	79,973
Basic earnings per share (in NT\$)	\$(1.04)	\$3.12

B. Diluted earnings per share

	For the year ended December 31,	
	2023	2022
Net income (loss) available to common shareholders of the parent	\$(83,450)	\$249,235
Net income (loss) available to common shareholders of the parent after dilution	\$(83,450)	249,235
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
Weighted average number of common shares outstanding after dilution (in thousand shares)	79,973	80,533
Diluted earnings per share (in NT\$)	\$(1.04)	\$3.09

Simula Technology Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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

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.

(24) Subsidiary that has material non-controlling interests

Proportion of equity interest held by non-controlling interests

Name	Country	As of December 31,	
		2023	2022
Opti Cloud Technologies, Inc.	China	-%	48.82%
Action Star Technology Co., Ltd.	Taiwan	40.65%	40.65%

Accumulated balances of material non-controlling interest:

	As of December 31,	
	2023	2022
Opti Cloud Technologies, Inc.	\$-	\$11,566
Action Star Technology Co., Ltd.	607,175	721,690

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

	For the year ended December 31,	
	2023	2022
Opti Cloud Technologies, Inc.	\$(1,382)	\$(2,815)
Action Star Technology Co., Ltd.	(15,873)	114,897

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

Simula Technology Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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

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

For the year ended December 31, 2023

	Opti Cloud Technologies, Inc.	Action Star Technology Co., Ltd.
Operating revenue	\$-	\$1,236,219
Profit/loss from continuing operation	(2,830)	9,370
Total comprehensive income for the period	(2,830)	9,370

For the year ended December 31, 2022

	Opti Cloud Technologies, Inc.	Action Star Technology Co., Ltd.
Operating revenue	\$-	\$2,962,599
Profit/loss from continuing operation	(5,767)	333,344
Total comprehensive income for the period	(5,767)	333,344

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

As of December 31, 2023

	Opti Cloud Technologies, Inc.	Action Star Technology Co., Ltd.
Current assets	\$-	\$857,578
Non-current assets	-	358,088
Current liabilities	-	187,683
Non-current liabilities	-	954

Simula Technology Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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

As of December 31, 2022

	Opti Cloud Technologies, Inc.	Action Star Technology Co., Ltd.
Current assets	\$23,740	\$1,486,600
Non-current assets	-	379,985
Current liabilities	50	517,398
Non-current liabilities	-	88,885

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

For the year ended December 31, 2023

	Opti Cloud Technologies, Inc.	Action Star Technology Co., Ltd.
Operating activities	\$-	\$410,071
Investing activities	-	(138,411)
Financing activities	-	(342,990)
Net increase/(decrease) in cash and cash equivalents	-	(71,330)

For the year ended December 31, 2022

	Opti Cloud Technologies, Inc.	Action Star Technology Co., Ltd.
Operating activities	\$(127)	\$346,126
Investing activities	-	(26,938)
Financing activities	-	(92,437)
Net increase/(decrease) in cash and cash equivalents	(127)	226,751

7. RELATED PARTY TRANSACTIONS

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

Related parties and Relationship

<u>Related parties</u>	<u>Relationship</u>
Qisda Corporation	Parent company
Qisda Optronics Suzhou Co. Ltd	Associate
Action Star Enterprise Co., Ltd.	Other related party
DFI Inc.	Associate
BenQ Materials Corp.	Associate
BenQ Asia Pacific Corp.	Associate
BenQ AB DentCare	Associate
BenQ Corporation	Associate
Epic Cloud Co., Ltd.	Associate
Concord Medical Co., Ltd	Associate
QS Control Corp. Taichung Branch	Associate
Partner Tech Corp.	Associate
Partner Tech Asia Pacific Corporation	Associate
BenQ Technology (Shanghai) Co., Ltd.	Associate
Darfon Electronics Corp.	Associate
Global Intelligence Network Co., Ltd.	Associate
Yu, Su-Kuan	Vice chairman and general manager of the Company (Note)

(Note) Resigned on February 25, 2022

Simula Technology Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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

(2) Significant transactions with related parties

A. Sales

	For the year ended December 31,	
	2023	2022
Parent company	\$114,366	\$9,370
Associate	29,528	52,076
Total	\$143,894	\$61,446

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

The collection terms are 30 to 120 days from the end of delivery month.

B. Purchases

	For the year ended December 31,	
	2023	2022
Parent company	\$3,480	\$-
Associate	18,061	-
Total	\$21,541	\$-

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

The payment terms are 30 to 60 days from the end of delivery month.

Simula Technology Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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

C. Accounts receivable - related parties

	As of December 31,	
	2023	2022
Parent company	\$16,557	\$1,691
Associate	9,165	9,630
Total	\$25,722	\$11,321

D. Other receivables – related parties

	As of December 31,	
	2023	2022
Associate	\$99	\$-

E. Accounts payable - related parties

	As of December 31,	
	2023	2022
Associate	\$8	\$-

F. Other payables - related parties

	As of December 31,	
	2023	2022
Parent company	\$736	\$600
Associate	3,905	179
Total	\$4,641	\$779

Simula Technology Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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

G. Cost of good sold and operating expenses

		For the year ended December 31,	
Account		2023	2022
Parent company	Inspection fee	\$354	\$27
Parent company	Training fee	5	-
Associate	Processing fee	3,912	2
Associate	Other expense	4,622	1,671
Associate	Miscellaneous	44	64
Associate	Maintenance fee	51	20
Associate	Employee welfare	-	52
Associate	Rent expense	-	2,785
	Postage and telecommunication	143	-
Associate	fees and internet fees		
Associate	Entertainment expenses	10	-
Associate	Delivery charge	5	-
Total		<u>\$9,146</u>	<u>\$4,621</u>

Simula Technology Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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

H. The Company leased factory from related parties for the year ended December 31, 2023 and 2022, respectively was as follow

(a) Rent expense

	Object	Rental Period	Total Rent	Monthly rent and Payment
<u>2023.1.1-2023.12.31</u>				
The associate of the Company	No.39 Jingsan Rd, Caonanli, Wuqi District, Taichung City	2022.06.01~ 2025.05.31	NT\$900	NT\$113 thousand per month and to be paid before the 13th of next month. (If the shipment volume reaches 9,000 pcs in the month, rent will be free.)
Other related party	Xizhi Office	2023.01.01~ 2023.12.31	NT\$2,400	NT\$200 thousand per month and to be paid each month.
<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 Note	NT\$329 thousand per month and to be paid before the 5th of each month.

Note: Yu, Su-Kuan has not been the main management of the Company since February 25, 2022, so the total rent with related party was only calculated until February.

I. Other incomes

	For the year ended December 31,	
	2023	2022
Parent company	\$853	\$-
Associate	1,961	-
Total	\$2,814	\$-

Simula Technology Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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

J. Purchase of property, plant and equipment

	For the year ended December 31,	
	2023	2022
Associate	\$2,012	\$260

K. Salaries and rewards to key management of the Company

	For the year ended December 31,	
	2023	2022
Short-term employee benefits	\$29,367	\$31,389
Post-employee benefits	1,101	993
Total	\$30,468	\$32,382

8. PLEDGED ASSETS

The following assets of the Group are pledged as collaterals:

Item	Carrying Amount As of		Purpose
	2023	2022	
Financial assets measured at amortized cost	\$4,811	\$4,877	Deposit of forward currency contract
Land	-	80,171	Long-term loans
Buildings	-	207,316	Long-term loans
Total	\$4,811	\$292,364	

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,	
	2023	2022
Financial assets at fair value through profit or loss:		
Mandatorily measured at fair value through P/L	\$6,114	\$4,591
Financial assets at fair value through OCI	3,858	3,858
Financial assets measured at amortized cost (Note)	1,058,655	1,655,852
Total	<u>\$1,068,627</u>	<u>\$1,664,301</u>

Financial liabilities

	As of December 31,	
	2023	2022
Financial liabilities measured at amortized cost:		
Payables (including related parties)	\$393,477	\$628,987
Long-term loans (including current portion with maturity less than 1 year)	110,000	249,896
Lease liabilities	13,423	31,528
Financial liabilities at fair value through profit or loss:		
Mandatorily measured at fair value through P/L	51	1,110
Total	<u>\$516,951</u>	<u>\$911,521</u>

Note: Including cash and cash equivalents, financial assets measured at amortized cost, accounts receivable, accounts receivable-related parties, other receivables and other receivables-related parties.

(2) Financial risk management objectives and policies

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

The Group 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 Group complies with its financial risk management policies always.

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

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

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

If NT dollars appreciates/depreciates against US dollars by 1%, net income (loss) for the year ended December 31, 2023 and 2022 would decrease/increase by NT\$3,725 thousand and NT\$8,206 thousand, respectively.

If NT dollars appreciates/depreciates against CNY dollars by 1%, net income (loss) for the year ended December 31, 2023 and 2022 would decrease/increase by NT\$953 thousand and NT\$636 thousand, respectively.

Interest rate risk

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

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

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as of the end of the reporting period and presumed to be held for one accounting year, including investments and loans with variable interest rates. If interest rate increases/decreases by 0.1%, the net income (loss) for the year ended December 31, 2023 and 2022 would decrease/increase by NT\$437 thousand and NT\$95 thousand, respectively.

Equity price risk

The fair value of the Group's unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group's unlisted equity securities are classified under financial assets measured at fair value through other comprehensive income.

The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Board of Directors reviews and approves all equity investment decisions.

Please refer to Note 12(9) for sensitivity analysis information of other equity instruments or derivatives that are linked to such equity instruments whose fair value measurement is categorized under Level 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 Group is exposed to credit risk from operating activities (primarily for accounts and notes receivable) and from its financing activities including bank deposits and other financial instruments.

Customer credit risk is managed by each business unit subject to the Group'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 Group's internal credit ratings. The Group also employs some credit enhancement instruments (e.g. prepayment or insurance) to reduce certain customers' credit risk.

As of December 31, 2023 and 2022, receivables from the top ten customers were accounted for 72.63% and 85.93% of the Group's total accounts receivable, respectively. The concentration of credit risk is relatively insignificant for the remaining receivables.

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Notes to Consolidated Financial Statements (Continued)

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

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

(5) Liquidity risk management

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

Non-derivative financial instruments

	Less than 1 year	1 to 2 years	2 to 3 years	More than 3 years	Total
<u>As of December 31, 2023</u>					
Payables	\$393,477	\$-	\$-	\$-	\$393,477
Lease liabilities	9,367	1,449	526	2,775	14,117
Loans	41,711	40,911	30,158	-	112,780
<u>As of December 31, 2022</u>					
Payables	\$628,987	\$-	\$-	\$-	\$628,987
Lease liabilities	21,156	8,208	285	3,104	32,753
Loans	55,640	54,658	51,756	101,928	263,982

(6) Movement schedule of liabilities arising from financing activities

Movement schedule of liabilities for year ended December 31, 2023:

	Long-term borrowings	Leases liabilities	Total liabilities from financing activities
As of January 1, 2023	\$249,896	\$31,528	\$281,424
Cash flows	(139,896)	(22,120)	(162,016)
Non-cash changes	-	4,015	4,015
As of December 31, 2023	\$110,000	\$13,423	\$123,423

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

	Short-term borrowings	Long-term borrowings	Leases liabilities	Total liabilities from financing activities
As of January 1, 2022	\$106,880	\$301,236	\$55,530	\$463,646
Cash flows	(107,803)	(51,340)	(25,445)	(184,588)
Non-cash changes				
Other	923	-	1,443	2,366
As of December 31, 2022	\$-	\$249,896	\$31,528	\$281,424

(7) Fair values of financial instruments

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

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

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

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

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

B. Fair value of financial instruments measured at amortized cost

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

C. Fair value measurement hierarchy for financial instruments

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

(8) Derivative financial instruments

The Group's derivative financial instruments include forward currency contracts and embedded derivatives. The related information for derivative financial instruments not qualified for hedge accounting and not yet settled as at December 31 2023 and 2022 is as follows:

Forward currency contracts

The Group 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:

<u>Items (by contract)</u>	<u>Notional Amount</u>	<u>Contract Period</u>
As of December 31, 2023		
Forward currency contract	Sell USD 9,461	2023.10.26 ~ 2024.04.30
As of December 31, 2022		
Forward currency contract	Sell USD 23,225	2022.09.29 ~ 2023.03.31

(9) Fair value measurement hierarchy

A. Fair value measurement hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement 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 Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

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

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

As of December 31, 2023

	<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	<u>\$-</u>	<u>\$6,114</u>	<u>\$-</u>	<u>\$6,114</u>
Financial assets at fair value through other comprehensive income	<u>\$-</u>	<u>\$-</u>	<u>\$3,858</u>	<u>\$3,858</u>
<u>Financial liabilities:</u>				
Financial liabilities at fair value through profit or loss				
Forward currency contract	<u>\$-</u>	<u>\$51</u>	<u>\$-</u>	<u>\$51</u>

Simula Technology Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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

As of 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	\$-	\$4,591	\$-	\$4,591
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	\$-	\$1,110	\$-	\$1,110

Transfers between Level 1 and Level 2 during the period

For the year ended December 31, 2023 and 2022, there were no transfers between Level 1 and Level 2 fair value hierarchy.

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

For the year ended December 31 2023, there were no transfers in Level 3 hierarchy.

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy for movements during the year ended December 31 2022, 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

Simula Technology Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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

Information on significant unobservable inputs to valuation in Level 3 hierarchy

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

As of December 31, 2023

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

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

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

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

	As of December 31, 2023		
	Foreign Currencies	Exchange Rate	NTD
<u>Financial assets</u>			
Monetary items:			
USD	\$15,398	30.75	\$473,479
CNY	\$8,023	4.3364	\$34,791
<u>Financial liabilities</u>			
Monetary items:			
USD	\$3,222	30.75	\$99,075
CNY	\$30,111	4.3364	\$130,571
	As of December 31, 2022		
	Foreign Currencies	Exchange Rate	NTD
<u>Financial assets</u>			
Monetary items:			
USD	\$34,197	30.73	\$1,050,866
CNY	\$18,436	4.4057	\$81,224
<u>Financial liabilities</u>			
Monetary items:			
USD	\$7,362	30.73	\$226,220
CNY	\$32,933	4.4057	\$145,093

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

Simula Technology Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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

	For the year ended December 31,	
	2023	2022
USD	\$(14,901)	\$19,861
Other	(21)	335
Total	\$(14,922)	\$20,196

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

(11) Capital management

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

13. ADDITIONAL DISCLOSURES

(1) Information on significant transactions

A. Financing provided to others: None.

B. Endorsement/Guarantee provided to others: None.

C. Marketable securities held as of December 31, 2023 (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, 2023: 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, 2023: 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, 2023: 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, 2023: 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, 2023: None.
- I. Derivative instrument transactions: Please refer to Note 12(8).
- J. Intercompany relationships and significant intercompany transactions for the year ended December 31, 2023: Please refer to attachment 5.

(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, 2023 (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, 2023: 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, 2023: 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, 2023: 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, 2023: 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, 2023: None.

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

Simula Technology Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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

(3) Information on investments in Mainland China:

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

(In Thousands of New Taiwan Dollars/ Foreign currencies)

Name of Investee in China	Main Business	Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2023	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2023	Profit/Loss of Investee	Percentage of Ownership (Direct or Indirect Investment)	Share of Profit/Loss	Carrying Amount as of December 31, 2023	Accumulated Inward Remittance of Earnings as of December 31, 2023	Accumulated Outflow of Investment from Taiwan to Mainland China as of December 31, 2023	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	\$(46,191) (Note 3)	100%	\$(46,191) (Note 2) (Note 5)	\$132,843 (Note 3) (Note 5)	\$-	\$257,755	\$307,817	\$1,251,806

English Translation of Consolidated Financial Statements and Footnotes Originally Issued in Chinese

Simula Technology Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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

Name of Investee in China	Main Business	Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2023	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2023	Profit/Loss of Investee	Percentage of Ownership (Direct or Indirect Investment)	Share of Profit/Loss	Carrying Amount as of December 31, 2023	Accumulated Inward Remittance of Earnings as of December 31, 2023	Accumulated Outflow of Investment from Taiwan to Mainland China as of December 31, 2023	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 3)	Note 1	\$95,099	\$-	\$-	\$95,099	\$(2,830) (Note 3) (Note 4)	\$- (Note 4)	\$(1,448) (Note 2) (Note 4) (Note 5)	\$- (Note 3) (Note 4)	\$- (Note 3)	\$257,755	\$307,817	\$1,251,806

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.

Note 4: Opti Cloud Technologies, Inc. completed the liquidation process on November 9, 2023.

Note 5: Transactions are eliminated upon preparation of consolidated financial statements

Simula Technology Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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

B. Purchase and accounts payable with the related parties: Please refer to attachment 5.

C. Sales and receivables with the related parties: Please refer to attachment 5.

D. Property transaction amounts and resulting gain or loss: None.

E. Ending balance of endorsements/guarantees or collateral provided and the purposes: None.

F. Maximum balance, ending balance, interest rate range and total interest for current period from financing provided to others: None.

G. Transactions that have significant impact on profit or loss of current period or the financial position, such as services provided or rendered: Please refer to attachment 5.

H. The above transactions between the Company and Simula Company Limited, Action Star Technology Co., Ltd., Opti Cloud Technologies, Inc., Simula Technology (ShenZhen) Co., Ltd. and Simula Technology Corp. are eliminated upon preparation of consolidated financial statements. Please refer to attachment 5.

(4) Information on major shareholders:

Ownership of shares	Number of shares held (shares)	Ownership ratio
Major shareholders		
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

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

Simula Technology Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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

(1) Geographical information

Revenues from external customers

	For the year ended December 31,	
	2023	2022
U.S.A.	\$989,331	\$2,049,634
Taiwan	282,649	145,186
China	252,028	577,240
Australia	127,893	376,811
U.K.	126,324	194,942
Other countries	260,830	887,211
Total	<u>\$2,039,055</u>	<u>\$4,231,024</u>

Non-current assets

	As of December 31,	
	2023	2022
Taiwan	\$1,069,495	\$1,130,591
China	161,293	186,288
U.S.A.	2,481	4,499
Total	<u>\$1,233,269</u>	<u>\$1,321,378</u>

(3) Information about major customers

Individual customer's sale accounted for at least 10% of consolidated net sale:

Name of customers	For the year ended December 31,	
	2023	2022
Customer A	\$363,148	\$1,738,585
Customer B	336,328	592,342
Customer C	216,320	(Note)
Total	<u>\$915,796</u>	<u>\$2,330,927</u>

Note: Revenue generated from sales to individual customer C did not achieve 10% of the operating revenue of the Group, it was not disclosed.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Simula Technology Inc.

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

As of December 31, 2023

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, 2023				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 OCI	264,864	\$2,411	3.26%	\$2,411	-	\$-	-
Simula Technology Inc.	Taiwan Competition Co., LTD.	-	Financial assets at fair value through OCI	500,000	1,447	16.67%	1,447	-	\$-	-
Simula Technology Inc.	Mcurich Inc.	-	Financial assets at fair value through OCI	645,000	-	15.12%	-	-	\$-	-
			Total		<u>\$3,858</u>		<u>\$3,858</u>			

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Simula Technology Inc.

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

For the Year Ended December 31, 2023

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	\$415,453	86.71%	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	\$(34,327)	53.96%	

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

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, 2023

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, 2023			Net Income (Loss) of the Investee	Share of Income (Loss) of the Investee	Note
				As of December 31, 2023	As of December 31, 2022	Shares	%	Carrying Value			
Simula Technology Inc.	Stocks: ASPIRE ASIA INC.	British Virgin Islands	Holding company	\$286,764	\$286,764	9,402,560	100%	\$116,274	\$(30,688)	\$(30,642) Note 1	Subsidiary
Simula Technology Inc.	Simula Technology Corp.	USA	Selling in Northern America	\$15,699	\$15,699	500,000	100%	\$44,911	\$2,739	\$2,739	Subsidiary
Simula Technology Inc.	Simula Company Limited	Hong Kong	Holding company	\$187,625	\$187,625	50,500,000	52.31%	\$116,676	\$(47,289)	\$(24,739)	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%	\$961,481	\$9,370	\$(23,172) Note 2	Subsidiary
ASPIRE ASIA INC.	ASPIRE ELECTRONICS CORP.	Samoa Islands	Holding company	\$95,099	\$95,099	2,187,690	95.10%	\$10,079	\$(8,578)	\$(8,157)	Subsidiary
ASPIRE ASIA INC.	Simula company limited	Hong Kong	Holding company	\$181,726	\$181,726	46,033,370	47.69%	\$106,357	\$(47,289)	\$(22,550)	Subsidiary

Note 1: Including investment loss recognized under equity method amounted to NT\$(30,688) thousand, unrealized profit on transaction between subsidiaries amounted to NT\$(256) thousand and realized profit on transaction between subsidiaries amounted to NT\$302 thousand.

Note 2: Including investment gain recognized under equity method amounted to NT\$5,561 thousand, and the amortization of differences between the investment cost and the entity's share of the net value to NT\$(28,733) thousand.

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Simula Technology Inc.

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

For the Year Ended December 31, 2023

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	\$415,453	73.73%	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.	\$(34,327)	58.60%	Note
Action Star Technology Co., LTD.	Qisda Corporation	Parent company	Sales	\$110,477	8.94%	Payment within 60 days from the end of delivery month	The same or similar products are not sold to third party customers.	Non relative parties are 30~90days on board date.	16,348	7.64%	

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Simula Technology Inc.

Intercompany relationships and significant intercompany transactions

For the year Ended December 31, 2023

Attachment 5

(In Thousands of CNY Dollars / New Taiwan Dollars)

No. (Note 1)	Company Name	Counter-Party	Nature of Relationship (Note 2)	Intercompany Transaction			Percentage to Consolidated Net Revenue or Total Assets (Note 3)
				Financial Statement Account	Amount	Terms	
	<u>Year 2023</u>						
0	Simula technology INC.	Simula Technology Corp.	1	Other payable	\$1,365	On demand	0.05%
0	Simula technology INC.	Simula Technology Corp.	1	Promotion expense	17,600	On demand	0.86%
0	Simula technology INC.	Simula Technology Corp.	1	Accounts receivable	21,096	60 days after monthly closing	0.80%
0	Simula technology INC.	Simula Technology Corp.	1	Sales	51,392	60 days after monthly closing	2.52%
0	Simula technology INC.	Simula Technology Corp.	1	Other income	50	60 days after monthly closing	-%
0	Simula technology INC.	Action Star Technology Co., Ltd.	1	Manufacturing overhead	603	30 days after monthly closing	0.03%
0	Simula technology INC.	Action Star Technology Co., Ltd.	1	Other payable	537	30 days after monthly closing	0.02%
0	Simula technology INC.	Action Star Technology Co., Ltd.	1	Other expense	393	30 days after monthly closing	0.02%
0	Simula technology INC.	Simula Technology (ShenZhen) Co., LTD.	1	Purchase	415,453	60 days after monthly closing	20.37%
0	Simula technology INC.	Simula Technology (ShenZhen) Co., LTD.	1	Other receivables	33,042	60 days after monthly closing	1.25%
0	Simula technology INC.	Simula Technology (ShenZhen) Co., LTD.	1	Accounts payable	34,327	60 days after monthly closing	1.30%
0	Simula technology INC.	Simula Technology (ShenZhen) Co., LTD.	1	Technical service income	13,585	60 days after monthly closing	0.67%
0	Simula technology INC.	Simula company limited	1	Accounts payable	450	60 days after monthly closing	0.02%
0	Simula technology INC.	Simula company limited	1	Purchase	45,369	60 days after monthly closing	2.23%
1	Simula Technology (ShenZhen) Co., LTD.	Simula Technology Corp.	3	Accounts receivable	RMB 186	60 days after monthly closing	0.03%
1	Simula Technology (ShenZhen) Co., LTD.	Simula Technology Corp.	3	Sales	RMB 4,147	60 days after monthly closing	0.89%
1	Simula Technology (ShenZhen) Co., LTD.	Simula company limited	2	Accounts payable	RMB 4,362	60 days after monthly closing	0.72%
1	Simula Technology (ShenZhen) Co., LTD.	Simula company limited	2	Accounts receivable	RMB 181	60 days after monthly closing	0.03%
1	Simula Technology (ShenZhen) Co., LTD.	Simula company limited	2	Sales	RMB 9,824	60 days after monthly closing	2.13%
1	Simula Technology (ShenZhen) Co., LTD.	Simula company limited	2	Other receivable	RMB 656	60 days after monthly closing	0.11%

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

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

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

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

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