

Ticker: 3511

**SIMULA TECHNOLOGY INC. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
WITH REVIEW REPORT OF INDEPENDENT AUDITORS
AS OF MARCH 31, 2023 AND 2022
AND FOR THE THREE-MONTH PERIODS THEN ENDED**

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

Consolidated Financial Statements
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REVIEW REPORT OF INDEPENDENT AUDITORS

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

Introduction

We have reviewed the accompanying consolidated balance sheets of Simula Technology Inc. (the “Company”) and its subsidiaries as of March 31, 2023 and 2022, the related consolidated statements of comprehensive income, changes in equity and cash flows for the three-month periods then ended, and notes to the consolidated financial statements, including the summary of significant accounting policies (together “the consolidated financial statements”). Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” as endorsed and became effective by Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of Review

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

(To be continued)

(Continued)

Basis for Qualified Conclusion

As explained in Note 6.(6), the financial statements of the associate and joint venture accounted for under the equity method was not reviewed by independent auditors. The carrying values of the associate and joint venture under equity method amounted to NT\$505 thousand as of March 31, 2022. The related shares of profits from the associate and joint venture under the equity method amounted to NT\$(442) thousand for the three-month period ended March 31, 2022.

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of March 31, 2023, and their consolidated financial performance and cash flows for the three-month period ended March 31, 2023, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” as endorsed and became effective by Financial Supervisory Commission of the Republic of China. Based on our reviews, except for the effect of such adjustments, if any, as might have been determined to be necessary had the financial statements of the associate and joint venture accounted for using equity method been reviewed by independent auditors described in the preceding paragraph, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of March 31, 2022, and their consolidated financial performance and cash flows for the three-month period ended March 31, 2022, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

/s/Chen, Kuo-Shuai

/s/Lin, Cheng-Wei

Ernst & Young
Taiwan, R.O.C.
April 24, 2023

Notice to Readers

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

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Simula Technology Inc. and Subsidiaries

Consolidated Balance Sheets-(Continued)

As of March 31, 2023, December 31, 2022 and March 31, 2022 (March 31, 2023 and 2022 are reviewed but unaudited)

(Amounts Expressed In Thousands of New Taiwan Dollars)

Code	Liabilities and Equity		As of March 31, 2023		As of December 31, 2022		As of March 31, 2022	
	Accounts	Notes	Amount	%	Amount	%	Amount	%
	Current liabilities							
2100	Short-term loans	6(9)	\$-	-	\$-	-	\$57,200	1.57
2120	Financial liabilities at fair value through profit or loss	6(10)	3,699	0.11	1,110	0.03	10,175	0.28
2130	Contract liability	6(15)	6,967	0.20	8,875	0.25	16,513	0.45
2170	Accounts payable		298,683	8.69	381,442	10.75	606,163	16.63
2180	Accounts payable - related parties	7	3,428	0.10	-	-	2,202	0.06
2200	Other payables	6(11), 7	403,868	11.75	246,766	6.95	298,712	8.19
2220	Other payables - related parties	7	3,727	0.11	779	0.02	2,072	0.06
2230	Current income tax liabilities	6(21)	121,249	3.53	109,609	3.09	76,565	2.10
2281	Lease liability	6(17)	20,810	0.61	20,580	0.58	23,779	0.65
2320	Long-term liabilities, current portion	6(12), 8	51,340	1.49	51,340	1.45	51,340	1.41
2399	Other current liabilities		21,289	0.62	21,567	0.61	1,245	0.03
21xx	Total current liabilities		935,060	27.21	842,068	23.73	1,145,966	31.43
	Non-current liabilities							
2540	Long-term loans	6(12), 8	185,720	5.40	198,556	5.60	237,060	6.50
2570	Deferred income tax liabilities	4, 6(21)	702	0.02	1,312	0.04	1,947	0.05
2581	Lease liability	6(17)	6,254	0.18	10,948	0.31	26,421	0.73
2640	Net defined benefit liability	4	2,909	0.09	2,938	0.08	10,024	0.28
25xx	Total non-current liabilities		195,585	5.69	213,754	6.03	275,452	7.56
2xxx	Total liabilities		1,130,645	32.90	1,055,822	29.76	1,421,418	38.99
31xx	Equity attributable to shareholders of the parent							
3100	Capital							
3110	Common stock	6(14)	799,729	23.27	799,729	22.54	799,729	21.94
3200	Capital surplus	6(14)	551,718	16.05	551,718	15.55	551,718	15.13
3300	Retained earnings							
3310	Legal reserve	6(14)	93,144	2.71	93,144	2.62	82,080	2.25
3320	Special reserve		27,425	0.80	27,425	0.77	26,375	0.72
3350	Unappropriated earnings		95,089	2.76	297,334	8.38	107,545	2.95
	Total retained earnings		215,658	6.27	417,903	11.77	216,000	5.92
3400	Other components of equity		(8,167)	(0.24)	(9,881)	(0.28)	(16,085)	(0.44)
36xx	Non-controlling interests	6(15), (23)	747,402	21.75	733,256	20.66	672,935	18.46
3xxx	Total equity		2,306,340	67.10	2,492,725	70.24	2,224,297	61.01
	Total liabilities and equity		\$3,436,985	100.00	\$3,548,547	100.00	\$3,645,715	100.00

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Simula Technology Inc. and Subsidiaries

Consolidated Balance Sheets

As of March 31, 2023, December 31, 2022 and March 31, 2022 (March 31, 2023 and 2022 are reviewed but unaudited)

(Amounts Expressed In Thousands of New Taiwan Dollars)

Assets			As of March 31, 2023		As of December 31, 2022		As of March 31, 2022	
Code	Accounts	Notes	Amount	%	Amount	%	Amount	%
	Current assets							
1100	Cash and cash equivalents	6(1)	\$929,488	27.04	\$771,500	21.74	\$674,897	18.51
1110	Financial assets at fair value through profit or loss	6(2)	377	0.01	4,591	0.13	232	0.01
1136	Financial assets carried at amortized cost	8	4,916	0.14	4,877	0.14	11,483	0.32
1170	Accounts receivable, net	6(3)	682,433	19.86	849,641	23.94	762,394	20.91
1180	Accounts receivable - related parties, net	6(3), 7	40,143	1.17	11,321	0.32	19,288	0.53
1200	Other receivables		24,483	0.71	18,513	0.52	38,087	1.04
1220	Current income tax assets		789	0.02	415	0.01	-	-
130x	Inventories, net	6(4)	436,814	12.71	551,688	15.55	706,081	19.37
1410	Prepayments		15,360	0.45	14,137	0.40	14,038	0.39
1470	Other current assets		1,448	0.04	486	0.01	1,273	0.03
11xx	Total current assets		<u>2,136,251</u>	<u>62.15</u>	<u>2,227,169</u>	<u>62.76</u>	<u>2,227,773</u>	<u>61.11</u>
	Non-current assets							
1517	Financial assets at fair value through OCI	6(5)	3,858	0.11	3,858	0.11	4,880	0.13
1550	Investment accounted for under equity method	6(6)	-	-	-	-	505	0.01
1600	Property, plant and equipment, net	6(7), 7, 8	758,386	22.07	768,468	21.66	828,273	22.72
1755	Right-of-use asset	6(17)	26,005	0.76	30,443	0.86	49,187	1.35
1780	Intangible assets	6(8)	471,004	13.71	479,988	13.53	511,139	14.02
1840	Deferred income tax assets	4, 6(21)	14,464	0.42	15,530	0.44	12,233	0.34
1915	Prepayment for acquiring machinery		25,500	0.74	21,847	0.62	10,028	0.28
1920	Refundable deposits		1,517	0.04	1,237	0.02	1,640	0.04
1990	Other non-current assets		-	-	7	-	57	-
15xx	Total non-current assets		<u>1,300,734</u>	<u>37.85</u>	<u>1,321,378</u>	<u>37.24</u>	<u>1,417,942</u>	<u>38.89</u>
1xxx	Total Assets		<u>\$3,436,985</u>	<u>100.00</u>	<u>\$3,548,547</u>	<u>100.00</u>	<u>\$3,645,715</u>	<u>100.00</u>

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese
Simula Technology Inc. and Subsidiaries
Consolidated Statements of Comprehensive Income
For the three-month periods ended March 31, 2023 and 2022 (Reviewed but unaudited)
(Amounts Expressed In Thousands of New Taiwan Dollars, Except Earnings Per Share)

Code	Accounts	Notes	For the three-month period ended March 31,			
			2023		2022	
			Amount	%	Amount	%
4000	Operating revenues	6(15), 7	\$752,787	100.00	\$967,269	100.00
5000	Operating costs	7	(625,673)	(83.11)	(759,632)	(78.53)
5900	Gross profit		127,114	16.89	207,637	21.47
6000	Operating expenses	7				
6100	Sales and marketing		(24,261)	(3.22)	(38,785)	(4.01)
6200	General and administrative		(52,645)	(6.99)	(61,999)	(6.41)
6300	Research and development		(21,449)	(2.85)	(25,593)	(2.65)
6450	Expected credit losses	6(16)	(486)	(0.07)	(573)	(0.06)
	Total operating expenses		(98,841)	(13.13)	(126,950)	(13.13)
6900	Operating income		28,273	3.76	80,687	8.34
7000	Non-operating incomes and expenses	6(19), 7				
7100	Interest income		357	0.05	166	0.02
7010	Other incomes		927	0.12	1,216	0.13
7020	Other gains and losses		(4,371)	(0.58)	4,234	0.44
7050	Finance costs		(1,340)	(0.18)	(1,406)	(0.15)
7060	Share of profit or loss of associates and joint ventures	6(6)	-	-	(442)	(0.05)
	Total non-operating incomes and expenses		(4,427)	(0.59)	3,768	0.39
7900	Income before income tax		23,846	3.17	84,455	8.73
7950	Income tax expense	4, 6(21)	(12,095)	(1.61)	(22,292)	(2.30)
8200	Net income		11,751	1.56	62,163	6.43
8300	Other comprehensive income	6(20)				
8360	Items that may be reclassified subsequently to profit or loss					
8361	Exchange differences on translation of foreign operations		1,796	0.24	11,822	1.22
	Total other comprehensive income (loss), net of tax		1,796	0.24	11,822	1.22
8500	Total comprehensive income		\$13,547	1.80	\$73,985	7.65
8600	Net income attributable to:					
8610	Shareholders of the parent		\$(2,313)	(0.31)	\$43,570	4.51
8620	Non-controlling interests		14,064	1.87	18,593	1.92
			\$11,751	1.56	\$62,163	6.43
8700	Comprehensive income (loss) attributable to:					
8710	Shareholders of the parent		\$(599)	(0.08)	\$54,910	5.68
8720	Non-controlling interests		14,146	1.88	19,075	1.97
			\$13,547	1.80	\$73,985	7.65
9750	Earnings per share-basic (in NTD)	6(22)	\$(0.03)		\$0.54	
9850	Earnings per share-diluted (in NTD)		\$(0.03)		\$0.54	

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Simula Technology Inc. and Subsidiaries

Consolidated Statements of Changes in Equity

For the three-month periods ended March 31, 2023 and 2022 (Reviewed but unaudited)

(Amounts Expressed In Thousands of New Taiwan Dollars)

Code	Items	Equity Attributable to Shareholders of the Parent							Non-controlling Interests	Total Equity	
		Common Stock	Capital Surplus	Retained Earnings			Others				Total
				Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange differences arising on translation of foreign operations	Unrealized gain (losses) from financial assets measured at fair value through OCI			
		3100	3200	3310	3320	3350	3410	3420	31xx	36xx	3xxx
A1	Balance as of January 1, 2022	\$799,729	\$551,718	\$82,080	\$26,375	\$143,948	\$(13,557)	\$(13,868)	\$1,576,425	\$653,860	\$2,230,285
B5	Appropriation and distribution of 2021 earnings										
B5	Cash dividends-common shares					(79,973)			(79,973)		(79,973)
D1	Net income for the three-month period ended March 31, 2022					43,570			43,570	18,593	62,163
D3	Other comprehensive income (loss), net of tax, for the three-month period ended March 31, 2022						11,340		11,340	482	11,822
D5	Total comprehensive income (loss)					43,570	11,340		54,910	19,075	73,985
Z1	Balance as of March 31, 2022	<u>\$799,729</u>	<u>\$551,718</u>	<u>\$82,080</u>	<u>\$26,375</u>	<u>\$107,545</u>	<u>\$(2,217)</u>	<u>\$(13,868)</u>	<u>\$1,551,362</u>	<u>\$672,935</u>	<u>\$2,224,297</u>
A1	Balance as of January 1, 2023	\$799,729	\$551,718	\$93,144	\$27,425	\$297,334	\$(5,849)	\$(4,032)	\$1,759,469	\$733,256	\$2,492,725
B5	Appropriation and distribution of 2022 earnings										
B5	Cash dividends-common shares					(199,932)			(199,932)		(199,932)
D1	Net income for the three-month period ended March 31, 2023					(2,313)			(2,313)	14,064	11,751
D3	Other comprehensive income, net of tax, for the three-month period ended March 31, 2023						1,714		1,714	82	1,796
D5	Total comprehensive income					(2,313)	1,714		(599)	14,146	13,547
Z1	Balance as of March 31, 2023	<u>\$799,729</u>	<u>\$551,718</u>	<u>\$93,144</u>	<u>\$27,425</u>	<u>\$95,089</u>	<u>\$(4,135)</u>	<u>\$(4,032)</u>	<u>\$1,558,938</u>	<u>\$747,402</u>	<u>\$2,306,340</u>

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese
Simula Technology Inc. and Subsidiaries
Consolidated Statements of Cash Flows
For the three-month periods ended March 31, 2023 and 2022 (Reviewed but unaudited)
(Amounts Expressed in Thousands of New Taiwan Dollars)

Code	Items	For the three-month periods ended March 31		Code	Items	For the three-month periods ended March 31	
		2023	2022			2023	2022
AAAA	Cash flows from operating activities:			BBBB	Cash flows from investing activities:		
A10000	Profit before tax	\$23,846	\$84,455	B00040	Acquisition of financial assets measured at amortized cost	(14)	(6,687)
A20000	Adjustments:			B02700	Acquisition of property, plant and equipment	(18,752)	(17,956)
A20010	Income and expense adjustments:			B02800	Proceeds from disposal of property, plant and equipment	-	947
A20100	Depreciation (including right-of-use assets)	28,180	33,928	B03800	Decrease (increase) in refundable deposits	(278)	1,100
A20200	Amortization	11,121	10,993	B04500	Acquisition of intangible assets	(2,125)	(149)
A20300	Expected credit losses (gain on recovery)	486	573	B06800	Decrease in other non-current assets	7	17
A20400	Net gain of financial assets at fair value through P/L	6,805	11,921	BBBB	Net cash provided by (used in) investing activities	(21,162)	(22,728)
A20900	Interest expense	1,340	1,406				
A21200	Interest income	(357)	(166)	CCCC	Cash flows from financing activities:		
A22300	Share of profit or loss of associates and joint ventures	-	442	C00200	Decrease in short-term loans	-	(52,143)
A22500	Gain on disposal of property, plant and equipment	-	(918)	C01700	Repayments of long-term loans	(12,836)	(12,836)
A22600	Property, plant and equipment transferred to expense	2,250	-	C04020	Cash payments for the principal portion of the lease liability	(5,508)	(7,200)
A23700	Impairment loss on non-financial assets	-	1,579	CCCC	Net cash provided by (used in) financing activities	(18,344)	(72,179)
A29900	Gain on lease modification	-	(3)				
A30000	Changes in operating assets and liabilities:			DDDD	Effect of exchange rate changes	643	8,056
A31150	Accounts receivable	166,722	29,030	EEEE	Increase (decrease) in cash and cash equivalents	157,988	127,141
A31160	Accounts payable - related parties	(28,822)	7,811	E00100	Cash and cash equivalents at beginning of period	771,500	547,756
A31180	Other receivables	(5,970)	(10,680)	E00200	Cash and cash equivalents at end of period	\$929,488	\$674,897
A31190	Other payables - related parties	-	346				
A31200	Inventories	114,874	1,576				
A31230	Prepayments	(1,223)	12,983				
A31240	Other current assets	(962)	430				
A32125	Contract liabilities	(1,908)	(3,269)				
A32150	Accounts payable	(82,759)	53,451				
A31160	Accounts payable - related parties	3,428	1,504				
A32180	Other payables	(41,682)	(22,734)				
A32190	Other payables - related parties	2,948	297				
A32230	Other current liabilities	(278)	258				
A32240	Net defined benefit liability	(29)	4				
A33000	Cash generated from (used in) operations	198,010	215,217				
A33100	Interest received	357	166				
A33300	Interest paid	(1,139)	(945)				
A33500	Income tax paid	(377)	(446)				
AAAA	Net cash provided by (used in) operating activities	196,851	213,992				

(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.

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

The consolidated financial statements of the Company and its subsidiaries (“the Group”) for the three-month periods ended March 31, 2023 and 2022 were authorized for issue by the Board of Directors on April 24, 2023.

3. NEWLY ISSUED OR REVISED STANDARDS AND INTERPRETATIONS

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

The 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 adoption of these new standards and amendments had no material impact on the Group.

Simula Technology Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

- (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	IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” – Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 “Insurance Contracts”	January 1, 2023
c	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	January 1, 2024
d	Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	January 1, 2024
e	Non-current Liabilities with Covenants – Amendments to IAS 1	January 1, 2024

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

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

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

(B) IFRS 17 “Insurance Contracts”

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

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

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

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of compliance

The consolidated financial statements for the three-month periods ended March 31, 2023 and 2022 have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”) and IAS 34, “Interim Financial Reporting,” as endorsed and became effective by the FSC.

Except for the following 4(3)~4(5), the accounting policies applied in these consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended December 31, 2022. For more details, please refer to Note 4 of the Company's consolidated financial statements for the year ended December 31, 2022.

(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.

Simula Technology Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(3) Basis of consolidation

The same principles of consolidation have been applied in the Company's consolidated financial statements as those applied in the Company's consolidated financial statements for the year ended December 31, 2022. For the principles of consolidation, please refer to Note 4(3) of the Company's consolidated financial statements for the year ended December 31, 2022.

The consolidated entities are listed as follows:

Investor	Subsidiary	Main business	Percentage of Ownership (%), as of		
			Mar 31, 2023	Dec 31, 2022	Mar 31, 2022
The Company	ASPIRE ASIA INC.	Investing activities	100.00%	100.00%	100.00%
The Company	Simula Technology CORP.	Sells in Northern America	100.00%	100.00%	100.00%
The Company	Simula Company Limited	Investing activities	52.31%	52.31%	52.31%
The Company	Action Star Technology Co., Ltd.	R&D & development manufacture and sale of USB docking station product	59.35%	59.35%	59.35%
ASPIRE ASIA INC.	Simula Company Limited	Investing activities	47.69%	47.69%	47.69%
ASPIRE ASIA INC.	ASPIRE ELECTRONICS CORP.	Investing activities	95.10%	95.10%	95.10%

Simula Technology Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
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Investor	Subsidiary	Main business	Percentage of Ownership (%), as of		
			Mar 31, 2023	Dec 31, 2022	Mar 31, 2022
ASPIRE ELECTRONIC S CORP.	Opti Cloud Technologies, Inc.	Development of High-speed optical transmission cable and module product technology	53.82%	53.82%	53.82%
Simula Company Limited	Simula Technology (ShenZhen) Co., LTD	Manufacture of electronic connector, socket, and plastic hardware	100.00%	100.00%	100.00%

(4) Post-employment benefits

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

(5) Income tax

Interim period income tax expense is accrued using the tax rate that would be applicable to expected total annual earnings, that is, the estimated average annual effective income tax rate applied to the pre-tax income of the interim period. Only current income tax expense is using the estimated average annual effective income tax rate while deferred income tax is recognized and measured in consistent with annual financial reporting in accordance with IAS 12, "Income Tax." The impact of tax rate change in interim period, if any, is recognized in earnings, other comprehensive income or directly equity.

5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

The same significant accounting judgments, estimates and assumptions have been applied in the Company's consolidated financial statements for the three-month period ended March 31, 2023 as those applied in the Company's consolidated financial statements for the year ended December 31, 2022. For significant accounting judgments, estimates and assumptions, please refer to Note 5 of the Company's consolidated financial statements for the year ended December 31, 2022.

6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	As of		
	March 31, 2023	December 31, 2022	March 31, 2022
Cash and petty cash	\$351	\$654	\$258
Checkings and savings	550,328	742,233	655,839
Time deposit	378,809	28,613	18,800
Total	<u>\$929,488</u>	<u>\$771,500</u>	<u>\$674,897</u>

Simula Technology Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

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

	As of		
	March 31, 2023	December 31, 2022	March 31, 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	377	4,591	232
Total	<u>\$377</u>	<u>\$4,591</u>	<u>\$232</u>
Current	<u>\$377</u>	<u>\$4,591</u>	<u>\$232</u>
Non-current	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>

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

(3) Accounts receivable, net

Accounts receivable, net

	As of		
	March 31, 2023	December 31, 2022	March 31, 2022
Accounts receivable, gross	\$684,609	\$851,331	\$764,285
Less: loss allowance	(2,176)	(1,690)	(1,891)
Net of allowances	<u>682,433</u>	<u>849,641</u>	<u>762,394</u>
Accounts receivable - related parties, gross	40,143	11,321	19,288
Less: loss allowance	-	-	-
Net of allowances	<u>40,143</u>	<u>11,321</u>	<u>19,288</u>
Total accounts receivable, net	<u>\$722,576</u>	<u>\$860,962</u>	<u>\$781,682</u>

Simula Technology Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Accounts receivable were not pledged.

Accounts receivable are generally on 30-120 day terms. The total carrying amount is NT\$724,752 thousand, NT\$862,652 thousand and NT\$783,573 thousand as of March 31, 2023, December 31, 2022 and March 31, 2022, respectively. Please refer to Note 6 (16) for more details on loss allowance of accounts receivable for the three-month periods ended March 31, 2023 and 2022. Please refer to Note 12 for more details on credit risk management.

(4) Inventory

	As of March 31, 2023		
	Inventories, gross	Allowance for Inventory Valuation and Obsolescence Losses	Inventories, net
Raw material	\$204,200	\$(26,823)	\$177,377
Supplies	5,659	(1,015)	4,644
Work in process	137,676	(9,407)	128,269
Finished goods	138,185	(11,661)	126,524
Total	<u>\$485,720</u>	<u>\$(48,906)</u>	<u>\$436,814</u>
	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	<u>\$589,848</u>	<u>\$(38,160)</u>	<u>\$551,688</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 March 31, 2022		
	Inventories, gross	Allowance for Inventory Valuation and Obsolescence Losses	Inventories, net
Raw material	\$360,918	\$(20,701)	\$340,217
Supplies	6,813	(1,064)	5,749
Work in process	273,443	(9,551)	263,892
Finished goods	115,179	(18,956)	96,223
Total	\$756,353	\$(50,272)	\$706,081

A. For the three-month periods ended March 31, 2023 and 2022, the Group recognized NT\$625,673 thousand and NT\$759,632 thousand under the caption of costs of sale, respectively. The following items were also included in cost.

Item	For the three-month period ended March 31,	
	2023	2022
Loss (Gain) from inventory market decline	\$10,566	\$(3,985)
Loss from physical	(802)	(851)
Loss from inventory write-off obsolescence	402	5,045
Total	\$10,166	\$209

The Group recognized gains on recovery of inventory market decline because some of the inventories previously provided with market loss or obsolescence were disposed.

B. The inventories were not pledged.

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

	As of		
	March 31, 2023	December 31, 2022	March 31, 2022
Unlisted companies' stocks	\$3,858	\$3,858	\$4,880

Simula Technology Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
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Financial assets at fair value through other comprehensive income were not pledged.

(6) Investments accounted for under the equity method

	As of					
	March 31, 2023		December 31, 2022		March 31, 2022	
	Amount	Percentage of Ownership	Amount	Percentage of Ownership	Amount	Percentage of Ownership
Investee companies						
Investments in subsidiaries:						
Mcurich Inc.	Not applicable		\$6,322	23.33%	\$6,827	23.33%
Accumulated impairment			(6,322)		(6,322)	
Total			\$-		\$505	

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\$505 thousand as of March 31, 2022. The aggregate financial information based on the Group's share of other companies was as follows:

	For the three - month period ended March 31, 2022
Accounting profit before tax from continuing operations	\$(442)
Total other comprehensive income, net of tax	-
Total comprehensive income	\$(442)

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

Simula Technology Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
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(7) 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	-	-	3,422	604	1,614	-	2,201	7,841
Disposals	-	-	(1,533)	(146)	-	-	(737)	(2,416)
Reclassification	-	-	2,019	182	229	85	1,377	3,892
Effect of EX rate	-	-	935	19	(17)	999	597	2,533
As of 3/31/2023	<u>\$210,926</u>	<u>\$431,607</u>	<u>\$337,464</u>	<u>\$18,211</u>	<u>\$7,015</u>	<u>\$143,172</u>	<u>\$133,832</u>	<u>\$1,282,227</u>
As of 1/1/2022	\$214,056	\$457,917	\$343,318	\$18,289	\$9,907	\$157,411	\$149,698	\$1,350,596
Addition	-	-	15,806	855	125	48	2,137	18,971
Disposals	-	-	(88)	(801)	(3,202)	-	(11,015)	(15,106)
Effect of EX rate	-	-	5,041	103	69	5,327	3,451	13,991
As of 3/31/2022	<u>\$214,056</u>	<u>\$457,917</u>	<u>\$364,077</u>	<u>\$18,446</u>	<u>\$6,899</u>	<u>\$162,786</u>	<u>\$144,271</u>	<u>\$1,368,452</u>
<u>Depreciation and impairment:</u>								
As of 1/1/2023	\$-	\$108,713	\$228,911	\$10,076	\$3,539	\$53,623	\$97,047	\$501,909
Depreciation	-	5,183	11,122	1,000	160	1,311	4,124	22,900
Disposal	-	-	(1,533)	(146)	-	-	(737)	(2,416)
Effect of EX rate	-	-	689	9	(17)	378	389	1,448
As of 3/31/2023	<u>\$-</u>	<u>\$113,896</u>	<u>\$239,189</u>	<u>\$10,939</u>	<u>\$3,682</u>	<u>\$55,312</u>	<u>\$100,823</u>	<u>\$523,841</u>
As of 1/1/2022	\$-	\$111,421	\$220,203	\$11,287	\$6,346	\$65,304	\$104,124	\$518,685
Depreciation	-	8,034	10,076	932	228	1,472	6,266	27,008
Impairment loss	-	-	-	-	-	-	1,579	1,579
Disposal	-	-	(59)	(801)	(3,202)	-	(11,015)	(15,077)
Effect of EX rate	-	-	3,348	34	69	2,276	2,257	7,984
As of 3/31/2022	<u>\$-</u>	<u>\$119,455</u>	<u>\$233,568</u>	<u>\$11,452</u>	<u>\$3,441</u>	<u>\$69,052</u>	<u>\$103,211</u>	<u>\$540,179</u>
<u>Net carrying amount:</u>								
As of 3/31/2023	<u>\$210,926</u>	<u>\$317,711</u>	<u>\$98,275</u>	<u>\$7,272</u>	<u>\$3,333</u>	<u>\$87,860</u>	<u>\$33,009</u>	<u>\$758,386</u>
As of 12/31/2022	<u>\$210,926</u>	<u>\$322,894</u>	<u>\$103,710</u>	<u>\$7,476</u>	<u>\$1,650</u>	<u>\$88,465</u>	<u>\$33,347</u>	<u>\$768,468</u>
As of 3/31/2022	<u>\$214,056</u>	<u>\$338,462</u>	<u>\$130,509</u>	<u>\$6,994</u>	<u>\$3,458</u>	<u>\$93,734</u>	<u>\$41,060</u>	<u>\$828,273</u>

Simula Technology Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
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The Group recognized an impairment loss amounting to NT\$1,579 thousand on certain real estate to an extent of the recoverable value in 2022. This impairment loss or gain from recovery has been recorded in the Group' s statements of comprehensive incomes. The recoverable value is measured at usage values by the identified individual asset.

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

(8) 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	-	2,125	-	-	-	2,125
Derecognized upon retirement	-	(4,021)	(282)	-	-	(4,303)
Effect of exchange rate changes	-	89	5	-	-	94
As of March 31, 2023	\$314	\$25,049	\$356,326	\$115,236	\$75,095	\$572,020
<u>As of 2022:</u>						
As of January 1, 2022	\$314	\$26,881	\$356,599	\$115,236	\$75,095	\$574,125
Additions – acquired separately	-	149	-	-	-	149
Derecognized upon retirement	-	(2,243)	-	-	-	(2,243)
Effect of exchange rate changes	-	234	10	-	-	244
As of March 31, 2022	\$314	\$25,021	\$356,609	\$115,236	\$75,095	\$572,275
<u>Amortization and Impairment:</u>						
As of January 1, 2023	\$314	\$21,684	\$61,535	\$10,583	\$-	\$94,116
Amortization	-	674	8,908	1,539	-	11,121
Derecognized upon retirement	-	(4,021)	(282)	-	-	(4,303)
Effect of exchange rate changes	-	77	5	-	-	82
As of March 31, 2023	\$314	\$18,414	\$70,166	\$12,122	\$-	\$101,016

Simula Technology Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	Patent	Computer software	Technology expertise	Customer Relationship	Goodwill	Total
As of January 1, 2022	\$314	\$21,546	\$25,899	\$4,427	\$-	\$52,186
Amortization	-	546	8,908	1,539	-	10,993
Derecognized upon retirement	-	(2,243)	-	-	-	(2,243)
Effect of exchange rate changes	-	190	10	-	-	200
As of March 31, 2022	\$314	\$20,039	\$34,817	\$5,966	\$-	\$61,136
<u>Carrying amount, net:</u>						
As of March 31, 2023	\$-	\$6,635	\$286,160	\$103,114	\$75,095	\$471,004
As of December 31, 2022	\$-	\$5,172	\$295,068	\$104,653	\$75,095	\$479,988
As of March 31, 2022	\$-	\$4,982	\$321,792	\$109,270	\$75,095	\$511,139

Amounts of amortization recognized for intangible assets are as follows:

	For the three-month period ended March 31,	
	2023	2022
Operating costs	\$119	\$73
Operating expense	11,002	10,920
Total	\$11,121	\$10,993

(9) Short-term borrowings

	Interest interval	As of		
		March 31, 2023	December 31, 2022	March 31, 2022
Unsecured bank loans	0.67%	\$-	\$-	\$57,200

The Group's unused short-term lines of credits amounts to NT\$1,162,440 thousand, NT\$1,034,650 thousand and NT\$729,800 thousand, as of March 31, 2023, December 31, 2022 and March 31, 2022, respectively.

Simula Technology Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

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

	As of		
	March 31, 2023	December 31, 2022	March 31, 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	3,699	1,110	10,175
Total	<u>\$3,699</u>	<u>\$1,110</u>	<u>\$10,175</u>
Current	<u>\$3,699</u>	<u>\$1,110</u>	<u>\$10,175</u>
Non-current	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>

(11) Other payable

	As of		
	March 31, 2023	December 31, 2022	March 31, 2022
Equipment payable	\$3,565	\$4,713	\$3,038
Dividends payable	199,932	-	79,973
Employee benefit payable	106,266	134,644	86,395
Other payable	94,105	107,409	129,306
Total	<u>\$403,868</u>	<u>\$246,766</u>	<u>\$298,712</u>

Simula Technology Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(12) Long-term borrowings

Details of long-term borrowings

Debtor	As of March 31, 2023	Interest rate	Repayment
Taiwan Business Bank Credit loan	\$140,000	Variable interest rate +0.41%	Effective July 5, 2021 to July 5, 2026. Repayable quarterly NT\$10,000 thousand.
CTBC Bank Secured bank loan	97,060	Variable interest rate +0.7%	Effective October 26, 2016 to October 26, 2031. Repayable monthly NT\$945 thousand.
Subtotal	237,060		
Less: current portion	(51,340)		
Total	\$185,720		

Details of long-term borrowings

Debtor	As of December 31, 2022	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		

Simula Technology Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
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Details of long-term borrowings

Debtor	As of March 31, 2022	Interest rate	Repayment
Taiwan Business Bank Credit loan	\$180,000	Variable interest rate +0.41%	Effective July 5, 2021 to July 5, 2026. Repayable quarterly NT\$10,000 thousand.
CTBC Bank Secured bank loan	108,400	Variable interest rate +0.7%	Effective October 26, 2016 to October 26, 2031. Repayable monthly NT\$945 thousand.
Subtotal	288,400		
Less: current portion	(51,340)		
Total	\$237,060		

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.

(13) Post-employment benefits

Defined contribution plan

Expenses under the defined contribution plan for the three-month periods ended March 31, 2023 and 2022 were NT\$3,280 thousand and NT\$3,284 thousand, respectively.

Defined benefits plan

Pension for the three-month periods ended March 31, 2023 and 2022 were NT\$10 thousand and NT\$42 thousand, respectively.

(14) Equity

A. Common stock

As of March 31, 2023, and March 31, 2022, the Company's authorized capital were NT\$1,200,000 thousand, and paid-in capital were NT\$799,729 thousand, each share at par value of NT\$10, divided into 79,972,945 shares.

Simula Technology Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

C. Capital surplus

	As of		
	March 31, 2023	December 31, 2022	March 31, 2022
Additional paid-in capital	\$545,978	\$545,978	\$545,978
All changes in interests in subsidiaries	1,172	1,172	1,172
Changes in equity of investment accounted for using equity method	1,350	1,350	1,350
Other	3,218	3,218	3,218
Total	\$551,718	\$551,718	\$551,718

According to Taiwan Company Act, the capital surplus shall not be used except for making good the deficit of the Company. When a company incurs no loss, it may distribute the capital surplus related to the income derived from the issuance of new shares at a premium or income from endowments received by the company. The distribution could be made in cash or in the form of dividend shares 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 March 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' losses;
- c. Set aside 10% of the remaining amount after deducting items (a) and (b) as legal reserve;
- d. Set aside or reverse special reserve in accordance with law and regulations; and
- e. The distribution of the remaining portion, if any, will be recommended by the Board of Directors and resolved in the shareholders' meeting.

(2) Dividend policies

The policy of dividend distribution should reflect factors such as the current and future investment environment, fund requirements, financial structures, and earnings etc. If there is a surplus in the final annual accounts and the distributable surplus for the current year reaches 2% of the capital, the dividend distribution should not be less than 10% of the distributable surplus for the year. The distribution of surplus may be made in accordance with the company's overall capital budget planning. Accordingly, at least 10% of the dividends must be paid in the form of cash.

The Company may issue new shares or cash in accordance 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.

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

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

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

Simula Technology Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
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The appropriations of earnings for the years 2021 were approved through the shareholders' meetings held on June 10, 2022. The details of the distributions are as follows:

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

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

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

D. Non-controlling interests

	<u>For the three-month period ended March 31,</u>	
	2023	2022
Beginning balance	\$733,256	\$653,860
Profit (loss) attributable to non-controlling interests	14,064	18,593
Other comprehensive income, attributable to non-controlling interests, net of tax:		
Exchange differences resulting from translating the financial statements of a foreign operation	82	482
Ending balance	<u>\$747,402</u>	<u>\$672,935</u>

(15) Operating revenue

	<u>For the three-month period ended March 31,</u>	
	2023	2022
Revenue from customer contracts		
Sales of goods	<u>\$752,787</u>	<u>\$967,269</u>

Simula Technology Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
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Analysis of revenue from contracts with customers for the three-month periods ended March 31, 2023 and 2022 are as follows:

A. Disaggregation of revenue

For the three-month period ended March 31, 2023

	<u>Single department</u>
Sales of goods	<u>\$752,787</u>
The timing for revenue recognition:	
At a point in time	<u>\$752,787</u>

For the three-month period ended March 31, 2022

	<u>Single department</u>
Sales of goods	<u>\$967,269</u>
The timing for revenue recognition:	
At a point in time	<u>\$967,269</u>

B. Contract balances

a. Contract liabilities – current

	<u>As of</u>			
	<u>March 31,</u>	<u>January 1,</u>	<u>March 31,</u>	<u>January 1,</u>
	<u>2023</u>	<u>2023</u>	<u>2022</u>	<u>2022</u>
Sales of goods	<u>\$6,967</u>	<u>\$8,875</u>	<u>\$16,513</u>	<u>\$19,708</u>

Simula Technology Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
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The changes in the Group's balances of contract liabilities for the three-month periods ended March 31, 2023 and 2022 are as follows:

	<u>For the three-month period ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
The opening balance transferred to revenue	\$(1,927)	\$(15,936)
Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue during the period)	19	12,741

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

(16) Expected credit (gains) losses

	<u>For the three-month period ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
Operating expenses – Expected credit gains (losses)		
Accounts receivable	<u>\$486</u>	<u>\$573</u>

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

Simula Technology Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
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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 Company's loss allowance as of March 31, 2023, December 31, 2022, and March 31, 2022, are as follows:

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

March 31, 2023	Not past due (Note)	Past due					Total
		<=30 days	31-90 days	91-120 days	121-270 days	>=271 days	
Gross carrying amount	\$632,708	\$73,427	\$5,459	\$-	\$13,158	\$-	\$724,752
Loss ratio	-%	2.5%	-%	-%	2.6%	-%	
Lifetime expected credit losses	-	(1,832)	-	-	(344)	-	(2,176)
Carrying amount of accounts receivable	\$632,708	\$71,595	\$5,459	\$-	\$12,814	\$-	\$722,576

December 31, 2022	Not past due (Note)	Past due					Total
		<=30 days	31-90 days	91-120 days	121-270 days	>=271 days	
Gross carrying amount	\$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

March 31, 2022	Not past due (Note)	Past due					Total
		<=30 days	31-90 days	91-120 days	121-270 days	>=271 days	
Gross carrying amount	\$748,979	\$34,016	\$372	\$137	\$69	\$-	\$783,573
Loss ratio	-%	4%	89%	100%	100%	-%	
Lifetime expected credit losses	-	(1,353)	(332)	(137)	(69)	-	(1,891)
Carrying amount of accounts receivable	\$748,979	\$32,663	\$40	\$-	\$-	\$-	\$781,682

Simula Technology Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
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The movement in the provision for impairment of accounts receivable for the three-month periods ended March 31, 2023 and 2022 are as follows:

	<u>Accounts receivable</u>
As of January 1, 2023	\$1,690
Addition (reversal)	486
Effect of EX rate	-
As of March 31, 2023	<u>\$2,176</u>
As of January 1, 2022	\$1,317
Addition (reversal)	573
Effect of EX rate	1
As of March 31, 2022	<u>\$1,891</u>

(17) Leases

Group as a lessee

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

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</u>		
	<u>March 31,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>	<u>March 31,</u> <u>2022</u>
Buildings	\$25,146	\$30,225	\$49,187
Transportation equipment	653	218	-
Office equipment	206	-	-
Total	<u>\$26,005</u>	<u>\$30,443</u>	<u>\$49,187</u>

Simula Technology Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
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b. Lease liabilities

	As of		
	March 31, 2023	December 31, 2022	March 31, 2022
Lease liabilities (include related party)	\$27,064	\$31,528	\$50,200
Current	\$20,810	\$20,580	\$23,779
Non-current	\$6,254	\$10,948	\$26,421

Please refer to Note 6(19) (4) for the interest on lease liabilities recognized for the three-month periods ended March 31, 2023 and 2022 and refer to Note 12(5) Liquidity Risk Management for the maturity analysis for lease liabilities as of March 31, 2023, December 31, 2022, and March 31, 2022.

B. Amounts recognized in the income statement

Right-of-use assets

	For the three-month period ended March 31,	
	2023	2022
Buildings	\$5,229	\$6,760
Transportation equipment	38	160
Office equipment	13	-
Total	\$5,280	\$6,920

C. Income and costs relating to leasing activities

	For the three-month period ended March 31,	
	2023	2022
The expenses relating to short-term leases	\$984	\$681
The expenses relating to leases of low-value assets-non-current	567	21

Simula Technology Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
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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 March 31, 2023 and 2022, the Group's total cash outflow for leases amounting to NT\$7,059 thousand and NT\$7,902 thousand, respectively.

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

Nature	Function	For the three-month period ended March 31,					
		2023			2022		
		Operating Costs	Operating expenses	Total	Operating Costs	Operating expenses	Total
Employee benefit expense							
Salaries		\$55,340	\$34,251	\$89,591	\$70,918	\$51,325	\$122,243
Labor and health insurance		6,185	3,496	9,681	5,934	3,783	9,717
Pension		1,550	1,740	3,290	1,465	1,861	3,326
Other employee benefit expense		10,658	12,557	23,215	7,187	9,602	16,789
Depreciation		19,855	8,325	28,180	20,872	13,056	33,928
Amortization		119	11,002	11,121	73	10,920	10,993

According to the resolution, 5%~20% of profit of the current year is distributable as employees' compensation and no higher than 1% of profit of the current year is distributable as remuneration to directors and supervisors. However, the Company's accumulated losses shall have been covered. The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition, thereto a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

Simula Technology Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
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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 three-month period ended March 31, 2023, the Company incurred accumulated loss and therefore did not to accrue the employees' compensation and remuneration to directors and supervisors.

The Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the three-month period ended March 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 March 31, 2022 amounted to NT\$3,184 thousand and NT\$398 thousand, respectively. The employees' compensation and remuneration to directors and supervisors were recognized as salaries.

(19) Non-operating incomes and expenses

A. Interest income

	<u>For the three-month period ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
Interest income	<u>\$357</u>	<u>\$166</u>

Simula Technology Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
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B. Other incomes

	For the three-month period ended March 31,	
	2023	2022
Rent income	\$75	\$75
Other income	852	1,141
Total	\$927	\$1,216

C. Other gains and losses

	For the three-month period ended March 31,	
	2023	2022
Gain (loss) on disposal of property, plant, and equipment	\$-	\$918
Gain (loss) on lease modification	-	3
Foreign exchange gain (loss), net	2,434	17,495
Impairment loss on non-financial assets	-	(1,579)
Gain (loss) on financial assets at fair value through profit or loss	(6,805)	(11,921)
Other losses	-	(682)
Total	\$(4,371)	\$4,234

D. Finance costs

	For the three-month period ended March 31,	
	2023	2022
Interests on borrowings from bank	\$1,139	\$1,043
Interest on lease liabilities	201	363
Total	\$1,340	\$1,406

Simula Technology Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
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(20) Components of other comprehensive income (loss)

For the three-month periods ended March 31, 2023

	Arising during the period	Reclassification during the period	Subtotal	Income tax benefit (expense)	OCI, Net of tax
May be reclassified to profit or loss in subsequent period: Exchange differences arising on translation of foreign operations	\$1,796	\$-	\$1,796	\$-	\$1,796

For the three-month periods ended March 31, 2022

	Arising during the period	Reclassification during the period	Subtotal	Income tax benefit (expense)	OCI, Net of tax
May be reclassified to profit or loss in subsequent period: Exchange differences arising on translation of foreign operations	\$11,822	\$-	\$11,822	\$-	\$11,822

Simula Technology Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
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(21) Income tax

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

Income tax expense (benefit) recognized in profit or loss

	<u>For the three-month period ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
Current income tax expense:		
Current income tax expense	\$11,640	\$21,539
Deferred tax expense:		
Deferred tax expense relating to origination and reversal of temporary differences	455	753
Total income tax expense	<u>\$12,095</u>	<u>\$22,292</u>

B. The assessment of income tax return

As of March 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 2020
Subsidiary – Action Star Technology Co., Ltd.	Assessed and approved up to 2021

(22) Earnings per share

A. Basic earnings per share

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

Simula Technology Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
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	For the three-month period ended March 31,	
	2023	2022
Net income available to common shareholders of the parent	\$(2,313)	\$43,570
Weighted average number of common stocks outstanding (in thousand shares)	79,973	79,973
Basic earnings per share (in NT\$)	\$(0.03)	\$0.54

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.

B. Diluted earnings per share

	For the three-month period ended March 31,	
	2023	2022
Net income available to common shareholders of the parent	\$(2,313)	\$43,570
Net income available to common shareholders of the parent after dilution	(2,313)	43,570
Weighted average number of common stocks outstanding (in thousand shares)	79,973	79,973
Effect of dilution:		
Employee bonus (compensation) - stock (in thousand shares)	-	83
Weighted average number of common stocks outstanding after dilution (in thousand shares)	79,973	80,056
Diluted earnings per share (in NT\$)	\$(0.03)	\$0.54

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Notes to Consolidated Financial Statements (Continued)
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(23) Subsidiary that has material non-controlling interest

Proportion of equity interest held by non-controlling interests

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

Accumulated balances of material non-controlling interest:

	As of		
	March 31, 2023	December 31, 2022	March 31, 2022
Opti Cloud Technologies, Inc.	\$11,180	\$11,566	\$14,213
Action Star Technology Co., Ltd.	736,222	721,690	658,722

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

	For the three-month ended March 31,	
	2023	2022
Opti Cloud Technologies, Inc.	\$(468)	\$(455)
Action Star Technology Co., Ltd.	14,532	19,048

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

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Summarized Simula Technology Inc. and its subsidiaries information of profit or loss is as follows:

For the three-month period ended March 31, 2023

	Opti Cloud Technologies, Inc.	Action Star Technology Co., Ltd.
Operating revenue	\$-	\$566,013
Profit/loss from continuing operation	(957)	47,849
Total comprehensive income for the period	(957)	47,849

For the three-month period ended March 31, 2022

	Opti Cloud Technologies, Inc.	Action Star Technology Co., Ltd.
Operating revenue	\$-	\$635,166
Profit/loss from continuing operation	(932)	61,253
Total comprehensive income for the period	(932)	61,253

Summarized Simula Technology Inc. and its subsidiaries information of financial position is as follows:

As of March 31, 2023

	Opti Cloud Technologies, Inc.	Action Star Technology Co., Ltd.
Current assets	\$22,947	\$1,451,916
Non-current assets	-	376,909
Current liabilities	45	434,367
Non-current liabilities	-	86,306

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As of December 31, 2022

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

As of March 31, 2022

	Opti Cloud Technologies, Inc.	Action Star Technology Co., Ltd.
	<u>Inc.</u>	<u>Ltd.</u>
Current assets	\$24,159	\$1,336,266
Non-current assets	5,013	388,647
Current liabilities	58	558,625
Non-current liabilities	-	97,195

Summarized Simula Technology Inc. and its subsidiaries cash flows information is as follows:

For the three-month period ended March 31, 2023

	Opti Cloud Technologies, Inc.	Action Star Technology Co., Ltd.
	<u>Inc.</u>	<u>Co., Ltd.</u>
Operating activities	\$(1,012)	\$181,258
Investing activities	-	(8,490)
Financing activities	-	(2,933)
Net increase/(decrease) in cash and cash equivalents	(1,012)	169,835

Simula Technology Inc. and Subsidiaries
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For the three-month period ended March 31, 2022

	Opti Cloud Technologies, Inc.	Action Star Technology Co., Ltd.
	<u>Inc.</u>	<u>Co., Ltd.</u>
Operating activities	\$(585)	\$135,822
Investing activities	-	(13,131)
Financing activities	-	(2,880)
Net increase/(decrease) in cash and cash equivalents	(585)	119,812

7. RELATED PARTY TRANSACTIONS

(1) Deal with related parties as at 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.	Associate
DFI Inc.	Associate
Global Intelligence Network Co., Ltd.	Associate
BenQ Materials Corp.	Associate
BenQ Asia Pacific Corp.	Associate
BenQ Corporation	Associate
BenQ AB Dent Care Corp.	Associate
Epic Cloud Information Integration Corp.	Associate
Concord Medical Co., Ltd	Associate
Parter Tech Corp.	Associate
QS Control Corp. Taichung Branch	Associate
Darly2 Venture, Inc.	Associate
Darly Venture Inc.	Associate
Yu, Su-Kuan	Vice chairman and general manager of the Company (Note)

Simula Technology Inc. and Subsidiaries
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(Note)Resigned on February 25, 2022

(2)Significant transactions with related parties

A. Sales

	<u>For the three-month period ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
Parent company	\$37,195	\$119
Associate	3,162	14,093
Total	<u>\$40,357</u>	<u>\$14,212</u>

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

The collection terms are 60 to 120 days from the end of delivery month.

B. Purchases

	<u>For the three-month period ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
Parent company	\$3,480	\$-
Associate	897	-
Total	<u>\$4,377</u>	<u>\$-</u>

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

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

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C. Accounts receivable - related parties

	As of		
	March 31, 2023	December 31, 2022	March 31, 2022
Parent company	\$35,668	\$1,691	\$129
Associate	4,475	9,630	19,159
Total	\$40,143	\$11,321	\$19,288

D. Accounts payable - related parties

	As of		
	March 31, 2023	December 31, 2022	March 31, 2022
Parent company	\$3,389	\$-	\$2,202
Associate	39	-	-
Total	\$3,428	\$-	\$2,202

E. Other payables - related parties

	As of		
	March 31, 2023	December 31, 2022	March 31, 2022
Parent company	\$2,057	\$600	\$1,415
Associate	1,670	179	657
Total	\$3,727	\$779	\$2,072

F. Dividends payable

	As of		
	March 31, 2023	December 31, 2022	March 31, 2022
Parent company	\$75,000	\$-	\$30,000
Associate	27,225	-	10,890
Total	\$102,225	\$-	\$40,890

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G. Operating expenses

		For the three-month period ended March 31,	
Account		2023	2022
Parent company	Inspection fee	\$72	\$-
Associate	Entertaining expense	10	-
Associate	Other expense	1,451	228
Associate	Rent expense	1,069	-
Associate	Processing fee	85	-
Associate	Miscellaneous	-	60
Total		<u>\$2,687</u>	<u>\$288</u>

H. The Company leased factory from related parties for the three-month periods ended March 31, 2022 was as follow

(a) Rent expense

	Object	Rental Period	Total Rent	Monthly rent and Payment
<u>2022.1.1-2022.3.31</u>				
The management of the Company	13F., No. 1351, Zhongzheng Rd., 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 is only calculated until February.

(b) Interest expenses

	For the three-month period ended March 31,	
	2023	2022
The management of the Company	<u>\$-</u>	<u>\$9</u>

Simula Technology Inc. and Subsidiaries
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I. Purchase of property, plant, and equipment

	For the three-month period ended March 31,	
	2023	2022
Associate	\$-	\$260

J. Salaries and rewards to key management of the Company

	For the three-month period ended March 31,	
	2023	2022
Short-term employee benefits	\$6,961	\$6,503
Post-employee benefits	262	253
Total	\$7,223	\$6,756

8. ASSETS PLEDGED AS COLLATERAL

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

Item	Carrying Amount as of			Secured liabilities
	March 31, 2023	December 31, 2022	March 31, 2022	
Financial assets measured at amortized cost	\$4,916	\$4,877	\$11,483	Deposit of forward currency contract
Land	80,171	80,171	80,171	Long-term loans
Buildings	204,129	207,316	216,888	Long-term loans
Total	\$289,216	\$292,364	\$308,542	

9. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED CONTRACT COMMITMENTS

None.

10. LOSSES DUE TO MAJOR DISASTERS

None.

11. SIGNIFICANT SUBSEQUENT EVENTS

None.

12. OTHERS

(1) Categories of financial instruments

Financial assets

	As of		
	March 31, 2023	December 31, 2022	March 31, 2022
Financial assets at fair value through profit or loss:			
Mandatorily measured at fair value through P/L	\$377	\$4,591	\$232
Financial assets at fair value through OCI	3,858	3,858	4,880
Financial assets measured at amortized cost (Note)	1,681,463	1,655,852	1,506,149
Total	<u>\$1,685,698</u>	<u>\$1,664,301</u>	<u>\$1,511,261</u>

Financial liabilities

	As of		
	March 31, 2023	December 31, 2022	March 31, 2022
Financial liabilities measured at amortized cost:			
Short-term loans	\$-	\$-	\$57,200
Payables (including related parties)	709,706	628,987	909,149
Long-term loans (including current portion with maturity less than 1 year)	237,060	249,896	288,400
Lease liabilities	27,064	31,528	50,200
Financial liabilities at fair value through profit or loss:			
Mandatorily measured at fair value through P/L	3,699	1,110	10,175
Total	<u>\$977,529</u>	<u>\$911,521</u>	<u>\$1,315,124</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 aforementioned risks based on its policy and risk appetite.

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

(3) Market risk

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

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

Foreign currency risk

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

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

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

If NT dollars appreciates/depreciates against US dollars by 1%, net income (loss) for the three-month periods ended March 31, 2023 and 2022 would decrease/increase by NT\$6,367 thousand and NT\$5,987 thousand, respectively.

If NT dollars appreciates/depreciates against CNY dollars by 1%, net income (loss) for the three-month periods ended March 31, 2023 and 2022 would decrease/increase by NT\$438 thousand and NT\$1,606 thousand, respectively.

Interest rate risk

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

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

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as of the end of the reporting period and presumed to be held for one accounting year, including investments and bank borrowing with variable interest rates. If interest rate increases/decreases by 0.1%, the net income (loss) for the three-month periods ended March 31, 2023 and 2022 would increase /decrease by NT\$79 thousand and by NT\$398 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.

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

As of March 31, 2023, December 31, 2022 and March 31, 2022, receivables from the top ten customers were accounted for 82.44%, 85.93% and 85.86% of the Group's total accounts receivable, respectively. The concentration of credit risk is relatively insignificant for the remaining receivables.

Simula Technology Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

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

(5) Liquidity risk management

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

Non-derivative financial instruments

	<u>Less than 1 year</u>	<u>1 to 2 years</u>	<u>2 to 3 years</u>	<u>More than 3 years</u>	<u>Total</u>
<u>As of March 31, 2023</u>					
Payables	\$709,706	\$-	\$-	\$-	\$709,706
Lease liabilities	21,254	3,323	485	3,054	28,116
Borrowings	55,578	54,543	53,491	86,838	250,450
<u>As of December 31, 2022</u>					
Payables	\$628,987	\$-	\$-	\$-	\$628,987
Lease liabilities	21,156	8,208	285	3,104	32,753
Borrowings	55,640	54,658	51,756	101,928	263,982
<u>As of March 31, 2022</u>					
Borrowings	\$57,245	\$-	\$-	\$-	\$57,245
Payables	909,149	-	-	-	909,149
Lease liabilities	24,819	21,203	2,979	3,275	52,276
Borrowings	55,076	54,322	53,569	138,311	301,278

Simula Technology Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(6) Movement schedule of liabilities arising from financing activities

Movement schedule of liabilities for the three-month periods ended March 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	(12,836)	(5,508)	(18,344)
Non-cash changes	-	1,044	1,044
As of March 31, 2023	<u>\$237,060</u>	<u>\$27,064</u>	<u>\$264,124</u>

Movement schedule of liabilities for the three-month periods ended March 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	(52,143)	(12,836)	(7,200)	(72,179)
Non-cash changes	2,463	-	1,870	4,333
As of March 31, 2022	<u>\$57,200</u>	<u>\$288,400</u>	<u>\$50,200</u>	<u>\$395,800</u>

(7) Fair values of financial instruments

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

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

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

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

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

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

C. Fair value measurement hierarchy for financial instruments

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

(8) Derivative financial instrument

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

Forward currency contracts

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

Items (by contract)	Notional Amount	Contract Period
As of March 31, 2023		
Forward currency contract	USD17,646	2023.01.16~2023.07.31
As of December 31, 2022		
Forward currency contract	USD23,225	2022.09.29~2023.03.31
As of March 31, 2022		
Forward currency contract	USD18,630	2021.12.28~2022.05.31

(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. 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

Simula Technology Inc. and Subsidiaries
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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 March 31, 2023

	Level 1	Level 2	Level 3	Total
<u>Financial assets:</u>				
Financial assets at fair value through profit or loss				
Forward currency contract	\$-	\$377	\$-	\$377
Financial assets at fair value through profit or loss	\$-	\$-	\$3,858	\$3,858
<u>Financial liabilities:</u>				
Financial liabilities at fair value through profit or loss				
Forward currency contract	\$-	\$3,699	\$-	\$3,699

Simula Technology Inc. and Subsidiaries
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As of December 31, 2022

	Level 1	Level 2	Level 3	Total
<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 profit or loss	\$-	\$-	\$3,858	\$3,858
<u>Financial liabilities:</u>				
Financial liabilities at fair value through profit or loss				
Forward currency contract	\$-	\$1,110	\$-	\$1,110

As of March 31, 2022

	Level 1	Level 2	Level 3	Total
<u>Financial assets:</u>				
Financial assets at fair value through profit or loss				
Forward currency contract	\$-	\$232	\$-	\$232
Financial assets at fair value through profit or loss	\$-	\$-	\$4,880	\$4,880
<u>Financial liabilities:</u>				
Financial liabilities at fair value through profit or loss				
Forward currency contract	\$-	\$10,175	\$-	\$10,175

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

For the three-month period ended March 31, 2023 and 2022, there were no transfers in Level 3 hierarchy.

Simula Technology Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Information on significant unobservable inputs to valuation

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 March 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\$37 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

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Notes to Consolidated Financial Statements (Continued)
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As of March 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\$25 thousand

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

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

	As of		
	March 31, 2023		
	Foreign Currencies	Exchange Rate	NTD
<u>Financial assets</u>			
Monetary items:			
USD	\$26,966	30.48	\$821,917
CNY	\$14,587	4.4377	\$64,733
<u>Financial liabilities</u>			
Monetary items:			
USD	\$5,973	30.48	\$182,052
CNY	\$24,514	4.4377	\$108,785

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		
	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

	As of		
	March 31, 2022		
	Foreign Currencies	Exchange Rate	NTD
<u>Financial assets</u>			
Monetary items:			
USD	\$35,373	28.60	\$1,011,601
CNY	\$13,311	4.4969	\$59,857
<u>Financial liabilities</u>			
Monetary items:			
USD	\$14,334	28.60	\$409,965
CNY	\$49,193	4.4969	\$221,214

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

	For the three - month ended March 31,	
	2023	2022
USD	\$2,475	\$17,324
Other	(41)	171
Total	\$2,434	\$17,495

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

(11) Capital management

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

13. ADDITIONAL DISCLOSURES

(1) Information on significant transactions

- A. Financing provided to others: None
- B. Endorsement/Guarantee provided to others: None.
- C. Marketable securities held as of March 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 three-month period ended March 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 three-month period ended March 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 three-month period ended March 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 three-month period ended March 31, 2023: None.
- H. Receivables from related parties of at least NT\$100 million or 20 percent of the paid-in capital as of March 31, 2022: None.

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

J. Inter Group relationships and significant inter Group transactions for the three-month period ended March 31, 2023: Please refer to attachment 3.

(2) Information on investees

A. Investees over whom the Group exercises significant influence or control (excluding investees in Mainland China): Please refer to attachment 2.

B. Investees over which the Group exercises control shall be disclosed of information:

a. Financing provided to others: None.

b. Endorsement/Guarantee provided to others: None.

c. Marketable securities held as of March 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 three-month periods ended March 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 three-month period ended March 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 three-month period ended March 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 three-month period ended March 31, 2023: None.

h. Receivables from related parties of at least NT\$100 million or 20 percent of the paid-in capital as of March 31, 2023: None.

i. Derivative instrument transactions: Please refer to 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 March 31, 2023	Profit/Loss of Investee	Percentage of Ownership (Direct or Indirect Investment)	Share of Profit/Loss	Carrying Amount as of March 31, 2023	Accumulated Inward Remittance of Earnings as of March 31, 2023	Accumulated Outflow of Investment from Taiwan to Mainland China as of March 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	\$(20,130) (Note 3)	100%	\$(20,130) (Note 2) (Note 4)	\$162,295 (Note 3) (Note 4)	\$-	\$257,755	\$302,851	\$1,383,804

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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 March 31, 2023	Profit/Loss of Investee	Percentage of Ownership (Direct or Indirect Investment)	Share of Profit/Loss	Carrying Amount as of March 31, 2023	Accumulated Inward Remittance of Earnings as of March 31, 2023	Accumulated Outflow of Investment from Taiwan to Mainland China as of March 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	\$(957) (Note 3)	51.18%	\$(490) (Note 2) (Note 4)	\$11,722 (Note 3) (Note 4)	\$-	\$257,755	\$302,851	\$1,383,804

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: Transactions are eliminated upon preparation of consolidated financial statement.

Simula Technology Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

- B. Purchase and balances of related accounts payable as of March 31, 2023: Please refer to attachment 3.
- C. Sale and balance of related accounts receivable as of March 31, 2023: Please refer to attachment 3.
- 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 3.
- 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 3.

(4) Information on major shareholders

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

14. SEGMENT INFORMATION

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Simula Technology Inc. and Subsidiaries

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

As of March 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 March 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 other comprehensive income	264,864	\$2,411	3.26%	\$2,411	-	\$-	-
Simula Technology Inc.	Taiwan Competition Co., LTD.	-	Financial assets at fair value through other comprehensive income	500,000	1,447	16.67%	1,447	-	\$-	-
Simula Technology Inc.	Meurich Inc.	-	Financial assets at fair value through other comprehensive income	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. and Subsidiaries

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

As of March 31, 2023

Attachment 2

(In Thousands of Foreign Currency / New Taiwan Dollars)

Investor	Investee	Business Location	Main Business and Product	Original Investment Amount		Balance as of March 31, 2023 (Note 2)			Net Income (Loss) of the Investee	Share of Income (Loss) of the Investee (Note 2)	Note
				As of March 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%	\$134,327	\$(9,647)	\$(9,264) Note 1, Note 3	Subsidiary
Simula Technology Inc.	Simula Technology Corp.	USA	Selling in Northern America	\$15,699	\$15,699	500,000	100%	\$42,305	\$470	\$470 Note 3	Subsidiary
Simula Technology Inc.	Simula Company Limited	Hong Kong	Holding company	\$187,625	\$187,625	50,500,000	52.31%	\$134,326	\$(19,203)	\$(10,046) Note 3	Subsidiary
Simula Technology Inc.	Action Star Technology Co., Ltd.	Taiwan	R&D & development manufacture and sale of USB docking station product	\$983,858	\$983,858	32,000,571	59.35%	\$1,149,870	\$47,849	\$21,241 Note 2, Note 3	Subsidiary
ASPIRE ASIA INC.	ASPIRE ELECTRONICS CORP.	Samoan Islands	Holding company	\$95,099	\$95,099	2,187,690	95.10%	\$11,726	\$(515)	\$(490) Note 3	Subsidiary
ASPIRE ASIA INC.	Simula company limited	Hong Kong	Holding company	\$181,726	\$181,726	46,033,370	47.69%	\$122,445	\$(19,203)	\$(9,157) Note 3	Subsidiary

Note 1: Including investment loss recognized under equity method amounted to NT\$(9,647) thousand, unrealized loss on transaction between subsidiaries amounted to NT\$81 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\$28,397 thousand, and the amortization of differences between the investment cost and the entity's share of the net value to NT\$(7,183) 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. and Subsidiaries

Intercompany Relationships and Significant Intercompany Transactions for the Three-month Period Ended March 31, 2023

Attachment 3

(In Thousands of Foreign Currency / 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>2023.01.01~2023.03.31</u>						
0	Simula Technology Inc.	Simula Technology Corp.	1	Other payable	\$1,610	On demand	0.05%
0	Simula Technology Inc.	Simula Technology Corp.	1	Accounts receivable	1,593	60 days after monthly closing	0.05%
0	Simula Technology Inc.	Simula Technology Corp.	1	Sales	1,586	60 days after monthly closing	0.21%
0	Simula Technology Inc.	Simula Technology Corp.	1	Promotion expense	4,467	On demand	0.59%
0	Simula Technology Inc.	Simula Technology (ShenZhen) Co., LTD.	1	Purchase	71,054	60 days after monthly closing	9.44%
0	Simula Technology Inc.	Simula Technology (ShenZhen) Co., LTD.	1	Other receivables	52,144	60 days after monthly closing	1.52%
0	Simula Technology Inc.	Simula Technology (ShenZhen) Co., LTD.	1	Accounts payable	24,596	60 days after monthly closing	0.72%
0	Simula Technology Inc.	Simula Technology (ShenZhen) Co., LTD.	1	Technical service income	4,410	60 days after monthly closing	0.59%
0	Simula Technology Inc.	Simula Company Limited	1	Purchase	34,136	60 days after monthly closing	4.53%
0	Simula Technology Inc.	Simula Company Limited	1	Accounts payable	24,515	60 days after monthly closing	0.71%
1	Simula Technology (ShenZhen) Co., LTD.	Simula Technology Corp.	3	Accounts receivable	RMB 688	60 days after monthly closing	0.09%
1	Simula Technology (ShenZhen) Co., LTD.	Simula Technology Corp.	3	Sales	RMB 895	60 days after monthly closing	0.52%
1	Simula Technology (ShenZhen) Co., LTD.	Simula Company Limited	2	Sales	RMB 7,384	60 days after monthly closing	4.34%
1	Simula Technology (ShenZhen) Co., LTD.	Simula Company Limited	2	Accounts payable	RMB 4,362	60 days after monthly closing	0.56%
1	Simula Technology (ShenZhen) Co., LTD.	Simula Company Limited	2	Other receivable	RMB 662	60 days after monthly closing	0.09%
1	Simula Technology (ShenZhen) Co., LTD.	Simula Company Limited	2	Accounts receivable	RMB 5,681	60 days after monthly closing	0.73%

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.