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**SIMULA TECHNOLOGY INC. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
WITH REVIEW REPORT OF INDEPENDENT AUDITORS
AS OF JUNE 30, 2023 AND 2022
AND FOR THE SIX -MONTH PERIODS THEN ENDED**

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

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 June 30, 2023 and 2022, the related consolidated statements of comprehensive income for the three-month and six-month periods then ended, the related consolidated statements of changes in equity and cash flows for the six-month periods then ended, and notes to the consolidated financial statements, including the summary of 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

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)

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of June 30, 2023 and 2022, and their consolidated financial performance for the three-month and six-month periods then ended and cash flows for the six-month periods then ended, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

/s/Chen, Kuo-Shuai

/s/Lin, Cheng-Wei

Ernst & Young
Taiwan, R.O.C.
July 28, 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

As of June 30, 2023, December 31, 2022 and June 30, 2022

(Amounts Expressed In Thousands of New Taiwan Dollars)

Assets			As of June 30, 2023		As of December 31, 2022		As of June 30, 2022	
Code	Accounts	Notes	Amount	%	Amount	%	Amount	%
	Current assets							
1100	Cash and cash equivalents	6(1)	\$958,938	30.83	\$771,500	21.74	\$488,211	13.38
1110	Financial assets at fair value through profit or loss	6(2), 8	208	0.01	4,591	0.13	106	-
1136	Financial assets carried at amortized cost	8	4,755	0.15	4,877	0.14	4,907	0.14
1170	Accounts receivable, net	6(3), 6(16)	477,411	15.35	849,641	23.94	919,856	25.20
1180	Accounts receivable - related parties, net	6(3), 7	18,147	0.58	11,321	0.32	23,119	0.63
1200	Other receivables		10,813	0.35	18,513	0.52	31,120	0.85
1212	Other receivables- related parties	7	502	0.02	-	-	-	-
1220	Current income tax assets		1,884	0.06	415	0.01	-	-
130x	Inventories, net	6(4)	341,723	10.99	551,688	15.55	788,016	21.59
1410	Prepayments		17,059	0.55	14,137	0.40	12,618	0.35
1470	Other current assets		2,496	0.08	486	0.01	2,500	0.07
11xx	Total current assets		<u>1,833,936</u>	<u>58.97</u>	<u>2,227,169</u>	<u>62.76</u>	<u>2,270,453</u>	<u>62.21</u>
	Non-current assets							
1517	Financial assets at fair value through OCI	6(5)	3,858	0.12	3,858	0.11	4,880	0.13
1550	Investment accounted for under equity method	6(6)	-	-	-	-	167	-
1600	Property, plant and equipment, net	6(7), 7, 8	753,662	24.23	768,468	21.66	806,485	22.10
1755	Right-of-use asset	6(17)	22,982	0.74	30,443	0.86	41,913	1.15
1780	Intangible assets	6(8)	461,255	14.83	479,988	13.53	500,975	13.73
1840	Deferred income tax assets	4, 6(21)	13,424	0.43	15,530	0.44	10,489	0.29
1915	Prepayment for acquiring machinery		15,915	0.51	21,847	0.62	12,656	0.35
1920	Refundable deposits		5,148	0.17	1,237	0.02	1,659	0.04
1990	Other non-current assets		-	-	7	-	40	-
15xx	Total non-current assets		<u>1,276,244</u>	<u>41.03</u>	<u>1,321,378</u>	<u>37.24</u>	<u>1,379,264</u>	<u>37.79</u>
1xxx	Total Assets		<u>\$3,110,180</u>	<u>100.00</u>	<u>\$3,548,547</u>	<u>100.00</u>	<u>\$3,649,717</u>	<u>100.00</u>

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Simula Technology Inc. and Subsidiaries

Consolidated Balance Sheets-(Continued)

As of June 30, 2023, December 31, 2022 and June 30, 2022

(Amounts Expressed In Thousands of New Taiwan Dollars)

Code	Liabilities and Equity		As of June 30, 2023		As of December 31, 2022		As of June 30, 2022	
	Accounts	Notes	Amount	%	Amount	%	Amount	%
	Current liabilities							
2120	Financial liabilities at fair value through profit or loss	6(10)	\$6,569	0.21	\$1,110	0.03	\$5,225	0.14
2130	Contract liability	6(15)	7,996	0.26	8,875	0.25	16,469	0.45
2170	Accounts payable		205,700	6.61	381,442	10.75	611,151	16.75
2200	Other payables	6(11), 7	518,165	16.66	246,766	6.95	351,331	9.63
2220	Other payables - related parties	7	4,217	0.14	779	0.02	2,385	0.07
2230	Current income tax liabilities	4, 6(21)	21,275	0.68	109,609	3.09	49,837	1.37
2281	Lease liability	6(17)	18,344	0.59	20,580	0.58	21,616	0.59
2320	Long-term liabilities, current portion	6(12), 8	40,000	1.29	51,340	1.45	51,340	1.41
2399	Other current liabilities		18,580	0.60	21,567	0.61	983	0.03
21xx	Total current liabilities		<u>840,846</u>	<u>27.04</u>	<u>842,068</u>	<u>23.73</u>	<u>1,110,337</u>	<u>30.44</u>
	Non-current liabilities							
2540	Long-term loans	6(12), 8	90,000	2.89	198,556	5.60	224,226	6.14
2570	Deferred income tax liabilities	4, 6(21)	1,062	0.03	1,312	0.04	1,934	0.05
2581	Lease liability	6(17)	5,638	0.18	10,948	0.31	21,343	0.58
2640	Net defined benefit liability	4	2,880	0.09	2,938	0.08	10,027	0.27
2645	Guarantee deposits received		-	-	-	-	89	-
25xx	Total non-current liabilities		<u>99,580</u>	<u>3.19</u>	<u>213,754</u>	<u>6.03</u>	<u>257,619</u>	<u>7.04</u>
2xxx	Total liabilities		<u>940,426</u>	<u>30.23</u>	<u>1,055,822</u>	<u>29.76</u>	<u>1,367,956</u>	<u>37.48</u>
	Equity attributable to shareholders of the parent							
31xx	Equity attributable to shareholders of the parent							
3100	Capital	6(14)						
3110	Common stock		799,729	25.71	799,729	22.54	799,729	21.91
3200	Capital surplus	6(14)	551,718	17.74	551,718	15.55	551,718	15.12
3300	Retained earnings	6(14)						
3310	Legal reserve		117,691	3.79	93,144	2.62	93,144	2.56
3320	Special reserve		26,375	0.85	27,425	0.77	27,425	0.75
3350	Unappropriated earnings		47,497	1.53	297,334	8.38	164,393	4.50
	Total retained earnings		<u>191,563</u>	<u>6.17</u>	<u>417,903</u>	<u>11.77</u>	<u>284,962</u>	<u>7.81</u>
3400	Other components of equity		(15,892)	(0.51)	(9,881)	(0.28)	(18,655)	(0.51)
36xx	Non-controlling interests	6(14), 6(23)	642,636	20.66	733,256	20.66	664,007	18.19
3xxx	Total equity		<u>2,169,754</u>	<u>69.77</u>	<u>2,492,725</u>	<u>70.24</u>	<u>2,281,761</u>	<u>62.52</u>
	Total liabilities and equity		<u>\$3,110,180</u>	<u>100.00</u>	<u>\$3,548,547</u>	<u>100.00</u>	<u>\$3,649,717</u>	<u>100.00</u>

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese
Simula Technology Inc. and Subsidiaries
Consolidated Statements of Comprehensive Income
For the three-month and six-month periods ended June 30, 2023 and 2022
(Amounts Expressed In Thousands of New Taiwan Dollars, Except Earnings Per Share)

Code	Accounts	Notes	For the three-month period ended June 30,				For the six-month period ended June 30,			
			2023		2022		2023		2022	
			Amount	%	Amount	%	Amount	%	Amount	%
4000	Operating revenues	6(15), 7	\$493,302	100.00	\$1,000,413	100.00	\$1,246,089	100.00	\$1,967,682	100.00
5000	Operating costs	7	(423,814)	(85.91)	(770,780)	(77.05)	(1,049,487)	(84.22)	(1,530,412)	(77.78)
5900	Gross profit		69,488	14.09	229,633	22.95	196,602	15.78	437,270	22.22
6000	Operating expenses	7								
6100	Sales and marketing		(23,273)	(4.72)	(35,367)	(3.54)	(47,534)	(3.82)	(74,152)	(3.77)
6200	General and administrative		(51,202)	(10.38)	(57,860)	(5.78)	(103,847)	(8.33)	(119,859)	(6.09)
6300	Research and development		(20,760)	(4.21)	(25,812)	(2.58)	(42,209)	(3.39)	(51,405)	(2.61)
6450	Expected credit losses	6(16)	(18)	-	-	-	(504)	(0.04)	(573)	(0.03)
	Total operating expenses		(95,253)	(19.31)	(119,039)	(11.90)	(194,094)	(15.58)	(245,989)	(12.50)
6900	Operating income (loss)		(25,765)	(5.22)	110,594	11.05	2,508	0.20	191,281	9.72
7000	Non-operating incomes and expenses	6(19), 7								
7100	Interest income		3,111	0.63	239	0.02	3,468	0.28	405	0.02
7010	Other incomes		(514)	(0.10)	2,868	0.29	413	0.03	4,084	0.21
7020	Other gains and losses		(866)	(0.18)	6,037	0.60	(5,237)	(0.42)	10,271	0.52
7050	Finance costs		(942)	(0.19)	(1,512)	(0.15)	(2,282)	(0.18)	(2,918)	(0.15)
7060	Share of profit or loss of associates and joint ventures	6(6)	-	-	(338)	(0.03)	-	-	(780)	(0.04)
	Total non-operating incomes and expenses		789	0.16	7,294	0.73	(3,638)	(0.29)	11,062	0.56
7900	Income before income tax		(24,976)	(5.06)	117,888	11.78	(1,130)	(0.09)	202,343	10.28
7950	Income tax expense	4, 6(21)	(4,884)	(0.99)	(24,793)	(2.48)	(16,979)	(1.36)	(47,085)	(2.39)
8200	Net income (loss)		(29,860)	(6.05)	93,095	9.30	(18,109)	(1.45)	155,258	7.89
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		(8,085)	(1.64)	(2,751)	(0.27)	(6,288)	(0.51)	9,071	0.46
	Total other comprehensive income (loss), net of tax		(8,085)	(1.64)	(2,751)	(0.27)	(6,288)	(0.51)	9,071	0.46
8500	Total comprehensive income		<u>\$(37,945)</u>	<u>(7.69)</u>	<u>\$90,344</u>	<u>9.03</u>	<u>\$(24,397)</u>	<u>(1.96)</u>	<u>\$164,329</u>	<u>8.35</u>
8600	Net income (loss) attributable to:									
8610	Shareholders of the parent		\$ (24,095)	(4.88)	\$68,962	6.89	\$ (26,408)	(2.12)	\$112,532	5.72
8620	Non-controlling interests		(5,765)	(1.17)	24,133	2.41	8,299	0.67	42,726	2.17
			<u>\$(29,860)</u>	<u>(6.05)</u>	<u>\$93,095</u>	<u>9.30</u>	<u>\$(18,109)</u>	<u>(1.45)</u>	<u>\$155,258</u>	<u>7.89</u>
8700	Comprehensive income (loss) attributable to:									
8710	Shareholders of the parent		\$ (31,820)	(6.45)	\$66,392	6.64	\$ (32,419)	(2.60)	\$121,302	6.16
8720	Non-controlling interests		(6,125)	(1.24)	23,952	2.39	8,022	0.64	43,027	2.19
			<u>\$(37,945)</u>	<u>(7.69)</u>	<u>\$90,344</u>	<u>9.03</u>	<u>\$(24,397)</u>	<u>(1.96)</u>	<u>\$164,329</u>	<u>8.35</u>
9750	Earnings per share-basic (in NTD)	6(22)	<u>\$(0.03)</u>		<u>\$0.86</u>		<u>\$(0.33)</u>		<u>\$1.41</u>	
9850	Earnings per share-diluted (in NTD)	6(22)	<u>\$(0.03)</u>		<u>\$0.86</u>		<u>\$(0.33)</u>		<u>\$1.40</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 Changes in Equity

For the six-month periods ended June 30, 2023 and 2022

(Amounts Expressed In Thousands of New Taiwan Dollars)

Code	Items	Equity Attributable to Shareholders of the Parent							Total	Non-controlling Interests	Total Equity
		Common Stock	Capital Surplus	Retained Earnings			Others				
				Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange differences arising on translation of foreign operations	Unrealized gain (losses) from financial assets measured at fair value through OCI			
3100	3200	3310	3320	3350	3410	3420	31xx	36xx	3xxx		
A1	Balance as of January 1, 2022	\$799,729	\$551,718	\$82,080	\$26,375	\$143,948	\$(13,557)	\$(13,868)	\$1,576,425	\$653,860	\$2,230,285
	Appropriation and distribution of 2021 earnings										
B1	Legal reserve appropriated			11,064		(11,064)			-		-
B3	Special reserve appropriated				1,050	(1,050)			-		-
B5	Cash dividends-common shares					(79,973)			(79,973)		(79,973)
D1	Net income for the six-month period ended June 30, 2022					112,532			112,532	42,726	155,258
D3	Other comprehensive income (loss), net of tax, for the six-month period ended June 30, 2022						8,770		8,770	301	9,071
D5	Total comprehensive income (loss)					112,532	8,770		121,302	43,027	164,329
O1	Non-controlling interests									(32,880)	(32,880)
Z1	Balance as of June 30, 2022	<u>\$799,729</u>	<u>\$551,718</u>	<u>\$93,144</u>	<u>\$27,425</u>	<u>\$164,393</u>	<u>\$(4,787)</u>	<u>\$(13,868)</u>	<u>\$1,617,754</u>	<u>\$664,007</u>	<u>\$2,281,761</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
	Appropriation and distribution of 2022 earnings										
B1	Legal reserve appropriated			24,547		(24,547)			-		-
B3	Special reserve appropriated				(1,050)	1,050			-		-
B5	Cash dividends-common shares					(199,932)			(199,932)		(199,932)
D1	Net income for the six-month period ended June 30, 2023					(26,408)			(26,408)	8,299	(18,109)
D3	Other comprehensive income, net of tax, for the six-month period ended June 30, 2023						(6,011)		(6,011)	(277)	(6,288)
D5	Total comprehensive income					(26,408)	(6,011)		(32,419)	8,022	(24,397)
O1	Non-controlling interests									(98,642)	(98,642)
Z1	Balance as of June 30, 2023	<u>\$799,729</u>	<u>\$551,718</u>	<u>\$117,691</u>	<u>\$26,375</u>	<u>\$47,497</u>	<u>\$(11,860)</u>	<u>\$(4,032)</u>	<u>\$1,527,118</u>	<u>\$642,636</u>	<u>\$2,169,754</u>

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Simula Technology Inc. and Subsidiaries

Consolidated Statements of Cash Flows

For the six-month periods ended June 30, 2023 and 2022

(Amounts Expressed in Thousands of New Taiwan Dollars)

Code	Items	For the six-month periods ended June 30,		Code	Items	For the six-month periods ended June 30,	
		2023	2022			2023	2022
AAAA	Cash flows from operating activities:			BBBB	Cash flows from investing activities:		
A10000	Profit (loss) before tax	\$(1,130)	\$202,343	B00040	Acquisition of financial assets measured at amortized cost	(6)	(7)
A20000	Adjustments:			B02700	Acquisition of property, plant and equipment	(32,204)	(28,603)
A20010	Income and expense adjustments:			B02800	Proceeds from disposal of property, plant and equipment	-	2,478
A20100	Depreciation (including right-of-use assets)	54,751	64,372	B03700	Increase in refundable deposits	(3,924)	-
A20200	Amortization	22,370	21,983	B03800	Decrease in refundable deposits	-	1,100
A20300	Expected credit losses (gain on recovery)	504	573	B04500	Acquisition of intangible assets	(3,695)	(991)
A20400	Net gain of financial assets at fair value through profit or loss	9,842	7,097	B06800	Decrease in other non-current assets	7	34
A20900	Interest expense	2,282	2,918	BBBB	Net cash provided by (used in) investing activities	(39,822)	(25,989)
A21200	Interest income	(3,468)	(405)				
A22300	Share of profit or loss of associates and joint ventures	-	780	CCCC	Cash flows from financing activities:		
A22500	Gain on disposal of property, plant and equipment	-	(774)	C00200	Decrease in short-term loans	-	(107,803)
A22600	Property, plant and equipment transferred to expense	2,582	-	C01700	Repayments of long-term loans	(119,896)	(25,670)
A23700	Impairment loss on non-financial assets	-	3,002	C03000	Increase (decrease) in guarantee deposits received	-	89
A29900	Gain on lease modification	-	(48)	C04020	Cash payments for the principal portion of the lease liability	(11,040)	(13,729)
A30000	Changes in operating assets and liabilities:			CCCC	Net cash provided by (used in) financing activities	(130,936)	(147,113)
A31150	Accounts receivable	371,726	(128,432)				
A31160	Accounts payable - related parties	(6,826)	3,980	DDDD	Effect of exchange rate changes	(2,223)	5,871
A31180	Other receivables	7,700	(3,713)	EEEE	Increase (decrease) in cash and cash equivalents	187,438	(59,545)
A31190	Other receivables - related parties	(502)	346	E00100	Cash and cash equivalents at beginning of period	771,500	547,756
A31200	Inventories	209,965	(80,359)	E00200	Cash and cash equivalents at end of period	\$958,938	\$488,211
A31220	Prepayments	(2,922)	14,403				
A31240	Other current assets	(2,010)	(797)				
A32125	Contract liabilities	(879)	(3,239)				
A32150	Accounts payable	(175,742)	58,439				
A31160	Accounts receivable - related parties	-	(698)				
A32180	Other payables	(24,857)	(2,599)				
A32190	Other payables- related parties	3,438	610				
A32230	Other current liabilities	(2,987)	(4)				
A32240	Net defined benefit liability	(58)	7				
A33000	Cash generated from (used in) operations	463,779	159,785				
A33100	Interest received	3,468	405				
A33300	Interest paid	(1,902)	(2,268)				
A33500	Income tax paid	(104,926)	(50,236)				
AAAA	Net cash provided by (used in) operating activities	360,419	107,686				

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

1. HISTORY AND ORGANIZATION

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

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

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

The consolidated financial statements of the Company and its subsidiaries (“the Group”) for the six-month periods ended June 30, 2023 and 2022 were authorized for issue by the Board of Directors on July 28, 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)
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- (2) Standards or interpretations issued, revised, or amended, by International Accounting Standards Board (“IASB”) which are not endorsed by FSC, and not yet adopted by the Group as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” – Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 “Insurance Contracts”	January 1, 2023
c	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
f	International Tax Reform – Pillar Two Model Rules – Amendments to IAS 12	January 1, 2023
g	Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7	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.

(F) International Tax Reform – Pillar Two Model Rules– Amendments to IAS 12

The amendments introduced a temporary exception to the requirements to recognise and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes; and targeted disclosure requirements for affected entities. An entity is not required to disclose the information required for any interim period ending on or before 31 December 2023.

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

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

The abovementioned standards and interpretations 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 six-month periods ended June 30, 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.

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Notes to Consolidated Financial Statements (Continued)
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(2) Basis of preparation

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

(3) Basis of consolidation

The same principles of consolidation have been applied in the Company’s consolidated financial statements as those applied in the Company’s consolidated financial statements for the year ended December 31, 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		
			Jun 30, 2023	Dec 31, 2022	Jun 30, 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%

Simula Technology Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
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Investor	Subsidiary	Main business	Percentage of Ownership (%), as of		
			Jun 30, 2023	Dec 31, 2022	Jun 30, 2022
ASPIRE ASIA INC.	ASPIRE ELECTRONICS CORP.	Investing activities	95.10%	95.10%	95.10%
ASPIRE ELECTRONIC S CORP.	Opti Cloud Technologies, Inc. (Note)	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%

Note : As of June 30, 2023, Opti Cloud Technologies, Inc. was still on liquidation.

(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 six-month period ended June 30, 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.CONTENTES OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	As of		
	June 30, 2023	December 31, 2022	June 30, 2022
Cash and petty cash	\$832	\$654	\$135
Checkings and savings	738,970	742,233	469,452
Time deposit	219,136	28,613	18,624
Total	<u>\$958,938</u>	<u>\$771,500</u>	<u>\$488,211</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		
	June 30, 2023	December 31, 2022	June 30, 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	208	4,591	106
Total	<u>\$208</u>	<u>\$4,591</u>	<u>\$106</u>
Current	<u>\$208</u>	<u>\$4,591</u>	<u>\$106</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

	As of		
	June 30, 2023	December 31, 2022	June 30, 2022
Accounts receivable, gross	\$479,605	\$851,331	\$921,746
Less: loss allowance	(2,194)	(1,690)	(1,890)
Net of allowances	<u>477,411</u>	<u>849,641</u>	<u>919,856</u>
Accounts receivable - related parties, gross	18,147	11,321	23,119
Less: loss allowance	-	-	-
Net of allowances	<u>18,147</u>	<u>11,321</u>	<u>23,119</u>
Total accounts receivable, net	<u>\$495,558</u>	<u>\$860,962</u>	<u>\$942,975</u>

Accounts receivable were not pledged.

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Notes to Consolidated Financial Statements (Continued)
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Accounts receivable are generally on 30-120 day terms. The total carrying amount is NT\$497,752 thousand, NT\$862,652 thousand and NT\$944,865 thousand as of June 30, 2023, December 31, 2022 and June 30, 2022, respectively. Please refer to Note 6 (16) for more details on loss allowance of accounts receivable for the six-month periods ended June 30, 2023 and 2022. Please refer to Note 12 for more details on credit risk management.

(4) Inventory

	As of June 30, 2023		
	Inventories, gross	Allowance for Inventory Valuation and Obsolescence Losses	Inventories, net
Raw material	\$160,060	\$(25,974)	\$134,086
Supplies	4,201	(683)	3,518
Work in process	131,843	(9,141)	122,702
Finished goods	90,368	(8,951)	81,417
Total	<u>\$386,472</u>	<u>\$(44,749)</u>	<u>\$341,723</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 June 30, 2022		
	Inventories, gross	Allowance for Inventory Valuation and Obsolescence Losses	Inventories, net
Raw material	\$406,746	\$(20,024)	\$386,722
Supplies	6,612	(975)	5,637
Work in process	279,625	(7,706)	271,919
Finished goods	138,304	(14,566)	123,738
Total	\$831,287	\$(43,271)	\$788,016

A. For the three-month periods ended June 30, 2023 and 2022, the Group recognized NT\$ 423,814 thousand and NT\$770,780 thousand under the caption of costs of sale, respectively. For the six-month periods ended June 30, 2023 and 2022, the Group recognized NT\$1,049,487 thousand and NT\$1,530,412 thousand under the caption of costs of sale, respectively. The following items were also included in cost:

Item	For the three-month period ended June 30,		For the six-month period ended June 30,	
	2023	2022	2023	2022
Loss (gain) from inventory market decline	\$(3,294)	\$(6,578)	\$7,272	\$(10,563)
Loss from physical	(196)	(724)	(998)	(1,575)
Loss from inventory write-off obsolescence	11,532	10,739	11,934	15,784
Total	\$8,042	\$3,437	\$18,208	\$3,646

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		
	June 30, 2023	December 31, 2022	June 30, 2022
Unlisted companies' stocks	\$3,858	\$3,858	\$4,880

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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					
	June 30, 2023		December 31, 2022		June 30, 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%	\$6,489	23.33%
Accumulated impairment			(6,322)		(6,322)	
Total			\$-		\$167	

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 Macerich Inc. was NT\$167 thousand as of June 30, 2022. The aggregate financial information based on the Group's share of other companies was as follows:

	For the three-month period ended June 30, 2022	For the six-month period ended June 30, 2022
Accounting profit before tax from continuing operations	\$(338)	\$(780)
Total other comprehensive income, net of tax	-	-
Total comprehensive income	\$(338)	\$(780)

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

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Notes to Consolidated Financial Statements (Continued)
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(7) Property, plant, and equipment

	Land	Buildings	Machinery and equipment	Office Equipment	Transportation	Lease Improvement	Other Equipment	Total
Cost:								
As of 1/1/2023	\$210,926	\$431,607	\$332,621	\$17,552	\$5,189	\$142,088	\$130,394	\$1,270,377
Addition	-	-	13,344	3,670	1,614	72	5,050	23,750
Disposals	-	-	(1,899)	(983)	-	-	(15,630)	(18,512)
Reclassification	-	-	5,861	181	229	1,685	1,377	9,333
Effect of EX rate	-	-	(3,518)	(95)	25	(3,623)	(2,259)	(9,470)
As of 6/30/2023	<u>\$210,926</u>	<u>\$431,607</u>	<u>\$346,409</u>	<u>\$20,325</u>	<u>\$7,057</u>	<u>\$140,222</u>	<u>\$118,932</u>	<u>\$1,275,478</u>
As of 1/1/2022	\$214,056	\$457,917	\$343,318	\$18,289	\$9,907	\$157,411	\$149,698	\$1,350,596
Addition	-	428	20,983	1,746	125	359	2,965	26,606
Disposals	-	(20,182)	(5,700)	(2,706)	(5,054)	-	(18,768)	(52,410)
Effect of EX rate	-	-	3,096	81	144	3,292	2,364	8,977
As of 6/30/2022	<u>\$214,056</u>	<u>\$438,163</u>	<u>\$361,697</u>	<u>\$17,410</u>	<u>\$5,122</u>	<u>\$161,062</u>	<u>\$136,259</u>	<u>\$1,333,769</u>
Depreciation and impairment:								
As of 1/1/2023	\$-	\$108,713	\$228,911	\$10,076	\$3,539	\$53,623	\$97,047	\$501,909
Depreciation	-	10,367	20,198	2,158	381	2,697	8,361	44,162
Disposal	-	-	(1,899)	(983)	-	-	(15,630)	(18,512)
Effect of EX rate	-	-	(2,718)	(49)	25	(1,422)	(1,579)	(5,743)
As of 6/30/2023	<u>\$-</u>	<u>\$119,080</u>	<u>\$244,492</u>	<u>\$11,202</u>	<u>\$3,945</u>	<u>\$54,898</u>	<u>\$88,199</u>	<u>\$521,816</u>
As of 1/1/2022	\$-	\$111,421	\$220,203	\$11,287	\$6,346	\$65,304	\$104,124	\$518,685
Depreciation	-	13,285	20,771	1,852	357	2,915	11,997	51,177
Impairment loss	-	-	-	-	-	-	3,002	3,002
Disposal	-	(20,182)	(5,416)	(2,706)	(3,634)	-	(18,768)	(50,706)
Effect of EX rate	-	-	2,014	28	144	1,393	1,547	5,126
As of 6/30/2022	<u>\$-</u>	<u>\$104,524</u>	<u>\$237,572</u>	<u>\$10,461</u>	<u>\$3,213</u>	<u>\$69,612</u>	<u>\$101,902</u>	<u>\$527,284</u>
Net carrying amount:								
As of 6/30/2023	<u>\$210,926</u>	<u>\$312,527</u>	<u>\$101,917</u>	<u>\$9,123</u>	<u>\$3,112</u>	<u>\$85,324</u>	<u>\$30,733</u>	<u>\$753,662</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 6/30/2022	<u>\$214,056</u>	<u>\$333,639</u>	<u>\$124,125</u>	<u>\$6,949</u>	<u>\$1,909</u>	<u>\$91,450</u>	<u>\$34,357</u>	<u>\$806,485</u>

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Notes to Consolidated Financial Statements (Continued)
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The Group recognized an impairment loss amounting to NT\$3,002 thousand on certain real estate to an extent of the recoverable value for the six-month period ended June 30, 2022. This impairment loss has been recorded in the Group's statements of comprehensive incomes. The recoverable value is measured at fair value less cost to sell.

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	-	3,695	-	-	-	3,695
Derecognized upon retirement	-	(4,021)	(282)	-	-	(4,303)
Effect of exchange rate changes	-	(44)	5	-	-	(39)
As of June 30, 2023	\$314	\$26,486	\$356,326	\$115,236	\$75,095	\$573,457
As of January 1, 2022	\$314	\$26,881	\$356,599	\$115,236	\$75,095	\$574,125
Additions – acquired separately	-	991	-	-	-	991
Derecognized upon retirement	-	(2,293)	-	-	-	(2,293)
Effect of exchange rate changes	-	150	6	-	-	156
As of June 30, 2022	\$314	\$25,729	\$356,605	\$115,236	\$75,095	\$572,979
<u>Amortization and Impairment:</u>						
As of January 1, 2023	\$314	\$21,684	\$61,535	\$10,583	\$-	\$94,116
Amortization	-	1,476	17,816	3,078	-	22,370
Derecognized upon retirement	-	(4,021)	(282)	-	-	(4,303)
Effect of exchange rate changes	-	14	5	-	-	19
As of June 30, 2023	\$314	\$19,153	\$79,074	\$13,661	\$-	\$112,202

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	-	1,089	17,816	3,078	-	21,983
Derecognized upon retirement	-	(2,293)	-	-	-	(2,293)
Effect of exchange rate changes	-	122	6	-	-	128
As of June 30, 2022	\$314	\$20,464	\$43,721	\$7,505	\$-	\$72,004
<u>Carrying amount, net:</u>						
As of June 30, 2023	\$-	\$7,333	\$277,252	\$101,575	\$75,095	\$461,225
As of December 31, 2022	\$-	\$5,172	\$295,068	\$104,653	\$75,095	\$479,988
As of June 30, 2022	\$-	\$5,265	\$312,884	\$107,731	\$75,095	\$500,975

Amounts of amortization recognized for intangible assets are as follows:

	For the three-month period ended		For the six-month period ended	
	June 30,		June 30,	
	2023	2022	2023	2022
Operating costs	\$118	\$83	\$237	\$156
Operating expense	11,131	10,907	22,133	21,827
Total	\$11,249	\$10,990	\$22,370	\$21,983

(9) Short-term borrowings

	Interest interval	As of		
		June 30, 2023	December 31, 2022	June 30, 2022
Unsecured bank loans	Not applicable	\$-	\$-	\$-

The Group's unused short-term lines of credits amounts to NT\$1,164,300 thousand, NT\$1,034,650 thousand and NT\$798,200 thousand, as of June 30, 2023, December 31, 2022 and June 30, 2022, respectively.

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Notes to Consolidated Financial Statements (Continued)
(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

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

	As of		
	June 30, 2023	December 31, 2022	June 30, 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	6,569	1,110	5,225
Total	<u>\$6,569</u>	<u>\$1,110</u>	<u>\$5,225</u>
Current	<u>\$6,569</u>	<u>\$1,110</u>	<u>\$5,225</u>
Non-current	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>

(11) Other payables

	As of		
	June 30, 2023	December 31, 2022	June 30, 2022
Dividends payable	\$298,574	\$-	\$112,853
Equipment payable	2,396	4,713	2,775
Employee benefit payable	111,223	134,644	101,325
Other payables	105,972	107,409	134,378
Total	<u>\$518,165</u>	<u>\$246,766</u>	<u>\$351,331</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 June 30, 2023	Interest rate	Repayment
Taiwan Business Bank Credit loan	\$130,000	Variable interest rate +0.41%	Effective July 5, 2021 to July 5, 2026. Repayable quarterly NT\$10,000 thousand.
Less: current portion	(40,000)		
Total	\$90,000		

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		

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Notes to Consolidated Financial Statements (Continued)
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Details of long-term borrowings

Debtor	As of June 30, 2022	Interest rate	Repayment
Taiwan Business Bank Credit loan	\$170,000	Variable interest rate +0.41%	Effective July 5, 2021 to July 5, 2026. Repayable quarterly NT\$10,000 thousand.
CTBC Bank Secured bank loan	105,566	Variable interest rate +0.7%	Effective October 26, 2016 to October 26, 2031. Repayable monthly NT\$945 thousand.
Subtotal	275,566		
Less: current portion	(51,340)		
Total	\$224,226		

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 June 30, 2023 and 2022 were NT\$3,270 thousand and NT\$3,518 thousand, respectively. Expenses under the defined contribution plan for the six-month periods ended June 30, 2023 and 2022 were NT\$6,550 thousand and NT\$6,627 thousand, respectively.

Defined benefits plan

Pension for the three-month periods ended June 30, 2023 and 2022 were NT\$9 thousand and NT\$42 thousand, respectively. Pension for the six-month periods ended June 30, 2023 and 2022 were NT\$19 thousand and NT\$84 thousand, respectively.

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(14) Equity

A. Common stock

As of June 30, 2023 and 2022, the Company's authorized capital was NT\$1,200,000 thousand, and paid-in capital was NT\$799,729 thousand, each share at par value of NT\$10, divided into 79,972,945 shares.

B. Capital surplus

	As of		
	June 30, 2023	December 31, 2022	June 30, 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	<u>\$551,718</u>	<u>\$551,718</u>	<u>\$551,718</u>

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 June 30, 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 shareholders' meetings and held on June 9, 2023. The details of the distributions are as follows:

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

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

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The appropriations of earnings for the years 2021 were approved through the shareholders' meetings and 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 six-month period ended</u>	
	<u>June 30,</u>	
	<u>2023</u>	<u>2022</u>
Beginning balance	\$733,256	\$653,860
Profit (loss) attributable to non-controlling interests	8,299	42,726
Other comprehensive income, attributable to non-controlling interests, net of tax:		
Exchange differences resulting from translating the financial statements of a foreign operation	(277)	301
Non-controlling interests	<u>(98,642)</u>	<u>(32,880)</u>
Ending balance	<u>\$642,636</u>	<u>\$664,007</u>

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(15) Operating revenue

	For the three-month period ended June 30,		For the six-month period ended June 30,	
	2023	2022	2023	2022
Revenue from customer contracts				
Sales of goods	<u>\$493,302</u>	<u>\$1,000,413</u>	<u>\$1,246,089</u>	<u>\$1,967,682</u>

Analysis of revenue from contracts with customers for the three-month and six-month periods ended June 30, 2023 and 2022 are as follows:

A. Disaggregation of revenue

For the three-month period ended June 30, 2023

	Single department
Sales of goods	<u>\$493,302</u>
The timing for revenue recognition:	
At a point in time	<u>\$493,302</u>

For the three-month period ended June 30, 2022

	Single department
Sales of goods	<u>\$1,000,413</u>
The timing for revenue recognition:	
At a point in time	<u>\$1,000,413</u>

For the six-month period ended June 30, 2023

	Single department
Sales of goods	<u>\$1,246,089</u>
The timing for revenue recognition:	
At a point in time	<u>\$1,246,089</u>

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For the six-month period ended June 30, 2022

	<u>Single department</u>
Sales of goods	<u>\$1,967,682</u>
The timing for revenue recognition:	
At a point in time	<u>\$1,967,682</u>

B. Contract balances

a. Contract liabilities – current

	<u>As of</u>			
	<u>June 30,</u>	<u>January 1,</u>	<u>June 30,</u>	<u>January 1,</u>
	<u>2023</u>	<u>2023</u>	<u>2022</u>	<u>2022</u>
Sales of goods	<u>\$7,996</u>	<u>\$8,875</u>	<u>\$16,469</u>	<u>\$19,708</u>

The changes in the Group's balances of contract liabilities for the six-month periods ended June 30, 2023 and 2022 are as follows:

	<u>For the six-month period ended June 30,</u>	
	<u>2023</u>	<u>2022</u>
The opening balance transferred to revenue	\$(2,026)	\$(16,250)
Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue during the period)	1,147	13,011

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

(16) Expected credit (gains) losses

	<u>For the three-month</u>		<u>For the six-month</u>	
	<u>period ended June 30,</u>		<u>period ended June 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Operating expenses – Expected credit gains (losses)				
Accounts receivable	<u>\$18</u>	<u>\$-</u>	<u>\$504</u>	<u>\$573</u>

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

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 June 30, 2023, December 31, 2022, and June 30, 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:

June 30, 2023	Past due						Total
	Not past due	<=30 days	31-90 days	91-120 days	121-270 days	>=271 days	
Gross carrying amount	\$443,314	\$52,328	\$1,880	\$-	\$-	\$230	\$497,752
Loss ratio	-%	3.5%	6.7%	-%	-%	100%	
Lifetime expected credit losses	-	(1,838)	(126)	-	-	(230)	(2,194)
Carrying amount of accounts receivable	\$443,314	\$50,490	\$1,754	\$-	\$-	\$-	\$495,558
December 31, 2022	Past due						
	Not past due	<=30 days	31-90 days	91-120 days	121-270 days	>=271 days	Total
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
June 30, 2022	Past due						
	Not past due	<=30 days	31-90 days	91-120 days	121-270 days	>=271 days	Total
Gross carrying amount	\$894,848	\$49,577	\$226	\$-	\$143	\$71	\$944,865
Loss ratio	-%	3%	10%	-%	100%	100%	
Lifetime expected credit losses	-	(1,654)	(22)	-	(143)	(71)	(1,890)
Carrying amount of accounts receivable	\$894,848	\$47,923	\$204	\$-	\$-	\$-	\$942,975

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The movement in the provision for impairment of accounts receivable for the six-month periods ended June 30, 2023 and 2022 are as follows:

	<u>Accounts receivable</u>
As of January 1, 2023	\$1,690
Addition (reversal)	504
Write-off due to unrecoverability	-
Effect of EX rate	-
As of June 30, 2023	<u>\$2,194</u>
As of January 1, 2022	\$1,317
Addition (reversal)	573
Write-off due to unrecoverability	-
Effect of EX rate	-
As of June 30, 2022	<u>\$1,890</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>June 30,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>	<u>June 30,</u> <u>2022</u>
Buildings	\$22,194	\$30,225	\$41,669
Transportation equipment	595	218	-
Office equipment	193	-	244
Total	<u>\$22,982</u>	<u>\$30,443</u>	<u>\$41,913</u>

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b. Lease liabilities

	As of		
	June 30, 2023	December 31, 2022	June 30, 2022
Lease liabilities (include related party)	<u>\$23,982</u>	<u>\$31,528</u>	<u>\$42,959</u>
Current	<u>\$18,344</u>	<u>\$20,580</u>	<u>\$21,616</u>
Non-current	<u>\$5,638</u>	<u>\$10,948</u>	<u>\$21,343</u>

Please refer to Note 6(19) (D) for the interest on lease liabilities recognized for the six-month periods ended June 30, 2023 and 2022 and refer to Note 12(5) Liquidity Risk Management for the maturity analysis for lease liabilities as of June 30, 2023, December 31, 2022, and June 30, 2022.

B. Amounts recognized in the income statement

Right-of-use assets

	For the three-month period ended June 30,		For the six-month period ended June 30,	
	2023	2022	2023	2022
Buildings	\$5,239	\$6,267	\$10,468	\$13,027
Transportation equipment	58	-	96	160
Office equipment	12	8	25	8
Total	<u>\$5,309</u>	<u>\$6,275</u>	<u>\$10,589</u>	<u>\$13,195</u>

C. Income and costs relating to leasing activities

	For the three-month period ended June 30,		For the six-month period ended June 30,	
	2023	2022	2023	2022
The expense relating to short-term leases	\$936	\$682	\$1,920	\$1,363
The expenses relating to leases of low-value assets-non-current	577	30	1,144	51

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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

For the six-month periods ended June 30, 2023 and 2022, the Group's total cash outflow for leases amounting to NT\$14,104 thousand and NT\$15,143 thousand, respectively.

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

Nature \ Function	For the three-month period ended June 30,					
	2023			2022		
	Operating Costs	Operating expenses	Total	Operating Costs	Operating expenses	Total
Employee benefit expense						
Salaries	\$57,658	\$36,750	\$94,408	\$81,507	\$50,713	\$132,220
Labor and health insurance	5,611	3,386	8,997	6,013	3,494	9,507
Pension	1,525	1,754	3,279	1,528	1,857	3,385
Other employee benefit expense	9,129	8,066	17,195	4,820	11,034	15,854
Depreciation	18,166	8,405	26,571	20,531	9,913	30,444
Amortization	118	11,131	11,249	83	10,907	10,990

Nature \ Function	For the six-month period ended June 30,					
	2023			2022		
	Operating Costs	Operating expenses	Total	Operating Costs	Operating expenses	Total
Employee benefit expense						
Salaries	\$112,998	\$71,001	\$ 183,999	\$152,425	\$102,038	\$254,463
Labor and health insurance	11,796	6,882	18,678	11,947	7,277	19,224
Pension	3,075	3,494	6,569	2,993	3,718	6,711
Other employee benefit expense	19,787	20,623	40,410	12,007	20,636	32,643
Depreciation	38,021	16,730	54,751	41,403	22,969	64,372
Amortization	237	22,133	22,370	156	21,827	21,983

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

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 six-month period ended June 30, 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 six-month period ended June 30, 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 six-month period ended June 30, 2022 amounted to NT\$8,022 thousand and NT\$1,033 thousand, respectively. The employees' compensation and remuneration to directors and supervisors were recognized as salaries.

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(19) Non-operating incomes and expenses

A. Interest income

	For the three-month period ended June 30,		For the six-month period ended June 30,	
	2023	2022	2023	2022
Interest income	\$3,111	\$239	\$3,468	\$405

B. Other incomes

	For the three-month period ended June 30,		For the six-month period ended June 30,	
	2023	2022	2023	2022
Rent income	\$75	\$77	\$150	\$152
Other income	(589)	2,791	263	3,932
Total	\$(514)	\$2,868	\$413	\$4,084

C. Other gains and losses

	For the three-month period ended June 30,		For the six-month period ended June 30,	
	2023	2022	2023	2022
Foreign exchange gain (loss), net	\$2,593	\$3,552	\$5,027	\$21,047
Impairment loss on non-financial assets	-	(1,423)	-	(3,002)
Gain (loss) on disposal of property, plant, and equipment	-	(144)	-	774
Gain (loss) on lease modification	-	45	-	48
Gain (loss) on financial assets at fair value through profit or loss	(3,037)	4,824	(9,842)	(7,097)
Other losses	(422)	(817)	(422)	(1,499)
Total	\$(866)	\$6,037	\$(5,237)	\$10,271

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D. Finance costs

	For the three-month period ended June 30,		For the six-month period ended June 30,	
	2023	2022	2023	2022
Interests on borrowings from bank	\$763	\$1,190	\$1,902	\$2,233
Interest on lease liabilities	179	322	380	685
Total	\$942	\$1,512	\$2,282	\$2,918

(20) Components of other comprehensive income (loss)

For the three-month period ended June 30, 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	\$ (8,085)	\$-	\$ (8,085)	\$-	\$ (8,085)

For the three-month period ended June 30, 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	\$ (2,751)	\$-	\$ (2,751)	\$-	\$ (2,751)

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For the six-month period ended June 30, 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	\$(6,288)	\$-	\$(6,288)	\$-	\$(6,288)

For the six-month period ended June 30, 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	\$9,071	\$-	\$9,071	\$-	\$9,071

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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 June 30,</u>		<u>For the six-month period ended June 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Current income tax expense (income):				
Current income tax expense	\$(932)	\$22,763	\$10,708	\$44,302
Adjustments in respect of current income tax of prior periods	-	(629)	-	(629)
Surtax on undistributed earnings	3,918	928	3,918	928
Deferred tax expense (income):				
Deferred tax expense (income) relating to origination and reversal of temporary differences	1,898	1,731	2,353	2,484
Total income tax expense (income)	<u>\$4,884</u>	<u>\$24,793</u>	<u>\$16,979</u>	<u>\$47,085</u>

B. The assessment of income tax return

As of June 30, 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.

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	For the three-month period ended June 30,		For the six-month period ended June 30,	
	2023	2022	2023	2022
Net income available to common shareholders of the parent	<u>\$(24,095)</u>	<u>\$68,962</u>	<u>\$(26,408)</u>	<u>\$112,532</u>
Weighted average number of common stocks outstanding (in thousand shares)	<u>79,973</u>	<u>79,973</u>	<u>79,973</u>	<u>79,973</u>
Basic earnings per share (in NT\$)	<u>\$(0.30)</u>	<u>\$0.86</u>	<u>\$(0.33)</u>	<u>\$1.41</u>

B. Diluted earnings per share

	For the three-month period ended June 30,		For the six-month period ended June 30,	
	2023	2022	2023	2022
Net income available to common shareholders of the parent	<u>\$(24,095)</u>	<u>\$68,962</u>	<u>\$(26,408)</u>	<u>\$112,532</u>
Net income available to common shareholders of the parent after dilution	<u>\$(24,095)</u>	<u>\$68,962</u>	<u>\$(26,408)</u>	<u>\$112,532</u>
Weighted average number of common stocks outstanding (in thousand shares)	79,973	79,973	79,973	79,973
Effect of dilution:				
Employee bonus (compensation) - stock (in thousand shares)	<u>-</u>	<u>179</u>	<u>-</u>	<u>262</u>
Weighted average number of common stocks outstanding after dilution (in thousand shares)	<u>79,973</u>	<u>80,152</u>	<u>79,973</u>	<u>80,235</u>
Diluted earnings per share (in NT\$)	<u>\$(0.30)</u>	<u>\$0.86</u>	<u>\$(0.33)</u>	<u>1.40</u>

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

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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		
		June 30, 2023	December 31, 2022	June 30, 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		
	June 30, 2023	December 31, 2022	June 30, 2022
Opti Cloud Technologies, Inc.	\$10,098	\$11,566	\$13,689
Action Star Technology Co., Ltd.	632,538	721,690	650,318

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

	For the six-month period ended June 30,	
	2023	2022
Opti Cloud Technologies, Inc.	\$(1,191)	\$(799)
Action Star Technology Co., Ltd.	9,490	43,525

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

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

For the six-month period ended June 30, 2023

	Opti Cloud Technologies, Inc.	Action Star Technology Co., Ltd.
Operating revenue	\$-	\$874,338
Profit/loss from continuing operation	(2,439)	47,551
Total comprehensive income for the period	(2,439)	47,551

For the six-month period ended June 30, 2022

	Opti Cloud Technologies, Inc.	Action Star Technology Co., Ltd.
Operating revenue	\$-	\$1,291,259
Profit/loss from continuing operation	(1,637)	133,571
Total comprehensive income for the period	(1,637)	133,571

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

As of June 30, 2023

	Opti Cloud Technologies, Inc.	Action Star Technology Co., Ltd.
Current assets	\$20,684	\$1,156,563
Non-current assets	-	370,170
Current liabilities	-	461,008
Non-current liabilities	-	515

Simula Technology Inc. and Subsidiaries
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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 June 30, 2022

	Opti Cloud Technologies, Inc.	Action Star Technology Co., Ltd.
	<u>Inc.</u>	<u>Ltd.</u>
Current assets	\$23,699	\$1,415,090
Non-current assets	4,487	379,990
Current liabilities	57	640,039
Non-current liabilities	89	94,510

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

For the six-month period ended June 30, 2023

	Opti Cloud Technologies, Inc.	Action Star Technology Co., Ltd.
	<u>Inc.</u>	<u>Co., Ltd.</u>
Operating activities	\$(1,124)	\$326,006
Investing activities	-	(12,822)
Financing activities	-	(100,111)
Net increase/(decrease) in cash and cash equivalents	(1,124)	213,073

Simula Technology Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
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For the six-month period ended June 30, 2022

	Opti Cloud Technologies, Inc.	Action Star Technology Co., Ltd.
	<u>Inc.</u>	<u>Co., Ltd.</u>
Operating activities	\$(446)	\$24,559
Investing activities	-	(14,741)
Financing activities	89	(5,769)
Net increase/(decrease) in cash and cash equivalents	(357)	4,049

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 Co., Ltd	Associate
Concord Medical Co., Ltd	Associate
Partner 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
Notes to Consolidated Financial Statements (Continued)
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(Note) Resigned on February 25, 2022

(2) Significant transactions with related parties

A. Sales

	For the three-month period ended June 30,		For the six-month period ended June 30,	
	2023	2022	2023	2022
Parent company	\$20,181	\$677	\$57,376	\$796
Associate	5,238	15,740	8,400	29,833
Total	\$25,419	\$16,417	\$65,776	\$30,629

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

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

B. Purchases

	For the three-month period ended June 30,		For the six-month period ended June 30,	
	2023	2022	2023	2022
Parent company	\$-	\$-	\$3,480	\$-
Associate	-	-	897	-
Total	\$-	\$-	\$4,377	\$-

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

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

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Notes to Consolidated Financial Statements (Continued)
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C. Accounts receivable - related parties

	As of		
	June 30, 2023	December 31, 2022	June 30, 2022
Parent company	\$11,251	\$1,691	\$715
Associate	6,896	9,630	22,404
Total	\$18,147	\$11,321	\$23,119

D. Other receivables - related parties

	As of		
	June 30, 2023	December 31, 2022	June 30, 2022
Parent company	\$502	\$-	\$-

E. Other payables - related parties

	As of		
	June 30, 2023	December 31, 2022	June 30, 2022
Parent company	\$2,133	\$600	\$1,395
Associate	2,084	179	990
Total	\$4,217	\$779	\$2,385

F. Dividends payable

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

Simula Technology Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
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G. Operating expenses

	Account	For the three-month period ended June 30,		For the three-month period ended June 30,	
		2023	2022	2023	2022
Parent company	Inspection fee	\$30	\$40	\$102	\$40
Parent company	Miscellaneous	-	10	-	10
Parent company	Other expense	-	20	-	20
Associate	Entertainment expenses	-	-	10	-
Associate	Other expense	1,229	782	2,680	1,010
Associate	Miscellaneous	-	-	-	60
Associate	Processing fee	594	-	679	-
Associate	Maintenance fee	34	-	34	-
Total		<u>\$1,887</u>	<u>\$852</u>	<u>\$3,505</u>	<u>\$1,140</u>

H. The Company leased factory from related parties for the six-month period ended June 30, 2023 and 2022 was as follow

(a) Rent expense

	Object	Rental Period	Total Rent	Monthly rent and Payment
<u>2023.1.1-2023.6.30</u>				
The associate of the Company	No. 39 Jingsan Rd, Caonanli, Wuqi District, Taichung City	2022.06.01~ 2025.05.31	NT\$563	NT\$113 thousand per month and to be paid before the 13th of next month. (If the shipment volume reaches 9,000 pcs in the month, rent will be free.)
The associate of the Company	Xizhi Office	2023.01.01~ 2023.12.31	NT\$1,200	NT\$200 thousand per month and to be paid each month.

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Notes to Consolidated Financial Statements (Continued)
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	Object	Rental Period	Total Rent	Monthly rent and Payment
<u>2022.1.1-2022.6.30</u>				
The management of the Company	13F., No. 1351, Zhongzheng Taoyuan Dist., Taoyuan City	2017.08.01~ 2022.07.31	NT\$658 Note	NT\$329 thousand per month and to be paid before the 5th of each month.

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

(b) Interest expenses

	For the three-month period ended June 30,		For the six-month period ended June 30,	
	2023	2022	2023	2022
The management of the Company	\$-	\$-	\$-	\$9

I. Purchase of property, plant, and equipment

	For the six-month period ended June 30,	
	2023	2022
Associate	\$1,902	\$260

J. Salaries and rewards to key management of the Company

	For the three-month period ended June 30,		For the six-month period ended June 30,	
	2023	2022	2023	2022
Short-term employee benefits	\$7,476	\$6,714	\$14,437	\$13,217
Post-employee benefits	279	252	541	505
Total	\$7,755	\$6,966	\$14,978	\$13,722

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Notes to Consolidated Financial Statements (Continued)
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8. ASSETS PLEDGED AS COLLATERAL

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

Item	Carrying Amount as of			Secured liabilities
	June 30, 2023	December 31, 2022	June 30, 2022	
Financial assets measured at amortized cost	\$4,755	\$4,877	\$4,907	Deposit of forward currency contract
Land	80,171	80,171	80,171	Long-term loans
Buildings	200,943	207,316	213,689	Long-term loans
Total	<u>\$285,869</u>	<u>\$292,364</u>	<u>\$298,767</u>	

9. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED CONTRACT COMMITMENTS

None.

10. LOSSES DUE TO MAJOR DISASTERS

None.

11. SIGNIFICANT SUBSEQUENT EVENTS

None.

Simula Technology Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
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12. OTHERS

(1) Categories of financial instruments

Financial assets

	As of		
	June 30, 2023	December 31, 2022	June 30, 2022
Financial assets at fair value through profit or loss:			
Mandatorily measured at fair value through P/L	\$208	\$4,591	\$106
Financial assets at fair value through OCI	3,858	3,858	4,880
Financial assets measured at amortized cost (Note)	1,470,566	1,655,852	1,467,213
Total	<u>\$1,474,632</u>	<u>\$1,664,301</u>	<u>\$1,472,199</u>

Financial liabilities

	As of		
	June 30, 2023	December 31, 2022	June 30, 2022
Financial liabilities measured at amortized cost:			
Payables (including related parties)	\$728,082	\$628,987	\$964,867
Long-term loans (including current portion with maturity less than 1 year)	130,000	249,896	275,566
Lease liabilities	23,982	31,528	42,959
Financial liabilities at fair value through profit or loss:			
Mandatorily measured at fair value through P/L	6,569	1,110	5,225
Total	<u>\$888,633</u>	<u>\$911,521</u>	<u>\$1,288,617</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 six-month periods ended June 30, 2023 and 2022 would decrease/increase by NT\$4,615 thousand and NT\$6,960 thousand, respectively.

If NT dollars appreciates/depreciates against CNY dollars by 1%, net income (loss) for the six-month periods ended June 30, 2023 and 2022 would increase/decrease by NT\$505 thousand and NT\$1,261 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 1%, the net income (loss) for the six-month periods ended June 30, 2023 and 2022 would decrease/increase by NT\$823 thousand and by NT\$217 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 June 30, 2023, December 31, 2022 and June 30, 2022, receivables from the top ten customers were accounted for 80.70%, 85.93% and 85.28% of the Group's total accounts receivable, respectively. The concentration of credit risk is relatively insignificant for the remaining receivables.

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

(5) Liquidity risk management

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

Non-derivative financial instruments

	Less than 1 year	1 to 2 years	2 to 3 years	More than 3 years	Total
<u>As of June 30, 2023</u>					
Payables	\$728,082	\$-	\$-	\$-	\$728,082
Lease liabilities	18,685	2,247	1,093	2,884	24,909
Borrowings	42,113	41,315	40,314	10,203	133,945
<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 June 30, 2022</u>					
Payables	\$964,867	\$-	\$-	\$-	\$964,867
Lease liabilities	22,493	17,948	995	3,270	44,706
Borrowings	55,521	54,666	53,813	126,098	290,098

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(6) Movement schedule of liabilities arising from financing activities

Movement schedule of liabilities for the six-month periods ended June 30, 2023:

	Long-term borrowings	Leases liabilities	Total liabilities from financing activities
As of January 1, 2023	\$249,896	\$31,528	\$281,424
Cash flows	(119,896)	(11,040)	(130,936)
Non-cash changes	-	3,494	3,494
As of June 30, 2023	\$130,000	\$23,982	\$153,982

Movement schedule of liabilities for the six-month periods ended June 30, 2022:

	Short-term borrowings	Refundable deposits	Long-term borrowings	Leases liabilities	Total liabilities from financing activities
As of January 1, 2022	\$106,880	\$-	\$301,236	\$55,530	\$463,646
Cash flows	(107,803)	89	(25,670)	(13,729)	(147,113)
Non-cash changes	923	-	-	1,158	2,081
As of June 30, 2022	\$-	\$89	\$275,566	\$42,959	\$318,614

(7) Fair values of financial instruments

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

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

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

- b. Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).
 - c. Fair value of debt instruments without market quotations, bank loans, bonds payable and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the Taiwan Over-The-Counter Securities Exchanges, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)
- B. Fair value of financial instruments measured at amortized cost

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

C. Fair value measurement hierarchy for financial instruments

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

(8) Derivative financial instrument

The Group's derivative financial instruments include forward currency contracts and embedded derivatives. The related information for derivative financial instruments not qualified for hedge accounting and not yet settled as of June 30, 2023, December 31, 2022 and June 30, 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 June 30, 2023		
Forward currency contract	Sell USD 12,691	2023.03.30~2023.10.2
Forward currency contract	Buy USD 460	2023.05.30~2023.8.15
As of December 31, 2022		
Forward currency contract	Sell USD 23,225	2022.09.29~2023.03.31
As of June 30, 2022		
Forward currency contract	Sell USD 20,560	2022.4.20~2022.10.3

(9) Fair value measurement hierarchy

A. Fair value measurement hierarchy

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

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

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

Level 3 – Unobservable inputs for the asset or liability

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

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

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

As of June 30, 2023

	Level 1	Level 2	Level 3	Total
<u>Financial assets:</u>				
Financial assets at fair value through profit or loss				
Forward currency contract	\$-	\$208	\$-	\$208
Financial assets at fair value through OCI	\$-	\$-	\$3,858	\$3,858
<u>Financial liabilities:</u>				
Financial liabilities at fair value through profit or loss				
Forward currency contract	\$-	\$6,569	\$-	\$6,569

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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 OCI	\$-	\$-	\$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 June 30, 2022

	Level 1	Level 2	Level 3	Total
<u>Financial assets:</u>				
Financial assets at fair value through profit or loss				
Forward currency contract	\$-	\$106	\$-	\$106
Financial assets at fair value through OCI	\$-	\$-	\$4,880	\$4,880
<u>Financial liabilities:</u>				
Financial liabilities at fair value through profit or loss				
Forward currency contract	\$-	\$5,225	\$-	\$5,225

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

For the six-month period ended June 30, 2023 and 2022, there were no transfers in Level 3 hierarchy.

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Information on significant unobservable inputs to valuation in Level 3 hierarchy

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

As of June 30, 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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As of June 30, 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		
	June 30, 2023		
	Foreign Currencies	Exchange Rate	NTD
<u>Financial assets</u>			
Monetary items:			
USD	\$18,314	31.10	\$569,546
CNY	\$17,696	4.2899	\$75,914
<u>Financial liabilities</u>			
Monetary items:			
USD	\$3,402	31.10	\$105,789
CNY	\$29,531	4.2897	\$126,680

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	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		
	June 30, 2022		
	Foreign Currencies	Exchange Rate	NTD
<u>Financial assets</u>			
Monetary items:			
USD	\$35,064	29.72	\$1,042,078
CNY	\$14,822	4.439	\$65,797
<u>Financial liabilities</u>			
Monetary items:			
USD	\$11,528	29.72	\$343,660
CNY	\$43,376	4.439	\$192,552

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

	For the three-month period ended June 30,		For the six-month period ended June 30,	
	2023	2022	2023	2022
USD	\$2,576	\$3,485	\$5,051	\$20,809
Other	17	67	(24)	238
Total	<u>\$2,593</u>	<u>\$3,552</u>	<u>\$5,027</u>	<u>\$21,047</u>

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

(11) Capital management

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

13. ADDITIONAL DISCLOSURES

(1) Information on significant transactions

A. Financing provided to others: None

B. Endorsement/Guarantee provided to others: None.

C. Marketable securities held as of June 30, 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 June 30, 2023: None.

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

- E. Acquisition of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital for the six-month period ended June 30, 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 June 30, 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 six-month period ended June 30, 2023: Please refer to attachment 2.
- H. Receivables from related parties of at least NT\$100 million or 20 percent of the paid-in capital as of June 30, 2023: 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 June 30, 2023: Please refer to attachment 5.

(2) Information on investees

- A. Investees over whom the Group exercises significant influence or control (excluding investees in Mainland China): Please refer to attachment 3.
- B. Investees over which the Group exercises control shall be disclosed of information:
 - a. Financing provided to others: None.
 - b. Endorsement/Guarantee provided to others: None.
 - c. Marketable securities held as of June 30, 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 six-month periods ended June 30, 2023: None.

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

- e. Acquisition of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital for the six-month period ended June 30, 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 six-month period ended June 30, 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 June 30, 2023: Please refer to attachment 4.
- h. Receivables from related parties of at least NT\$100 million or 20 percent of the paid-in capital as of June 30, 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 June 30, 2023	Profit/Loss of Investee	Percentage of Ownership (Direct or Indirect Investment)	Share of Profit/Loss	Carrying Amount as of June 30, 2023	Accumulated Inward Remittance of Earnings as of June 30, 2023	Accumulated Outflow of Investment from Taiwan to Mainland China as of June 30, 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	\$(33,679) (Note 3)	100%	\$(33,679) (Note 2) (Note 4)	\$143,789 (Note 3) (Note 4)	\$-	\$257,755	\$307,817	\$1,301,852

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

Name of Investee in China	Main Business	Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2023	Investment Flows		Accumulated Outflow of Investment from Taiwan as of June 30, 2023	Profit/Loss of Investee	Percentage of Ownership (Direct or Indirect Investment)	Share of Profit/Loss	Carrying Amount as of June 30, 2023	Accumulated Inward Remittance of Earnings as of June 30, 2023	Accumulated Outflow of Investment from Taiwan to Mainland China as of June 30, 2023	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment in China by Investment Commission, MOEA
					Outflow	Inflow									
Opti Cloud Technologies, Inc.	Development of High-speed optical transmission cable and module product technology	\$137,336 (Note 3)	Note 1	\$95,099	\$-	\$-	\$95,099	\$(2,439) (Note 3)	51.18%	\$(1,248) (Note 2) (Note 4)	\$10,586 (Note 3) (Note 4)	\$-	\$257,755	\$307,817	\$1,301,852

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 June 30, 2023: Please refer to attachment 5.
- C. Sale and balance of related accounts receivable as of June 30, 2023: Please refer to attachment 5.
- D. Property transaction amounts and resulting gain or loss: None.
- E. Ending balance of endorsements/guarantees or collateral provided and the purposes: None.
- F. Maximum balance, ending balance, interest rate range and total interest for current period from financing provided to others: None.
- G. Transactions that have significant impact on profit or loss of current period or the financial position, such as services provided or rendered: Please refer to attachment 5.
- H. The above transactions between the Company and Simula Company Limited, Action Star Technology Co., Ltd., Opti Cloud Technologies, Inc., Simula Technology (ShenZhen) Co., Ltd. and Simula Technology Corp. are eliminated upon preparation of consolidated financial statements. Please refer to attachment 5.

(4) Information on major shareholders

Ownership of shares	Number of shares held	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 June 30, 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 June 30, 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.	Mcurich 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.

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

For the six-month period ended June 30, 2023

Attachment 2

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details			Abnormal Transaction		Notes/ Accounts Payable or Receivable		Note	
			Purchase/ Sale	Amount	% to Total	Payment/ Collection Term	Unit Price	Payment/ Collection Term	Ending Balance		% to Total
Simula Technology Inc.	Simula Technology (ShenZhen) Co., LTD.	Subsidiary	Purchase	\$154,138	75.54%	Payment within 60 days from the end of delivery month	Specs of goods purchased are different from others. Cannot be reasonably compared.	Other vendors also enjoy payment within 30~120 days from the end of delivery month	\$(40,294)	41.34%	

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Simula Technology Inc. and Subsidiaries

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

As of June 30, 2023

Attachment 3

(In Thousands of Foreign Currency / New Taiwan Dollars)

Investor	Investee	Business Location	Main Business and Product	Original Investment Amount		Balance as of June 30, 2023 (Note 2)			Net Income (Loss) of the Investee	Share of Income (Loss) of the Investee (Note 3)	Note
				As of June 30, 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%	\$122,381	\$(16,983)	\$(16,910) Note 1	Subsidiary
Simula Technology Inc.	Simula Technology Corp.	USA	Selling in Northern America	\$15,699	\$15,699	500,000	100%	\$44,013	\$1,300	\$1,300	Subsidiary
Simula Technology Inc.	Simula Company Limited	Hong Kong	Holding company	\$187,625	\$187,625	50,500,000	52.31%	\$122,807	\$(32,996)	\$(17,261)	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%	\$998,507	\$47,551	\$13,854 Note 2	Subsidiary
ASPIRE ASIA INC.	ASPIRE ELECTRONICS CORP.	Samoan Islands	Holding company	\$95,099	\$95,099	2,187,690	95.10%	\$10,591	\$(1,313)	\$(1,248)	Subsidiary
ASPIRE ASIA INC.	Simula company limited	Hong Kong	Holding company	\$181,726	\$181,726	46,033,370	47.69%	\$111,945	\$(32,996)	\$(15,735)	Subsidiary

Note 1: Including investment loss recognized under equity method amounted to NT\$(16,983) thousand, unrealized profit on transaction between subsidiaries amounted to NT\$(229) 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\$28,220 thousand, and the amortization of Action Star Technology Co., Ltd. total assets amounted to NT\$(14,366) thousand.

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Simula Technology Inc.

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

For the six-month period ended June 30, 2023

Attachment 4

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details			Abnormal Transaction		Notes/ Accounts Payable or Receivable		Note	
			Purchase/ Sale	Amount	% to Total	Payment/ Collection Term	Unit Price	Payment/ Collection Term	Ending Balance		% to Total
Simula Technology (ShenZhen) Co., LTD.	Simula Technology Inc.	Parent company	Sales	\$154,138	58.15%	Payment within 60 days from the end of delivery month	Similar to those to third party customers.	Non relative parties are 30~120 days monthly closing.	\$40,294	40.02%	Note

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

Simula Technology Inc. and Subsidiaries

Intercompany Relationships and Significant Intercompany Transactions for the six-month Period Ended June 30, 2023

Attachment 5

(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>2023.01.01~2023.06.30</u>						
0	Simula Technology Inc.	Simula Technology Corp.	1	Other payable	\$1,571	On demand	0.05%
0	Simula Technology Inc.	Simula Technology Corp.	1	Accounts receivable	2,615	60 days after monthly closing	0.08%
0	Simula Technology Inc.	Simula Technology Corp.	1	Sales	13,074	60 days after monthly closing	1.05%
0	Simula Technology Inc.	Simula Technology Corp.	1	Promotion expense	8,773	On demand	0.70%
0	Simula Technology Inc.	Simula Technology (ShenZhen) Co., LTD.	1	Purchase	154,138	60 days after monthly closing	12.37%
0	Simula Technology Inc.	Simula Technology (ShenZhen) Co., LTD.	1	Other receivables	68,985	60 days after monthly closing	2.22%
0	Simula Technology Inc.	Simula Technology (ShenZhen) Co., LTD.	1	Accounts payable	40,294	60 days after monthly closing	1.30%
0	Simula Technology Inc.	Simula Technology (ShenZhen) Co., LTD.	1	Technical service income	8,372	60 days after monthly closing	0.67%
0	Simula Technology Inc.	Simula Company Limited	1	Purchase	44,348	60 days after monthly closing	3.56%
0	Simula Technology Inc.	Simula Company Limited	1	Accounts payable	9,120	60 days after monthly closing	0.29%
0	Simula Technology Inc.	Action Star Technology Co., Ltd.	1	Other receivable	144,003	60 days after monthly closing	4.63%
1	Simula Technology (ShenZhen) Co., LTD.	Simula Technology Corp.	3	Accounts receivable	RMB 999	60 days after monthly closing	0.14%
1	Simula Technology (ShenZhen) Co., LTD.	Simula Technology Corp.	3	Sales	RMB 2,972	60 days after monthly closing	1.05%
1	Simula Technology (ShenZhen) Co., LTD.	Simula Company Limited	2	Sales	RMB 9,599	60 days after monthly closing	3.01%
1	Simula Technology (ShenZhen) Co., LTD.	Simula Company Limited	2	Accounts payable	RMB 4,362	60 days after monthly closing	0.60%
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 2,211	60 days after monthly closing	0.30%

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.