Stock Code: 3511

SIMULA TECHNOLOGY INC.

2022 ANNUAL REPORT

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Phone: 886-2-2383-6888
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Overseas Securities Exchange: None.

Corporate Website: http://www.simulatechnology.com

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SIMULA TECHNOLOGY INC.
2022 Operation Report

Despite the impact of COVID-19 on the global economy this year, the world's major countries have gradually lifted restrictions and opened their borders, leading to a stabilization or even a return to pre-pandemic levels. As a result, the Company's order situation has benefited greatly, with total shipments in the first three quarters of 2022 surpassing the total shipments for the full year of 2021. Although the fourth quarter shipments were slightly affected by slow inventory turnover from our major customers, resulting in a slight decrease in quarterly shipment amounts, overall, our company's combined sales and profit for the full year of 2022 have shown significant growth compared to the full year of 2021.

The following is a brief report on the operating results for 2022 and the operational plan for 2023:

1. Report on operating results for the year 2022

1) Results of Business Plan Implementation

Benefiting from the lifting of the epidemic in major countries and the rapid recovery of the global economy, the Company's consolidated turnover for 2022 was NT$4,231,024 thousand. A significant increase of NT$1,162,537 thousand, or 38%, over the consolidated turnover of NT$3,068,487 thousand for 2021. Net income after tax was NT$361,317 thousand, a significant increase of NT$235,056 thousand, or 186%, over the net income after tax of NT$126,261 thousand for 2022. Net income after tax was NT$361,317 thousand, a significant increase of NT$235,056 thousand or 186% from NT$126,261 thousand in 2021. Earnings per share (EPS) for 2022reached NT$3.12.

2) Analysis of Financial Income and Expenditure and Profitability

Please refer to the attached financial statements for the Company's financial results for 2022.

3) R&D Development

In 2022, the Company spent NT$104,912 thousand on R&D, an increase of 29% to NT$23,755 thousand compared to NT$81,157 thousand in 2021. The main focus was on developing high-frequency connectors, cables and connectors for automotive, medical, and industrial applications, Additionally, the Company also developed a new product, (the Docking Station) for expanding our 3C product line. The Company is also actively expanding and improving the quality of the R&D team to meet future product development needs.

2. Summary of Business Plan for 2023

1) Business Policy

Under the basic policy of customer-oriented and design-oriented, the company is committed to developing niche products, mastering key technologies, developing new technologies and applications, enhancing the added value of products and the integrity and competitive advantages of product lines, satisfying customer needs, and continuously generating maximum profits.

2) Sales Quantity and Its Basis Expectation

Based on the market development trend of our products, the development of our customer's business, the revenue results of 2022, and the operational target of 2023, the Company expects that all major countries in the world have adopted the unsealing policy and returned to everyday life. The impact brought by the epidemic has subsided. The Company expects the sales volume for 2023 will increase compared to 2022.

3) Significant Production and Marketing Policies

The company will continue actively pursuing high-value-added industries such as automotive, medical, and industrial, in addition to its existing industries. It will strive for customer cooperation opportunities through its Front-End Design-in advantage. Under the premise of maintaining reasonable profits, the company will continue to actively develop automated production methods for related important components to reduce overall production costs and increase operating profits.

3. The External Competitive Environment, the Regulatory Environment, and the Overall Business Environment will Affect the Company's Future Development Strategy.

In response to the trend of fast-changing product markets and short life cycles, the Company will maintain close cooperation with its customers to jointly develop new products and grasp development opportunities to achieve stable growth in operations. At the same time, in response to changes in the regulatory environment, the Company will comply with regulations and adjust internal operating mechanisms as necessary.

Looking ahead, the Company will continue to work with its existing customers to develop new products further. It will continue to innovate its product development and design strengths and effectively utilize its current production capacity to reduce production costs and increase profitability to achieve its proposed operating plans and goals.

The Company would like to thank the shareholders for their support and guidance in the past, and ask for the continued support and guidance.

Thank you!

Chairman: Huang, Han-Chou President: Hu, Jo-Yao Chief Accountant: Huang,Tuo-wen

II.Company Profile

I.Date of Establishment: December 15, 2003

II.Company History:

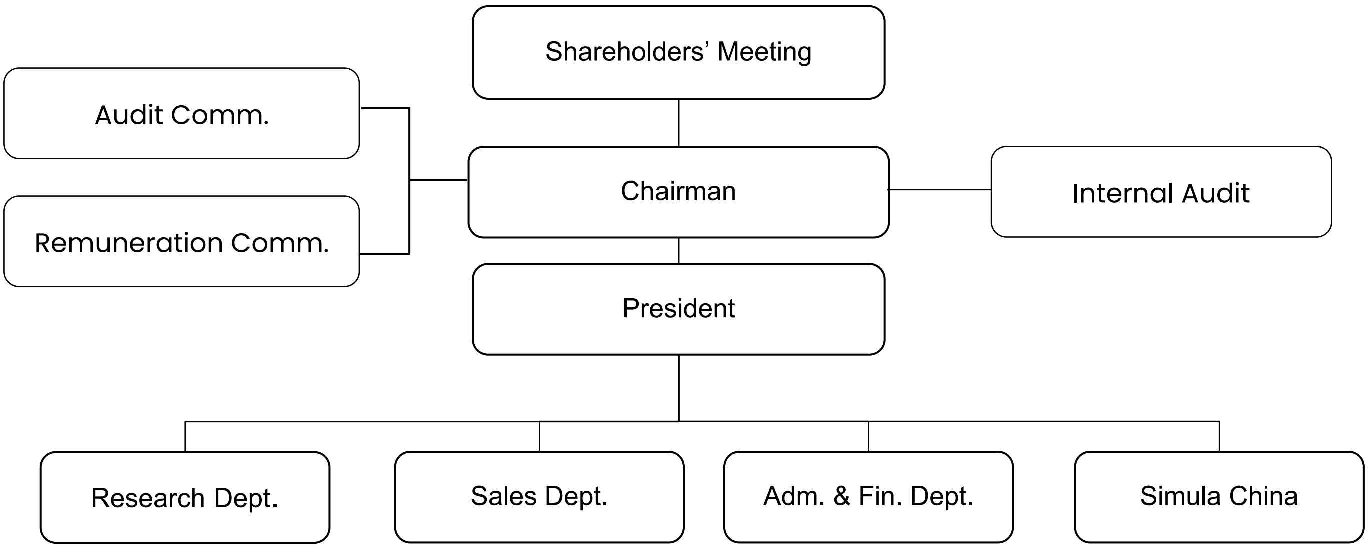
Month/Year	Milestones
December, 2003	Obtained the certificate of incopocation issued by the Ministry of Economic Affairs and established a capital of NT$55,000,000.
January, 2004	Received ISO: 9001 2000 certification.
December, 2004	Conducted a cash capital increase of NTD 65,000,000, increasing the capital to NTD 120,000,000.
January, 2005	Invested in Simula Company Limited to align with multi-trade activities and complete industrial layout.
February, 2005	Completion of the new factory in Shenzhen for Simula Company Limited
March, 2005	The Shenzhen factory of Simula Company Limited obtained ISO 9000 certification.
March, 2005	The Shenzhen factory of Simula Company Limited obtained ISO 14000 certification.
July, 2005	Conducted a increases capital through the capitalization of retained earnings of NTD 38,000,000 and a cash capital increase of NTD 42,000,000, increasing the capital to NTD 200,000,000.
January, 2006	Received approval from the Securities and Futures Bureau of the Ministry of Finance for the public issuance of stocks.
January, 2006	Conducted a cash capital increase of NTD 17,000,000, increasing the capital to NTD 217,000,000.
October, 2006	Conducted a surplus conversion capital increase of NTD 25,000,000, increasing the capital to NTD 242,000,000.
August, 2007	Received the "10th Rising Star Award" issued by the Ministry of Economic Affairs.
August, 2007	Conducted a surplus conversion capital increase of NTD 17,600,000 and a cash capital increase of NTD 5,400,000, increasing the capital to NTD 265,000,000.
November, 2007	Approved by TPEx for stock trading transactions.
August, 2008	Conducted a surplus conversion capital increase of NTD 10,950,000, increasing the capital to NTD 275,950,000.
September, 2008	Approved by the Taipei Exchange and Securities and Futures Bureau and the Financial Supervisory Commission for stock trading on the exchange market.
February, 2009	Conducted a cash capital increase of NTD 25,800,000, increasing the capital to NTD 301,750,000.
February, 2009	Officially listed and traded on the stock exchange.
May, 2009	Received the "12th Annual Outstanding Enterprise Golden Peak Award."
June, 2009	Ranked 242nd in the "Taiwan Top 5000 Large Enterprises Ranking" by China Credit Information Service in 2009.
August, 2009	Conducted a surplus conversion capital increase of NTD 9,053,000, increasing the capital to NTD 310,803,000.
September, 2009	Named as one of the "Best Small and Medium-Sized Listed/OTC Companies in the Asia-Pacific Region" by Forbes Asia magazine in 2009.
October, 2009	Received the "18th National Award of Outstanding SMEs."
November, 2009	Received the "32nd Entrepreneurship Role Model Award" and "Entrepreneurship Mutual Support Award."
December, 2009	Recognized as an excellent small and medium-sized enterprise in innovation and research and development in 2009.
January, 2010	Ranked among the top 69 listed/OTC companies by CommonWealth Magazine in 2010 (Two-star enterprise).
April, 2010	Implemented employee stock warrants in the first quarter of 2010, with a total value of NTD 7,500,000, increasing the capital to NTD 318,303,000.
July, 2010	Ranked 35th in the "Fastest Growing Enterprises 50" by CommonWealth Magazine in 2010.

Month/Year	Milestones
August, 2010	Conducted a surplus conversion capital increase of NTD 63,660,000, increasing the capital to NTD 381,963,000.
October, 2010	Won the "13th Annual Outstanding Enterprise Golden Peak Award."
November, 2010	Received the "2010 Ernst & Young Entrepreneur of the Year" award for "Emerging Entrepreneur."
November, 2010	Recognized as one of the "Taiwan Top 100 MVP Managers 2010" by Manager Today magazine.
January, 2011	Once again ranked among the top 69 listed/OTC companies by CommonWealth Magazine in 2010 (Four-star enterprise).
April, 2011	Implemented employee stock warrants in the first quarter of 2011, with a total value of NTD 3,297,000, increasing the capital to NTD 385,260,000.
April, 2012	Implemented employee stock warrants in the first quarter of 2012, with a total value of NTD 2,530,000, increasing the capital to NTD 387,790,000.
July, 2012	Established Opti Cloud Technologies, Inc. in which Simula holds an indirect stake of 24.24% through the third-party investment entity ASPIRE ASIA INC. based in the British Virgin Islands.
November, 2012	Simula Company Limited established Simula Technology (ShenZhen) Co.,Ltd. as a wholly-owned subsidiary indirectly through the third-party investment entity ASPIRE ASIA INC. based in the British Virgin Islands.
August, 2013	Conducted a surplus conversion capital increase of NTD 1,939,000, increasing the capital to NTD 389,729,000.
2014	Distributed dividends from the capital surplus to shareholders.
2015	Received the "2015 Asia-Pacific Enterprise Spirit Award - Best Leap Award" presented by the Asia-Pacific Business Association.
December, 2015	Opti Cloud Technologies, Inc. conducted a capital reduction and subsequent capital increase, and after completing the registration change, Simula indirectly held a 33.63% stake.
May, 2016	ASPIRE ELECTRONICS CORP conducted a capital reduction and subsequent capital increase, and after completing the registration change, Simula indirectly held a 95.10% stake in ASPIRE ELECTRONICS CORP and a 51.18% indirect stake in Opti Cloud Technologies, Inc.
August, 2017	Conducted a cash capital increase of NTD 56,000,000, increasing the capital to NTD 445,729,000.
April, 2018	Invested in Mcurich Inc., with a shareholding ratio of 30%.
September, 2019	Conducted a cash capital increase of NTD 54,000,000, increasing the capital to NTD 499,729,000.
April, 2020	Conducted a private placement cash capital increase of NTD 300,000,000, increasing the capital to NTD 799,729,000. The Qisda Corp. directly or indirectly holds a 51.27% stake in Simula, becoming the parent company of Simula.
April, 2021	Invested in Action Star Technology Co., Ltd., holding a 59.35% stake.

III.Corporate Governance

I. Organization Chart

(I) Organizational Structure



(II) Business Scope for Main Department

Department	Majority Focus
Audit Committee	The Audit Committee is established in accordance with relevant laws and regulations to strengthen the functions of the Board of Directors. Its main role is to assist in overseeing the appropriateness of the company's financial statements, the selection (dismissal) and independence of the auditors, the effectiveness of internal controls, and compliance with relevant laws and regulations.
Remuneration Committee	From a professional and objective standpoint, the Remuneration Committee evaluates the salary and compensation policies and systems for the directors and executives of the company. It provides recommendations to the Board of Directors for their reference in formulating policies.
Internal Audit	The establishment, implementation, and recommendations regarding internal control, internal auditing, and self-assessment systems are carried out to ensure the continuous and effective implementation of internal control systems. It assists the Board of Directors and management in fulfilling their responsibilities effectively.
Office of the Chairman	1.Provide recommendations and tracking for various company policies. 2.Conduct project research, strategic planning, and provide guidance in command and execution.

Department	Majority Focus
Office of the President	1.Setting and driving business objectives. 2.Coordinating and approving the execution of business operations across various units and determining the organizational structure. 3.Intellectual property management and reviewing legal matters
General Administration Department	1.Coordinate operations related to personnel, general affairs, information, and asset management. 2.Manage fund allocation, investment planning, and execution 3.Coordinate operations related to accounting, taxation, and equity management. 4.Integrate supply chain resources 5.Seek new business partners 6.Inquire, compare, and negotiate prices for external purchases 7.Manage and evaluate external suppliers 8.Collaborate with partners in designing new products and engaging in joint research and development
Business Department	1. Conduct market development and product sales while analyzing markets and customers to achieve the company's profit goals 2.Procure, inspect, accept, and negotiate raw materials, finished products, machinery, and mold equipment 3.Handle import and export customs clearance procedures 4.Manage and evaluate suppliers 5.Plan and implement incoming material inspection, process quality control, shipment inspection, and reliability analysis 6.Manage document control and promote ISO quality certification to achieve quality control and improvement objectives
Research and Development Department	1.Review of mold development, design, modification, and maintenance management 2.Review of new product development, design, and progress control 3.Product management, outsourced supplier engineering management, and new product introduction engineering management 4.Project progress control and formulation of new product specifications
Simula China	Responsible for the development and execution of support plans for manufacturing, including the integration of operations such as production management, procurement, quality control, and engineering Establishment and implementation of outsourcing and material control plans and systems Coordination with the Sales Department for post-sales service and maintenance

II. Documents of directors, supervisor, president, vice presidents, associate vice presidents, and managers of each department and divisions

(I) Director and Supervisor Information

April 11, 2023; Unit: shares

Job Title	Nationality or Record	Name	Gender /Age	Date Elected	Tenure	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shares Held in Another Person's Name		Major Experience & Education	Concurrently Serving Position	Executives, Directors or Supervisor Who are Spouses or Within Two Degrees of Kinship			Remark
							Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%			Job Title	Name	Relation	
Chairman	R.O.C.	Qisda Corp.	-	2021. 04.28	3 Year	2021. 04.28	30,000,000	37.51%	30,000,000	37.51%	0	0	0	0	-	-	N/A	N/A	N/A	
		Representative: **Huang, Han-Chou**	Male 51~60				0	0	0	0	0	0	0	0	- EMBA, Tsing Hua University in Beijing - MBA, Greenwich University - General Manager, Global Supply Chain, Qisda - Chief Operating Officer, BenQ China - Vice President of Manufacturing, Global Manufacturing, BenQ	- President/Qisda Corp. - Representative of Director: /AUO Corp. - Representative of Director: /Qisda Corp. - Representative of Director: /Alpha Networks Inc. - Representative of Director: /Topview Optronics Corp. - Representative of Chairman/Action Star Technology Co., Ltd. - Representative of Chairman/Data Image Corp. - Representative of Chairman/ DIVA Laboratories, Ltd. - Representative of Chairman/Qisda Optronics Corp. - Director/BenQ Foundation				
Director and President	R.O.C.	Qisda Corp.	-	2022. 02.25	3 Year	2022. 02.25	30,000,000	37.51%	30,000,000	37.51%	0	0	0	0	-	-	N/A	N/A	N/A	
		Hu, Jo-Yao (Note 1)	Male 51~60				0	0	0	0	0	0	0	0	- Business Administration, National Taiwan University - BLM VP, BenQ America Corp. - BU Head, Ultrasound BU, MDG - Executive Assistant to GM, President Office of Qisda Corp.	- President/ Simula Technology Inc.				

Job Title	Nationality or Record	Name	Gender /Age	Date Elected	Tenure	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shares Held in Another Person's Name		Major Experience & Education	Concurrently Serving Position	Executives, Directors or Supervisor Who are Spouses or Within Two Degrees of Kinship			Remark
							Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%			Job Title	Name	Relation	
Director	R.O.C.	Qisda Corp.	-	2022. 07.28	3 Year	2022. 07.28	30,000,000	37.51%	30,000,000	37.51%	0	0	0	0	-	-	N/A	N/A	N/A	
		Lin, Yu-Chin (Note 2)	Male 51~60				0	0	0	0	0	0	0	0	- EMBA, College of Technology Management of National Tsing Hua University - Bachelor, Electronic and Communication Engineering of Meiji University, Japan - General Manager, Alpha Networks Inc. - General Manager, LAN/MAN BU, Alpha Networks Inc. - Senior Director, Japan Sales Division, Alpha Networks Inc. - Director, Japan Sales Division, D-Link Corp. - Director, Alpha Networks Inc. - Vice Chairman, Hitron Technologies Inc. - Director, Interactive Digital Technologies Inc. - Director, Alpha Networks Foundation.	- GM of Commercial & Industrial Products Group: /Qisda Corp.				
Director	R.O.C.	Qisda Corp.	-	2020. 10.08	3 Year	2020. 10.08	30,000,000	37.51%	30,000,000	37.51%	0	0	0	0	-	-	N/A	N/A	N/A	
		Representative: **Cheng, Yin-Shiang**	Male 51~60				0	0	0	0	0	0	0	0	- Mechanical Engineering, National Taiwan University - Executive Assistant to GM, Qisda Corp. - Minister of Automotive BU, Qisda Corp. - Ministerof Communication BU, Qisda Corp.	- Chief Operating Officer /Action Star Technology Co., Ltd.	N/A	N/A	N/A	
Independent Director	R.O.C.	**Yeh, Hui-Hsin**	Female 51~60	2020. 06.09	3 Year	2020. 06.09	0	0	0	0	0	0	0	0	- Accounting, Tunghai University - Partner CPA. / Ernst & Young Global Limited	- CPA/ Wei Chin CPAs & Co. - Independent Director: /Acter Group Corp. Limited. - Director /Wei Xin Financial Consultancy Co., Ltd. - Independent Director / Data Image Corp.	N/A	N/A	N/A	

Job Title	Nationality or Record	Name	Gender /Age	Date Elected	Tenure	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shares Held in Another Person's Name		Major Experience & Education	Concurrently Serving Position	Executives, Directors or Supervisor Who are Spouses or Within Two Degrees of Kinship			Remark
							Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%			Job Title	Name	Relation	
Independent Director	R.O.C.	**Tan, Tang-O**	Male 51~60	2020. 06.09	3 Year	2020. 06.09	0	0	0	0	0	0	0	0	- EMBA Master, International Business, National Taiwan University - Master, Institute of Physics, Tamkang University - Bachelor, Department of Physics, Tamkang University	- President / IQE Taiwan Corp.	N/A	N/A	N/A	
Independent Director	R.O.C.	**Chen, Jin-ji**	Male 41~50	2020. 06.09	3 Year	2020. 06.09	0	0	0	0	0	0	0	0	- PhD, Industrial Economics, Tamkang University - MSc, Economics (Research), London School of Economics and Political Science - MSc, Industrial Economics (Research), National Tsing Hua University - Bachelor, Department of Economics, National Taiwan University - Independent Director, Fubon Financial Holding. - Director of Finance Bureau, YunLin County Government. - Independent Director, Fubon Financial Holding, Fubon Life Insurance, Fubon Insurance. - Independent Director/ Taiwan Financial Holdings, Bank Taiwan Life Insurance.	- Professor/CTBC Business School. - Adjunct Professor/ National Chung Hsing University: Chinese Culture University, Tamkang University. - Independent Director /TransGlobe Life Insurance Inc. - Independent Director: /Taiwan Land Development Corp. - Independent Director /Century Iron and Steel Industrial Co., Ltd. - Director/ TCM Biotech International Corp.	N/A	N/A	N/A	

Note 1 : Qisda Corp. appointed Hu, Jo-Yao took over the Legal Director Representative, and Yu, Su-Kuan resigned on February 25, 2022.

Note 2 : Qisda Corp. appointed Lin, Yu-Chin took over the Legal Director Representative, and Hung, Chiu-Chin resigned on July 28, 2022.

Table 1: Substantial shareholders of the corporate shareholder

Name of corporate shareholders (Note 1)	Substantial shareholders of the corporate shareholders (Note 2)	
	Name	Shareholding Percentage (%)
Qisda Corp.	AU Optronics Corp. (Note 2)	17.04%
	Acer Incorporated (Note 2)	4.15%
	Konly Venture Corp.	2.55%
	Employee Stock Ownership Trust Account of Qisda Corporation under the custody of Taishin International Bank.	2.08%
	Darfon Electronics Corp. (Note 2)	2.03%
	Investment Fund of Polunin Developing Countries Fund, LLC under the custody of City Bank (Taiwan).	1.03%
	Investment Fund of Norway Central Bank under the custody of City Bank (Taiwan).	1.03%
	Vanguard Emerging Markets Stock Index Fund, a Series of Vanguard International Equity Index Funds under the custody of JP Morgan Chase Bank N.A. Taipei Branch	0.96%
	Vanguard Total International Stock Index Fund, a Series of Vanguard Star Funds under the custody of JP Morgan Chase Bank N.A. Taipei Branch	0.93%
	Investment Fund of Creo Venture Corp. under the custody of Taishin International Bank	0.87%

Note 1: The source of the information of Qisda Corp. is the Company's transfer cessation information on April 01, 2022.
Note 2: Major shareholders of the corporate person.

Table 2: Major Shareholders in Previous Table who are Institutional Investors and their Major Shareholders

Name of institutional shareholders	Substantial shareholders of the corporate shareholders (Note 3)	
	Name	Shareholding Percentage (%)
AU Optronics Corp.	Qisda Corp.	6.90%
	Quanta Computer Inc.	4.61%
	Trust Holding for Employees for AU Optronics Corp. under the custody of Bank SinoPac	4.88%
	ADR of AU Optronics Corp. under the custody of City Bank (Taiwan)	2.63%
	Yuanta Taiwan Dividend Plus ETF under the custody of ChinaTrust Commercial Bank	1.40%
	Vanguard Emerging Markets Stock Index Fund, a Series of Vanguard International Equity Index Funds under the custody of JPMorgan Chase Bank N.A., Taipei Branch	1.05%
	New Labor Pension Fund	0.91%
	Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds under the custody of JPMorgan Chase Bank N.A., Taipei Branch	0.79%
	Investment account of Goldman Sachs International Inc. under the custody of HSBC Hong Kong Taipei Branch	0.77%
	Fubon Life Insurance Co., Ltd.	0.62%

Name of institutional shareholders	Substantial shareholders of the corporate shareholders (Note 3)	
	Name	Shareholding Percentage (%)
Acer Incorporated	Hung Rouan Investment Corp.	2.42%
	Cathay MSCI Taiwan ESG Sustainability High Dividend Yield ETF Fund under the custody of Taishin Bank	1.87%
	Fubon Taiwan high dividend 30 ETF	1.42%
	Vanguard Emerging Markets Stock Index Fund, a Series of Vanguard International Equity Index Funds under the custody of JPMorgan Chase Bank N.A., Taipei Branch`	1.32%
	Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds under the custody of JPMorgan Chase Bank N.A., Taipei Branch	1.23%
	Mr. Stan Shih	1.15%
	Yo-Juang Investment Corp.	1.10%
	iShares ESG Aware MSCI EM ETF under the custody of Standard Chartered Bank (Taiwan) Ltd. Sales Department	0.95%
	Acer GDR under the custody of City Bank (Taiwan)	0.94%
	Investment account of Universities Superannuation Scheme Limited under the custody of JPMorgan Chase Bank N.A. Taipei Branch	0.81%
Darfon Electronics Corp.	Qisda Corp.	20.72%
	BenQ Corp.	5.01%
	Trust Holding for Employees of Darfon Electronics Corp. under the custody of Taishin International Bank	1.79%
	Mega International Commercial Bank Co., Ltd.	1.62%
	Mr. Andy Su	1.45%
	Vanguard Emerging Markets Stock Index Fund, a Series of Vanguard International Equity Index Funds under the custody of JPMorgan Chase Bank N.A. Taipei Branch	1.12%
	Chang Hwa Commercial Bank, Ltd.	1.11%
	Investment Fund of Norway Central Bank under the custody of City Bank (Taiwan).	1.02%
	Vanguard Total International Stock Index Fund, a series of Vanguard Star under the custody of J Funds JPMorgan Chase Bank N.A., Taipei Branch	0.95%
	Three-party SBL transaction of Mitsubishi UFJ Morgan Stanley under the custody of HSBC Hong Kong Taipei Branch	0.93%

Note 3: The source of the information of AU Optronics Corp. is the Company's transfer cessation information on July 02, 2021; the source of the information of Acer Incorporated is the Company's transfer cessation information on April 12, 2022; the source of the information of Darfon Electronics Corp. is the Company's transfer cessation information on April 18, 2022.

(II) Director and Supervisor Information

1.Professional qualifications and independence analysis of directors and supervisor:

Condition / Name	Key board qualifications, expertise and attributes	Meet conditions of independence	Number of other public companies where the Director concurrently serves as an Independent Director
Chairman Representative of Qisda Corp.: **Huang, Han-Chou**	Have more than 5 years of work experience in commerce, Legal, Finance, Accounting or related corporate business. And currently serve as the Chairman of the company, and the President of Qisda Corp. None of the circumstances specified in Article 30 of the Company Act.	No spouse or relative within the second degree of relationship with other directors.	N/A
Director Representative of Qisda Corp.: **Hu, Jo-Yao** (Note 1)	Have more than 5 years of work experience in commerce, Legal, Finance, Accounting or related corporate business. And currently serve as the President of the company. None of the circumstances specified in Article 30 of the Company Act.	1. Not a Director or Supervisor of the Company or any of the Company's affiliates. 2. No spouse or relative within the second degree of relationship with other directors.	N/A
Director Representative of Qisda Corp.: **Lin, Yu-Chin** (Note 2)	Have more than 5 years of work experience in commerce, Legal, Finance, Accounting or related corporate business. And currently serve as the GM of Commercial & Industrial Products Group of the company. None of the circumstances specified in Article 30 of the Company Act.	1. Not a Director or Supervisor of the Company or any of the Company's affiliates. 2. No spouse or relative within the second degree of relationship with other directors.	N/A
Director Representative of Qisda Corp.: **Cheng, Yin-Shiang** (Note 2)	Have more than 5 years of work experience in commerce, Legal, Finance, Accounting or related corporate business. And currently serve as the Chief Operating Officer of Action Star Technology Co., Ltd., None of the circumstances specified in Article 30 of the Company Act.	No spouse or relative within the second degree of relationship with other directors.	N/A

<table>
<tr><th>Condition
Name</th><th>Key board qualifications, expertise and attributes</th><th>Meet conditions of independence</th><th>Number of other public companies where the Director concurrently serves as an Independent Director</th></tr>
<tr><td>Independent Director
Yeh, Hui-Hsin</td><td>Have more than 5 years of work experience in commerce, Legal, Finance, Accounting or related corporate business. She had served as a partner accountant of Ernst & Young. And currently a CPA of Wei Chin CPAs & Co., Independent Director of Acter Group Corp. Limited, Director of Wei Xin Financial Consultancy Co., Ltd. and Independent Director of Data Image Corp.,
None of the circumstances specified in Article 30 of the Company Act.</td><td rowspan="3">1. Not a Director or employee of the Company or any of the Company's affiliates; including independent director himself/herself, spouses or second degree of kinship.
2. Not holding over 1% of company shares or being a top 10 natural person shareholder; including independent director himself/herself, spouses or second degree of kinship.
3. Not a Director, Supervisor, or employee of a corporate shareholder who holds more than 5% of the outstanding shares issued by the Company, or a Director, Supervisor, or employee of a corporate shareholder who is among the top 5 shareholders according to item 1 or item 2 of Article 27 of the Company Act.
4. Not a Director, Supervisor, or employee of a corporate shareholder who holds the majority of the Board or voting rights.
5. Not Chairman, President, or equivalent post of the company who himself/herself or spouse holds the position as Director, Supervisor, or employee of another company or organization.
6. Not a Director, Supervisor, manager, or shareholder holding more than 5% of the outstanding shares of a specific company or institution in business or financial relationship with the Company.
7. In the recent two years, not providing commercial, legal, financial, accounting or related services to the company or any affiliate of the company.</td><td>2</td></tr>
<tr><td>Independent Director
Tan, Tang-O</td><td>Have more than 5 years of work experience in commerce, Legal, Finance, Accounting or related corporate business. and currently serve as the President of IQE Taiwan Corp.,
None of the circumstances specified in Article 30 of the Company Act.</td><td>0</td></tr>
<tr><td>Independent Director
Chen, Jin-ji</td><td>Have more than 5 years of work experience in commerce, Legal, Finance, Accounting or related corporate business.
And currently serve as the Professor of CTBC Business School, Adjunct Professor National Chung Hsing University of National Chung Hsing University, Chinese Culture University and Tamkang University, Independent Director of TransGlobe Life Insurance Inc., Taiwan Land Development Corp. and Century Iron and Steel Industrial Co., Ltd. and Director of TCM Biotech International Corp.
None of the circumstances specified in Article 30 of the Company Act.</td><td>3</td></tr>
</table>

Note 1: Source of information for Quanta Computer Inc. is recorded as of the book closure date of Quanta Computer Inc. on April 19, 2022.

Note 2: Source of information for Nan Shan Life Insurance Co., Ltd. is recorded as of the book closure date of Quanta Computer Inc. on March 31, 2023.

2.The Board of Director Diversity and Independence.

(1) Diversity of the Board

The "Corporate Governance Principles" formulated by the Company clearly stipulates the diversity policy of the board of directors and the overall configuration of the Board of Directors. The nomination and selection of Board Members comply with articles of incorporation that the Company adopts the candidate nomination system. Aside from evaluating each candidate's qualifications including education and experience, the Company also refers to stakeholders' opinions as well as comply with "Rules for Director and Supervisor Elections" and "Corporate Governance Principles" in order to ensure the diversity and independency of Board Members.

According to the company's "Corporate Governance Principles", the composition of Board Members shall be determined by taking diversity into consideration and formulating an appropriate approach on diversity based on the company's business operations, operating dynamics, and development needs. It is advisable that the policy include, without being limited to, the following two general standards:

A. Basic requirements and values: Age, identity, and more.

B. Professional knowledge and skills: Professional background, professional skills, industry experience.

The company's current board of directors is composed of 7 directors, including 3 independent directors. The members have rich experience and expertise in the fields of finance, business and management. Seven directors are aged 51-60, and one female director, with a ratio of 14.29 %. The status of implementing diversification of the company's Board Members in 2022 is as follows:

Job Title	Name	Gender	Diverse Industry and Professional Skills							Term of Office of Independent Directors
			Business Management	Technology Industry	Venture Capital Investment	Sustainable Development	Finance and Accounting	Information Technology	Academic Research	
Chairman	Huang, Han-Chou	Male	V	V		V	V	V		
Director	Hu, Jo-Yao	Male	V	V	V	V				
Director	Cheng, Yin-Shiang	Male	V	V		V				
Director	Lin, Yu-Chin	Male	V	V		V	V			
Independent Director	Yeh, Hui-Hsin	Female			V					3 terms or less
Independent Director	Tan, Tang-O	Male	V	V						3 terms or less
Independent Director	Chen, Jin-ji	Male							V	3 terms or less

(2) Independence of the Board

The company currently has a total of 7 directors, including 3 independent directors (accounting for 42.86% of the directors respectively), and the number of independent directors exceeds one-third. By the end of 2022, all independent directors meet the regulations of the Securities and Futures Bureau of the Financial Supervisory Commission for independent directors, and there is no relationship between the directors of a spouse or within the second degree of kinship. Therefore, there is no requirement of Article 26-3 of the Securities and Exchange Act. and the matter of item 4. In conclusion, the Board of Directors of the Company is independent.

(III) Documents of president, vice president, associate vice president and managers of each department and division

April 11, 2023; Unit: shares:

Job Title	Nationality or Record	Name	Gender /Age	Date Elected	Current Shareholding		Spouse & Minor Shareholding		Shares Held in Another Person's Name		Major Experience & Education	Concurrently Serving Position	Managers who are Spouses or Within Two Degrees of Kinship			Remark
					Number of Shares	%	Number of Shares	%	Number of Shares	%			Job Title	Name	Relation	
President	R.O.C.	Hu, Jo-Yao	Male	2022.2.25	0	0	0	0	0	0	- Business Administration, National Taiwan University - BLM VP, BenQ America Corp. - BU Head, Ultrasound BU, MDG - Executive Assistant to GM, President Office of Qisda Corp.	-	N/A	N/A	N/A	
CFO	R.O.C.	Huang, Tuo-Wen	Male	2012.02.23	0	0	0	0	0	0	- Accounting, Fu Jen Catholic University - Executive Assistant to Chairman, Simula Technology Inc.	- Supervisor: Action Star Technology Co., Ltd.	N/A	N/A	N/A	

Note 1: Information shall include these of the president, vice president, associate vice president, and head of branches, as well as these who with position equivalent; such information shall be disclosed regardless the title.

Note 2: experience related to the current position. If during the aforesaid period, he/she worked in the certifying accounting firm or affiliate, his/her position and functions shall be specified.

Note 3: Where the President or person of an equivalent post (the highest-level manager) and Chairman of the Board of Directors are the same person, spouses, or relatives within the first degree of kinship, the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (such as increasing the number of independent director seats, and more than half of all directors must not concurrently serve as employees or managers) must be disclosed.

III. Remunerations to Directors, President and Vice Presidents in the Most Recent Year

(I) Compensation to Directors and Independent Director

December 31, 2022 Unit: NT$ thousand

Job Title	Name	Remuneration of Director								The sum of A, B, C and D in proportion to Earnings		Remuneration in the capacity as employee								The sum of A, B, C, D, E, F and G to Earnings		Whether remuneration from any investee corporations other than subsidiaries is received?
		Remuneration (A)		Pension (B)		Retained Earnings Distribution (C)		Professional practice (D)				Salaries, bonus and special subsidies (E)		Pension (F)		Employee bonus from earnings (G)						
		the Company	Companies included in the financial statement	the Company	Companies included in the financial statement	the Company	Companies included in the financial statement	the Company	Companies included in the financial statement	the Company	Companies included in the financial statement	the Company	Companies included in the financial statement	the Company	Companies included in the financial statement	the Company		Companies included in the financial statement		the Company	Companies included in the financial statement	
																Cash dividend	Stock dividend	Cash dividend	Stock dividend			
Chairman	Representative of Qisda Corp.: Huang, Han-Chou	4,141	4,141	0	0	2,157	2,157	140	140	2.58%	2.58%	2,781	2,781	90	90	1,150	0	1,150	0	4.20%	4.20%	55,971
Director	Representative of Qisda Corp.: Hu, Jo-Yao (Note 1)																					
Director	Representative of Qisda Corp.: Lin, Yu-Chin (Note 2)																					
Director	Representative of Qisda Corp.: Cheng, Yin-Shiang																					
Independent Director	Yeh, Hui-Hsin																					
Independent Director	Tan, Tang-O																					
Independent Director	Chen, Jin-ji																					
* In addition to what is disclosed in the above table, please specify the amount of remuneration received by directors in the most recent fiscal year for providing services (e.g., for serving as a non-employee consultant to the parent company /any consolidated entities / invested enterprises): None.																						

Note 1 : Qisda Corp. appointed Hu, Jo-Yao took over the Legal Director Representative, and Yu, Su-Kuan resigned on February 25, 2022.

Note 2 : Qisda Corp. appointed Lin, Yu-Chin took over the Legal Director Representative, and Hung, Chiu-Chin resigned on July 28, 2022.

Table of Compensation Ranges

Compensation range for each Director	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The Company (Note 8)	Companies in the consolidated financial statements (Note 9)	The Company (Note 8)	Companies in the consolidated financial statements (Note 9) I
Less than NT 1,000,000	Huang, Han-Chou Hu, Jo-Yao Lin, Yu-Chin Cheng, Yin-Shiang Yeh, Hui-Hsin Tan, Tang-O Chen, Jin-ji	Huang, Han-Chou Hu, Jo-Yao Lin, Yu-Chin Cheng, Yin-Shiang Yeh, Hui-Hsin Tan, Tang-O Chen, Jin-ji	Huang, Han-Chou Lin, Yu-Chin Cheng, Yin-Shiang Yeh, Hui-Hsin Tan, Tang-O Chen, Jin-ji	Huang, Han-Chou Lin, Yu-Chin Cheng, Yin-Shiang Yeh, Hui-Hsin Tan, Tang-O Chen, Jin-ji
NT$1,000,000 (included)~2,000,000 (excluded)				
NT$2,000,000 (included)~3,500,000 (excluded)			Hu, Jo-Yao	Hu, Jo-Yao
NT$3,500,000 (included)~5,000,000 (excluded)				
NT$5,000,000 (included)~10,000,000 (excluded)				
NT$10,000,000 (included)~15,000,000 (excluded)				
NT$15,000,000 (included)~30,000,000 (excluded)				
NT$30,000,000(included)~50,000,000 (excluded)				
NT$50,000,000 (included)~100,000,000 (excluded)				
More than NT$100,000,000				
Total	7 Persons	7 Persons	7 Persons	7 Persons

(II) Compensation of Supervisors: The Company has established an audit committee, so it is not applicable.

(III) Compensation for President and Vice Presidents

December 31, 2022 Unit: NT$ 1,000

Job Title	Name	Salary (A)		Pension (B)		Salaries, bonus and special subsidies (C)		Employee bonus allocated from earnings (D)				The sum of A,B, C and D in proportion to Earnings (%)		Whether remuneration from any investee corporations other than subsidiaries is received?
		the Company	Companies included in the financial statement	the Company	Companies included in the financial statement	the Company	Companies included in the financial statement	the Company		Companies included in the financial statement		the Company	Companies included in the financial statement	
								Cash dividend	Stock dividend	Cash dividend	Stock dividend			
President	Hu, Jo-Yao	6,070	6,070	198	198	0	0	1,872	0	1,872	0	3.27%	3.27%	0
CFO	Huang, Tuo-Wen													

Table of Compensation Ranges

Compensation range for each President and Vice President	Name of President and Vice President	
	The Company	Companies in the consolidated financial statements
Less than NT 2,000,000	N/A	N/A
NT$2,000,000 (included)~5,000,000 (excluded)	Hu, Jo-Yao Huang, Tuo-Wen	Hu, Jo-Yao Huang, Tuo-Wen
NT$5,000,000 (included)~10,000,000 (excluded)	N/A	N/A
NT$10,000,000 (included)~15,000,000 (excluded)	N/A	N/A
NT$15,000,000 (included)~30,000,000 (excluded)	N/A	N/A
NT$30,000,000(included)~50,000,000 (excluded)	N/A	N/A
NT$50,000,000 (included)~100,000,000 (excluded)	N/A	N/A
More than NT$100,000,000	N/A	N/A
Total	2 Persons	2 Persons

(IV) Names of managers provided with employee's remunerations and state of payments:

December 31, 2022 Unit: NT$ 1,000

	Job Title	Name	Stock	Cash	Total	Ratio of Total Amount to the Net Income After Taxes (%)
Senior managerial officers.	President	Hu, Jo-Yao	0	1,872	1,872	0.75%
	CFO	Huang, Tuo-Wen				

IV. Compare and analyze the total compensation as a percentage of net income after taxes stated in the parent company only or individual financial statements, paid by the Company and by all companies listed in the consolidated financial statement in the most recent two years to the Company's Directors, supervisors, President and Vice President. Describe the policies, standards, and packages for payment of compensation, the procedures for determining compensation, and its linkage to business performance and future risk exposure.

(I) The total compensation as a percentage of net income after taxes stated in the parent company only financial statement, paid by the Company and by all companies listed in the consolidated financial statement in the most recent two years to the Company's Directors, supervisors, President and Vice President are as the following:

Unit: NT$ thousands; %

Job Title	The proportion of total compensation in net profit after tax			
	2022		2021	
	The Company	Companies included in the financial statement	The Company	Companies included in the financial statement
Director	3.27%	3.27%	13.84%	13.84%
President and Vice President				

(II) Policies, standards, and packages for payment of compensation, as well as the procedures followed for determining the compensation, and their linkages to business performance and future risk exposure.

1. The company has established the "Remuneration Committee Organization Regulations", and established a salary compensation committee to evaluate the remuneration of directors and managers in accordance with the organization regulations.
2. The company's articles of association stipulate that if there is a profit in the year, 0.75% should be allocated as the director's remuneration; in addition, for the general manager and deputy general manager, the company regularly reviews the comparison of the salary levels of peers or competitors to ensure the competitiveness of the salary , in order to achieve the purpose of seeking, motivating and retaining talents. The company's remuneration is divided into two parts, fixed and variable. At the same time, it seeks to fully reflect the performance of individuals and teams on the company's operating goals, and give reasonable remuneration.
3. The remuneration of the company's directors and managers is handled in accordance with the company's articles of association and relevant regulations on salary management, and is reviewed by the salary and compensation committee and approved by the resolution of the board of directors. Its relevant evaluation items include its overall consideration of the degree of participation in the company's operations, and the considerations include the company's operational management capabilities, financial and business performance indicators.

VI. Implementation of Corporate Governance

(I) Operations of the Board of Directors

1. In the most recent year (2022~April 2023), the Board of Directors held a total of 6 meetings (A). The attendance of directors is as follows:

Job Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate (%)(B/A)	Remark
Chairman	Representative of Qisda Corp. / Huang, Han-Chou	6	0	100%	
Vice Chairman	Representative of Qisda Corp. / Yu, Su-Kuan	1	0	100%	Feb. 25, 2022 Resigned
Director	Representative of Qisda Corp. / Hu, Jo-Yao	5	0	100%	Feb. 25, 2022 Take office
Director	Representative of Qisda Corp. / Cheng, Yin-Shiang	6	0	100%	
Director	Representative of Qisda Corp. / Hung, Chiu-Chin	3	0	100%	July 28, 2022 Resigned
Director	Representative of Qisda Corp. / Lin, Yu-Chin	3	0	100%	July 28, 2022 Take office
Independent Director	Yeh, Hui-Hsin	6	0	100%	
Independent Director	Tan, Tang-O	6	0	100%	
Independent Director	Chen, Jin-ji	6	0	100%	

Other items that shall be disclosed:

1. If any of the following circumstances exists, specify the board meeting date, meeting session number, content of the motion(s), the opinions of all the independent directors, and the measures taken by the Company based on the opinions of the independent directors:
   (1) Any matter under Article 14-3 of the Securities and Exchange Act: None.
   (2) In addition to the matters referred to above, any dissenting or qualified opinion of an independent directory that is on record or stated in writing with respect to any board resolution: None.
2. The status of implementation of recusals of directors with respect to any motions with which they may have a conflict of interest, specify the director's name, the content of the motion, the cause for recusal, and whether and how the director voted:

Date of Board Meeting	Name of Directors	Content of the Proposal	Reasons for Abstentions	Participation in Voting
2022.02.25	Representative of Qisda Corp. / Huang, Han-Chou Hung, Chiu-Chin Yeh, Hui-Hsin	To lift non-competition restrictions on newly-elected directors and their representatives.	Director is the project whose non-competition has been lifted	Did not participate in discussion or voting.
2023.02.21	Representative of Qisda Corp. / Huang, Han-Chou Hu, Jo-Yao Lin, Yu-Chin Cheng, Yin-Shiang Yeh, Hui-Hsin Tan, Tang-O Chen, Jin-ji	Proposed the nomination of directors and candidates for independent directors.	Candidates for nominated directors and independent directors	According to Article 206 of the Company Act, Article 178 of the same Act applies mutatis mutandis, and all directors have not participated in discussions or voting on matters that have an interest in themselves or the legal person directors they represent.
	Representative of Qisda Corp. / Huang, Han-Chou Hu, Jo-Yao Lin, Yu-Chin Cheng, Yin-Shiang Yeh, Hui-Hsin Tan, Tang-O Chen, Jin-ji	To lift non-competition restrictions on newly-elected directors and their representatives.	Director is the project whose non-competition has been lifted	According to Article 206 of the Company Act, Article 178 of the same Act applies mutatis mutandis, and all directors have not participated in discussions or voting on matters that have an interest in themselves

				or the legal person directors they represent.
	Representative of Qisda Corp. / Hu, Jo-Yao	Approved the distribution of 2022 employees' remuneration for senior managerial officers.	due to self-interest	Did not participate in discussion or voting.
	Representative of Qisda Corp. / Hu, Jo-Yao	Proposed of the 2023 senior managers' salary adjustment policy case.	due to self-interest	Did not participate in discussion or voting.

3. Implementation Status of Board Evaluations

The Board of Directors approved the "The Rules for Performance Assessment of the Board of Directors" on December 28, 2021, and approved the amendment on October 29, 2020, which stipulated the requirements of commencing performance appraisal to the Board and the Board members at least once per annual period. The Company had completed the performance appraisal to the Board, the Board members and two Functional Committees by the end of 2022 and reported at the Board meeting in February 21, 2023, the grade is excellent indicating the efficient and good operation by the Board.

Evaluation Cycle	Evaluation Period	Scope Of Evaluation	Evaluation Method	Evaluation Items	Evaluation Index	Score	Result
Annually Once a year	January, 2022 to December, 2022	Board and Board members	Internal Self-Evaluation made by the Board and Board members	1.Alignment of the goals and missions of the company. 2.Participation in the operation of the company. 3.Management of internal relationship and communication. 4.Improvement of the quality of the board of directors' decision making. 5.Composition and structure of the board of directors. 6.Awareness of the duties of a director. 7.Election, professionalism and continuing education of the directors. 8.Internal control.	50 items	100	Excellence
		Audit Committee	Internal Self-Evaluation made by Audit Committee	1.Participation in the operation of the company. 2.Awareness of the duties of Audit Committee. 3.Improvement of quality of decisions made by Audit Committee. 4.Makeup of Audit Committee and election of its members. 5.Internal control.	20 items	100	Excellence
		Remuneration Committee	Internal Self-Evaluation made by Remuneration Committee	1.Participation in the operation of the company. 2.Awareness of the duties of Remuneration Committee. 3.Improvement of quality of decisions made by Remuneration Committee. 4.Makeup of Remuneration Committee and election of its members.	16 items	98.75	Excellence

4. Targets for strengthening the functions of the Board of Directors in the current and the most recent year (e.g., setting up an Audit Committee and enhancing information transparency) and evaluation of target implementation:
   (1) The Company had established positions of Independent Directors and the Audit Committees in 2013 to exercise the functions required by the Securities and Exchange Act, the Company Act and other legal regulations. In 2013, the Remuneration Committee was established to enhance corporate governance and improve the remuneration and compensation system for Directors and Managers of the company.
   (2) Based on Paragraph 8 of Article 26-3 of the Securities and Exchange Act, the Company has promulgated the "Rules Governing the Procedures of Meetings of the Board of Directors" which stipulated requirements to contents of meetings of the Board, the operating procedures, the matters to be recorded in the proceedings, the announcements and any other matters. Meetings of the Company Board shall be convened at least once per quarter. All members of the Board shall exercise the due care of a good administrator and bear fiduciary duty to manage exercise their powers with a high degree of self-discipline and prudence under the guidance of optimization of Shareholders' interest.
5. Training of directors (including independent directors)
   In order to enhance the professional knowledge and decision-making ability of directors, so as to effectively implement the corporate governance system, the company not only actively promotes the independent director system, but also considers the provisions of "Implementation Points for Directors and Supervisors of Listed OTC Companies" to establish directors' advanced training The mechanism and channels of the company, and take the initiative to regularly or irregularly according to the professional background of each director, evaluate the company's business axis and main business development direction, and consider the scope outside the professional field of each director, and collect relevant coverage organized by institutions recognized by the competent authority. Financial, business, business, legal, accounting and other course information on corporate governance topics, to properly arrange the training time and content of each member, and obtain the training certificate of each director in a timely manner, and disclose the training status in the website MOPs.
   The directors' training status in 2022 is as follows

Job Title	Name	Date	Organizer	Course Name	Training Hours
Legal person director representative	Huang, Han-Chou	2022.06.30	Taiwan Corporate Governance Association	ESG Reporting Trends and its Business Implications for Information Disclosure.	3
		2022.12.06	Taiwan Corporate Governance Association	Strengthen digital resilience and build a strategy for strengthening information security governance of listed companies.	3
Legal person director representative	Hu, Jo-Yao	2022.04.22	Taiwan Institute for Sustainable Energy	Taishin 30 Sustainable Net Zero Summit Forum - Earnest Net Zero Achieves Sustainability 2030.	3
		2022.06.30	Taiwan Corporate Governance Association	ESG Reporting Trends and its Business Implications for Information Disclosure.	3
Legal person director representative	Lin, Yu-Chin	2022.08.26	Corporate Organization and Sustainable Development Association	Common disputes in shareholders' meetings, directors and board of directors	3
		2022.12.06	Taiwan Corporate Governance Association	Strengthen digital resilience and build a strategy for strengthening information security governance of listed companies.	3
Legal person director representative	Cheng, Yin-Shiang	2022.06.30	Taiwan Corporate Governance Association	ESG Reporting Trends and its Business Implications for Information Disclosure.	3
		2022.12.06	Taiwan Corporate Governance Association	Strengthen digital resilience and build a strategy for strengthening information security governance of listed companies.	3
Independent Director	Yeh, Hui-Hsin	2022.01.22	Taiwan Corporate Governance Association	Responsibilities of Directors and Supervisors for Mergers and Acquisitions.	3
		2022.06.30	Taiwan Corporate Governance Association	ESG Reporting Trends and its Business Implications for Information Disclosure.	3
		2022.09.14	Taiwan Corporate Governance Association	Talking about the sustainable transformation of enterprises from ESG management.	3

Independent Director	Tan, Tang-O	2022.05.31	Taiwan Corporate Governance Association	Case analysis of hostile mergers and acquisitions, competition for management rights and company countermeasures	3
		2022.06.30	Taiwan Corporate Governance Association	ESG Reporting Trends and its Business Implications for Information Disclosure.	3
Independent Director	Chen, Jin-ji	2022.04.20	Computer Audit Association	How individuals and companies respond to information security risks from a case study	3
		2022.05.12	Taiwan Corporate Governance Association	Twin-Summit Forum	3
		2022.06.30	Taiwan Corporate Governance Association	ESG Reporting Trends and its Business Implications for Information Disclosure.	3
		2022.08.25	Taipei Exchange	The OTC-listed or Emerging Stock Company Insider Equity Propaganda Seminar.	3

(II) Operations of the Audit Committee

In the most recent year (2022~ April 2023), the Audit Committee held 6 meetings (A), and the attendance status is as follows:

Job Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate (%)(B/A)	Remark
Convener	Yeh, Hui-Hsin	6	0	100%	
Member	Tan, Tang-O	6	0	100%	
Member	Chen, Jin-ji	6	0	100%	

Other information required to be disclosed:

1. If any of the following circumstances exists, specify the audit committee meeting date, meeting session number, content of the motion(s), the content of any dissenting or qualified opinion or significant recommendation of the independent directors, the outcomes of audit committee resolutions, and the measures taken by the Company based on the opinions of the audit committee:
   (1) Any matter under Article 14-5 of the Securities and Exchange Act: Please refer to the important resolutions of the Shareholders' Meeting, Board of Directors, Audit Committee and remuneration committee in this annual report (P43-P48), all resolutions have been approved with the consent of one-half or more of all Audit Committee members before a resolution has been reached at the Board meeting. There were no resolutions which had not been approved with the concurrence of one-half or more of all Audit Committee members but were undertaken upon the consent of two-thirds or more of all directors.
   (2) In addition to the matters referred to above, any matter that was not approved by the audit committee but was approved by a two-thirds or greater majority resolution of the board of directors: None.
2. Implementation of recusals of independent directors with respect to any motions with which they may have a conflict of interest: specify the independent director’s name, the content of the motion, the cause for recusal, and whether and how the independent director voted: None.
3. Communication between the independent directors and the chief internal audit officer and the CPAs that serve as external auditor (including any significant matters communicated about with respect to the state of the company’s finances and business and the method(s) and outcomes of the communication.)
   (1) The audit supervisor submits the audit report to the audit committee in the month following the completion of the audit project, and the audit committee has no objection.
   (2) The audit supervisor attends the company's regular board of directors and makes audit business reports, and the audit committee has no objection.
   (3) When the Audit Committee deems it necessary, it may directly contact and talk with the CPAs.
4. Annual work focus and operation status:
   (1) Annual work focus
      1. Communicate results of audit report with the head of internal audit regularly according to the annual audit plan.
      2. Communicate with CPA regularly over financial statement review or audit results in each quarter.

3. Review financial reports.
4. Assessment of the effectiveness of internal control system.
5. Review the hiring, dismissal, compensation and service matters concerning CPAs in advance.
6. Review the Company's operational procedures and material transactions of assets, derivatives, capital lending and endorsement/guarantees.
7. Legal compliance.

(2) 2022 operations: Proposals of the Audit Committee meetings have all been reviewed or approved by members of the Audit Committee with no dissent from any of the Independent Directors.

(III) Corporate Governance – Implementation Status and Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and the Reasons

Evaluation Item	Implementation Status (Note 1)			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No	Summary Description	
1. Has the Company established and disclosed its Corporate Governance Best-Practice Principles based on the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies?	V		The Company has established "Corporate Governance Principles" and announced on the company website.	None.
2. Shareholding Structure and Shareholders' Rights (1) Does the Company have Internal Operation Procedures for handling shareholders' suggestions, concerns, disputes and litigation matters. If yes, have these procedures been implemented accordingly?	V		(1) In order to ensure the rights and interests of shareholders, the company has established a spokesperson system and has a special person in the general management office to handle shareholders' suggestions, doubts or disputes. However, the relationship between the company and shareholders is harmonious and no disputes have occurred.	(1) None.
(2) Does the Company know the identity of its major shareholders and the parties with ultimate control of the major shareholders?	V		(2) In accordance with Article 25 of the Securities and Exchange Law, the company reports changes in equity held by insiders, including directors, managers, and shareholders with more than 10% of the shares, at the public information observation station designated by the Securities and Futures Bureau on a monthly basis; and According to the list of shareholders provided by the stock agency company, master the list of major shareholders.	(2) None.
(3) Has the Company built and implemented a risk management system and a firewall between the Company and its affiliates?	V		(3) The company has formulated the "Regulations for Transactions of Related Parties, Specified Companies, and Group Enterprises" and "Subsidiary Supervision Measures", and special personnel are responsible for the precautions of related companies.	(3) None.
(4) Has the Company established internal rules prohibiting insider trading of securities based on undisclosed information?	V		(4) The company has established the "Operating Procedures for Handling Material Information and Preventing Insider Trading", which covers the relevant regulations on prevention of insider trading. Please refer to the Company's official website.	(4) None.
3. Composition and responsibilities of the board of directors (1) Have a diversity policy and specific management objectives been adopted for the board and have they been fully implemented?	V		(1) For the formulation and implementation of the Company's policy on diversity of board members, please refer to the chapter on diversity and independence of the board of directors (P12-P14). The Board of Directors' policy on diversification of members is disclosed on the company's website.	(1) None.

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status (Note 1)</th><th rowspan="2">Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary Description</th></tr>
<tr><td>(2) Has the Company voluntarily established other functional committees in addition to the remuneration committee and the audit committee?</td><td>V</td><td></td><td>(2) On February 21, 2023, the board of directors of the company has approved the "Risk Management Policy and Procedure" as the highest guiding principle of the company's risk management. And reported to the board of directors on February 21, 2023, the annual company-level major risks formulated by the Risk Management Committee, risk identification and implementation results</td><td>(2) None.</td></tr>
<tr><td>(3) Has the Company established rules and methodology for evaluating the performance of its Board of Directors, implemented the performance evaluations on an annual basis, and submitted the results of performance evaluations to the board of directors and used them as reference in determining salary/compensation for individual directors and their nomination and additional office terms?</td><td>V</td><td></td><td>(3) On October 29, 2020, the Board of Directors of the Company has passed the “Rules for Board Performance Evaluation”. Please refer the chapter of Implementation of Corporate Governance. (P21-P22)
According to the provisions in Article 24 specified in the Articles of Incorporation, the Company’s director compensation shall not exceed the 1% of annual profit.</td><td>(3) None.</td></tr>
<tr><td>(4) Does the Company regularly evaluate its external auditors’ independence?</td><td>V</td><td></td><td>(4) The company may, by a resolution adopted by the Audit Committee and Board of Directors, regularly hire the attesting CPA (including independence assessment) on an annual basis. The Company shall require the CPA to provide the independence statement and his / her brief biography document before meeting, ensure that the accounting firm (attesting CPAs and members of audit team) follows the request for independence.
Independence assessment indicators of CPA：
<table>
<tr><th>Evaluation Items</th><th>Result</th><th>Independence</th></tr>
<tr><td>1. No direct or indirect substantial financial interest between the CPA and the Company.</td><td>NO</td><td>YES</td></tr>
<tr><td>2. No borrowing/lending of fund between the CPA and the Company.</td><td>NO</td><td>YES</td></tr>
<tr><td>3. No potential employment relationship exists when the CPA audits the Company’s report.</td><td>NO</td><td>YES</td></tr>
<tr><td>4. The CPA, his/her spouse or family dependent(s) and audit team members have never held the position as director /supervisor, managerial officer, or any position materially critical to the audited case in the most recent</td><td>NO</td><td>YES</td></tr>
</table></td><td>(4) None.</td></tr>
</table>

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status (Note 1)</th><th rowspan="2">Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary Description</th></tr>
<tr><td></td><td></td><td></td><td><table>
<tr><td>2 years, and will never hold said positions in the future audit period.</td><td></td><td></td></tr>
<tr><td>5. Non-audit services provided by CPA to the Corporation have no direct impact on the major items of audit services provided.</td><td>NO</td><td>YES</td></tr>
<tr><td>6. The CPA does not promote or sell shares or other securities issued by the Corporation.</td><td>NO</td><td>YES</td></tr>
<tr><td>7. The CPA is not representing the Corporation in litigation of a third party or other disputes.</td><td>NO</td><td>YES</td></tr>
<tr><td>8. The CPA and members of the audit team have no familial relationships with directors, managers, or people in positions that have major impact on Corporation audits at the Corporation.</td><td>NO</td><td>YES</td></tr>
</table>
The Company evaluates the CPA’s independence and competency once per year. The evaluation result of 2022 has been proposed for a resolution by the board of directors and was reviewed and approved by the Audit Committee and the Board of Directors on October 28, 2022, the CPA met the Company’s requirement about independence and competency and should be held qualified to act as the Company’s CPA.</td><td></td></tr>
<tr><td>4. Does the TWSE/TPEx listed company have in place an adequate number of qualified corporate governance officers and has it appointed a chief corporate governance officer with responsibility corporate governance practices (including but not limited to providing information necessary for directors and supervisors to perform their duties, aiding directors and supervisors in complying with laws and regulations, organizing board meetings and annual general meetings of shareholders as required by law, and compiling minutes of board meetings and annual general meetings)?</td><td>V</td><td></td><td>The Company approved the resolution of the board of directors on October 29, 2021, and appointed Mr. Huang, Tuo-Wen as the Chief Director of Corporate Governance. He has more than three years of experience in financial and other management work in public companies and is responsible for the supervision and management of corporate governance.
The terms of reference are as follows:
1. Providing the information required by the directors and the audit committee to carry out their business and the latest laws and regulations related to The Company's operation,
2. Assisting the directors and the audit committee to abide by laws and regulations,
3. Reporting the Corporate Governance operation to the Corporate Governance committee and the board of directors on a regular basis every year,
4. Handling matters related to the meetings of the board of directors and the shareholders' meeting in accordance with the law,
5. Making minutes of the board of directors and the shareholders' meeting,
6. Assisting the directors and the audit committee to take up their posts and continue their studies, etc.
The operation in 2022 is updated as follows:</td><td>None.</td></tr>
</table>

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status (Note 1)</th><th rowspan="2">Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary Description</th></tr>
<tr><td></td><td></td><td></td><td>1. Assist the independent directors and general directors to perform their duties, provide the required information and arrange the continuing education for directors.
2. Assist the board of directors and shareholders' meetings with procedures and resolutions to comply with laws and regulations, report to the board of directors the status of the company's corporate governance operations, and confirm whether the company's shareholders' meetings and directors' meetings are in compliance with relevant laws and corporate governance codes. After the meeting, be responsible for reviewing the release of important information on important resolutions of the board of directors, ensuring the legitimacy and correctness of the content of important information, so as to ensure the equivalence of investor transaction information.
3. Maintain investor relations, enable investors to obtain sufficient information to evaluate and determine the reasonable capital market value of the enterprise, and ensure that shareholders' rights and interests are well maintained.
4. Draft the agenda of the board meeting, and notify the directors seven days in advance, convene the meeting and provide meeting materials, and remind directors in advance if recusal is needed due to conflict of interest, and complete the minutes of the board meetings within 20 days after the meeting.
5. Handle the pre-registration of the date of the shareholders meeting as required by laws, prepare meeting notices, agenda handbooks, and minutes of meetings within the statutory period, and handle change registration matters in case of the amendment to the articles of incorporation or the re-election of directors.
Training status of Corporate Governance Supervisor:
<table>
<tr><th>Organizer</th><th>Course Name</th><th>Date</th><th>Training Hours</th></tr>
<tr><td>Accounting Research and Development Foundation</td><td>The First-term of Corporate Governance.</td><td>2022.03.29 ~ 2022.03.30</td><td>12</td></tr>
<tr><td>Taipei Exchange</td><td>The OTC-listed or Emerging Stock Company Insider Equity Propaganda Seminar.</td><td>2022.09.02</td><td>3</td></tr>
<tr><td>Taipei Exchange</td><td>Reference Guidelines for Exercise of Duties and Powers by Independent Directors and Audit Committees Released.</td><td>2022.09.29</td><td>3</td></tr>
</table>
</td><td></td></tr>
</table>

Evaluation Item	Implementation Status (Note 1)			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No	Summary Description	
5. Has the Company established channels for communicating with its stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.) and created a stakeholder's section on its company website? Does the Company appropriately respond to stakeholders' questions and concerns on important corporate social responsibility issues?	V		The Company has built the stakeholder mailbox on its website that is used as the channels of communication in response to important issues on corporate social responsibility concerned by stakeholders in a proper manner and in good faith. We also regularly disclose the financial and business information of financial conditions and operations on the Market Observation Post System (MOPS) and on the website established by the Company. Moreover, we will timely release announcement of material news dedicated to events that result in significant impact on stakeholders.	None.
6. Has the Company appointed a professional shareholder services agent to handle matters related to its shareholder meetings?	V		The Company appoints the stock affairs agency of Grand Fortune Securities Co., Ltd. as the Company's stock affairs agency and handles the shareholders' meeting affairs.	None.
7. Information Disclosure (1) Has the Company established a corporate website to disclose information regarding its financials, business, and corporate governance status? (2) Does the Company use other information disclosure channels (e.g., maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investors conference etc.)? (3) Does the company publish and report its annual financial report within two months after the end of the fiscal year, and publish and report its financial reports for the first, second, and third quarters as well as its operating statements for each month before the specified deadlines?	 V V V		(1) The company has set up a website (http://www.simulatetechnology.com) to disclose relevant information. (2) The company has established a spokesperson system, and has dedicated personnel responsible for collecting company-related information and disclosing work, and is currently actively evaluating the function of disclosing information that affects shareholders (3) The Company's 2022 consolidated and parent-company-only financial report was announced and filed on February 21, 2023; the first, second and third quarter of 2022 financial reports and monthly revenue were also announced and filed at the Market Observation Post System before the prescribed period, and were uploaded to the Company's website simultaneously.	 (1) None. (2) None. (3) None.
8. Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors'	V		1. Employee rights: The company has established a "communication management procedure" so that employees' opinions can be valued and communicated effectively. 2. Employee wellness: The company provides employees with a good working environment and reasonable welfare measures. In addition to stabilizing employees' work, life and health protection to create a goal of joint efforts, it also creates the company's operating performance through conscientious and good	None.

Evaluation Item	Implementation Status (Note 1)			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No	Summary Description	
continuing education, the implementation of risk management policies and risk evaluation standards, the implementation of customer relations policies, and purchasing liability insurance for directors and supervisors)?			management. , and then share the company's profits with employees. 3. Investor relations: The company has an "investor zone" on the company's website, through which investors can learn about the company's relevant information, and has a shareholder mailbox as a way to contact the company. 4. Supplier relations: The company formulates the "Supplier Management Measures", maintains smooth communication channels with suppliers and upholds the principle of good faith in dealing with them. 5. Rights of stakeholders: The company maintains unimpeded communication channels for the rights of interested parties, and respects and safeguards their legitimate rights and interests. When the legitimate rights and interests of interested parties are infringed, the company will uphold the principle of good faith and properly deal with it. 6. Directors' continuing education: The directors of the company have referred to the provisions of the "Reference Examples for the Implementation of Directors and Supervisors of Listed OTC Companies". Study for 12 hours and obtain relevant supporting documents. 7. Risk management policy and execution of risk measurement standards: The company cooperates with relevant laws and regulations to implement various policies, and has internal auditors to ensure that the implementation of relevant policies is in compliance with regulations. 8. Implementation of customer relations policies: The company has dedicated business and the assistants for all customers to ensure timely response to customer needs. 9. Purchasing liability insurance for directors and supervisors: The company stipulates in the company's articles of association that directors should purchase liability insurance, and purchase liability insurance for directors year by year to reduce and disperse the risk of major damages to the company and shareholders caused by directors' illegal acts.	
9. Please describe improvements that have already been made based on the Corporate Governance Evaluation results released for the most recent fiscal year by the Corporate Governance Center, Taiwan Stock Exchange, and specify the priority enhancement objectives and measures planned for any matters still awaiting improvement: The company's subsidiaries have not entrusted a professional institution to issue an evaluation report, but the company has self-assessed the compliance of corporate governance, and will gradually improve the items that did not score in the evaluation results.				

(IV)If the company has a remuneration committee, it should disclose its composition, responsibilities and operation

1. Member Information of Remuneration Committee April 11, 2023

<table>
<tr><th>Condition
Name</th><th>Key board qualifications, expertise and attributes</th><th>Meet conditions of independence</th><th>Number of other public companies where the Director concurrently serves as an Independent Director</th></tr>
<tr><td>Independent Director (convener)
Yeh, Hui-Hsin</td><td rowspan="3">Please refer to the relevant contents of Independent Director on pages 13 of this annual report.</td><td rowspan="3">1. Not a Director or employee of the Company or any of the Company's affiliates; including independent director himself/herself, spouses or second degree of kinship.
2. Not holding over 1% of company shares or being a top 10 natural person shareholder; including independent director himself/herself, spouses or second degree of kinship.
3. Not a Director, Supervisor, or employee of a corporate shareholder who holds more than 5% of the outstanding shares issued by the Company, or a Director, Supervisor, or employee of a corporate shareholder who is among the top 5 shareholders according to item 1 or item 2 of Article 27 of the Company Act.
4. Not a Director, Supervisor, or employee of a corporate shareholder who holds the majority of the Board or voting rights.
5. Not Chairman, President, or equivalent post of the company who himself/herself or spouse holds the position as Director, Supervisor, or employee of another company or organization.
6. Not a Director, Supervisor, manager, or shareholder holding more than 5% of the outstanding shares of a specific company or institution in business or financial relationship with the Company.
7. In the recent two years, not providing commercial, legal, financial, accounting or related services to the company or any affiliate of the company.</td><td>2</td></tr>
<tr><td>Independent Director
Tan, Tang-O</td><td>0</td></tr>
<tr><td>Independent Director
Chen, Jin-ji</td><td>3</td></tr>
</table>

2. Operation of Remuneration Committee:

(1) The Company has a Remuneration Committee composed of three members.

(2) Term of the current Committee: From June 9, 2020 to June 8, 2023, the most recent year (2022~February 2023) Salary and Compensation Committee will meet 3 times (A). The qualifications and attendance of the members are as follows:

Job Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) (B/A)	Remark
Convener	Yeh, Hui-Hsin	3	0	100%	
Member	Tan, Tang-O	3	0	100%	
Member	Chen, Jin-ji	3	0	100%	

Other information required to be disclosed:

1. If the Board of Directors does not adopt or amend the Remuneration Committee's suggestions, please specify the meeting date, term, contents of motion, resolution of the Board of Directors, and the company's handling of the remuneration committee's opinions (if the remuneration approved by the Board of Directors is superior than that suggested by the remuneration committee, please specify the deviation and reason): None.
2. If a member has a dissenting or qualified opinion, if a member has a dissenting or qualified opinion, that a member has a record or reservation that is recorded or stated in a written statement, the date and session of the Remuneration Committee, the content of the proposal, all members' opinions, and the handling of the opinions of the member of the Remuneration Committee shall be stated: None.

(V) Promotion of Sustainable Development – Implementation Status and Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons

Promotion Item	Implementation Status (Note 1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No	Summary Description	
1. Has the Company established a governance framework for promoting sustainable development, and established an exclusively (or concurrently) dedicated unit to be in charge of promoting sustainable development? Has the board of directors authorized senior management to handle related matters under the supervision of the board?	V		At present, the General Administration Department of the Company is responsible to the business of Sustainable Development.	If there are legal or practical considerations, it will be handled with reference to the Code of Practice for Sustainable Development of Listed OTC Companies and relevant laws and regulations.
2. Does the company conduct risk assessments of environmental, social and corporate governance (ESG) issues related to the company's operations in accordance with the materiality principle, and formulate relevant risk management policies or strategies?	V		The board of directors of the company approved the "Risk Management Policy and Procedure" as the highest guiding principle of the company's risk management on February 21, 2023. And the Risk Management Committee (RMC) organization was formally established, with the President as the chairman and the Chief of the Management Department as the supervisor on February 21, 2023. The meetings were held quarterly, the board of directors reported the risk management operating conditions of year 2022 on February 21, 2023.	No significant difference.
3. Environmental Issues (1) Has the Company set an environmental management system designed to industry characteristics?	V		The company has passed the ISO 14001 environmental management system certification, and incorporates energy saving and carbon reduction, greenhouse gas reduction, water resources and waste reduction into company policies. In order to reduce the impact on the natural environment, the company entrusts qualified professional manufacturers to clean up the waste water, general and industrial waste generated in accordance with the requirements of the ISO 14001 environmental management system. At the same time, in accordance with the requirements of laws and regulations, annual inspections of the operating environment are carried out to grasp the actual state of the labor operating environment and evaluate the status of labor exposure.	No significant difference.
(2) Does the Company endeavor to use energy more efficiently and to use renewable materials with low environmental impact?	V		The company continues to promote energy saving and carbon reduction and the recycling and reuse of packaging materials, and reduces the impact on the environmental load through power saving, water saving and green design. Sustainable development of the environment The company introduces the thinking of green design in the early stage of product development to evaluate the possible impact and risk of the designed product/part on the environment in each stage of the life cycle. Parts that meet environmental protection requirements are selected from the design source to reduce the impact on the environment. The company has obtained QC080001 hazardous substance process management system certification, in addition to continuing to pay attention to and solve various operational	No significant difference.

Promotion Item	Implementation Status (Note 1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No	Summary Description	
			environmental sustainability issues. At the same time, resources such as water consumption and electricity consumption are included in the control items to reduce the use of resources and reduce the impact on the environment.	
(3) Has the Company evaluated the potential risks and opportunities posed by climate change for its business now and in the future and adopted relevant measures to address them?	V		In order to reduce the impact of climate change on the operation side (such as water and floods caused by typhoons and rainstorms), the company actively adopts the following risk control measures to minimize the risk of the factory area. The relevant measures are as follows: Improve employee risk management awareness and Emergency response capabilities, and arrange disaster drills mobilized throughout the factory, promote energy saving and carbon reduction activities, continue to replace light sets with LED light buttons, and take into account the concept of energy management, invest in the establishment of an energy management monitoring system in stages, that is, strategy Proactively increase the proportion of suppliers' local procurement and energy-saving production, and take stock of the risks and opportunities derived from climate change through risk assessment. In order to achieve sustainable operation, the company formulates policies for energy conservation and carbon reduction, greenhouse gas reduction, water reduction or other waste management , Regular statistics of greenhouse gas emissions and water consumption.	No significant difference.
(4) Did the company collect data for the past two years on greenhouse gas emissions, volume of water consumption, and the total weight of waste, and establish policies for greenhouse gas reduction, reduction of water consumption, or management of other wastes?	V		1.The company currently has statistical information and formulates management policies. The company is a low-pollution industry and promotes the concept of saving and reducing carbon among employees on a daily basis. The company's statistics on greenhouse gas emissions, water consumption and total waste weight in the past two years are as follows: (1) The last two years of greenhouse gas emissions: ton CO2e/year Years / scope 1 / scope 2 2021 / 261.8346 / 5,765.5391 2022 / 140.0691 / 4,895.6322 (2) Water consumption: Years / The Total Water Consumption (Tons) 2021 / 83,966 2022 / 80,277 (3) The total weight of waste: Years / Business Waste (Tons) 2021 / 155.835 2022 / 117	No significant difference.

Promotion Item	Implementation Status (Note 1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No	Summary Description	
			2. The company uses E-mail as much as possible to reduce paper waste. In addition, it promotes energy-saving policies such as turning off the power at hand, and using air compressors for hot water to save power and water. Warehouse lighting is changed to LED tubes to achieve the purpose of energy saving, carbon reduction and greenhouse gas reduction. 3. The company is committed to environmental protection, and has set KPIs for waste reduction. It conducts internal and external audits every year in accordance with the ISO14001 environmental management system certification. The waste ratio has been decreasing year by year in line with the sustainable promotion of resources.	
4. Social Issues (1) Has the company formulated relevant management policies and procedures in accordance with relevant laws and regulations and international human rights conventions?	V		The company declares to protect the rights and interests of employees, and also complies with local regulations and the needs of stakeholders in terms of human rights management. In addition to not employing child labor and treating them equally, the company has absolutely no forced labor, especially emphasizing the prohibition of slavery and human trafficking. In addition, there are multiple communication channels, and a "communication management procedure" has been established for internal employee complaints. If employees encounter any sexual harassment or mistreatment incidents, they can directly report to the company's human resources department in accordance with the "Reporting and Complaint Handling Measures". Identity confidentiality is guaranteed. In 2022, regarding labor rights and human rights issues, the company did not receive any relevant complaints or complaints.	No significant difference.
(2) Has the Company established and implemented reasonable employee welfare measures (include salary/compensation, leave, and other benefits), and are business performance or results appropriately reflected in employee salary/compensation?	V		1. Employee benefits are based on laws and regulations, including wages, vacations and legally prescribed benefits, etc. Please refer to "V. Labor Relations" on page 71 of this annual report. 2. Employee remuneration is stipulated in Article 24 of the company's articles of association: if there is a profit in the year, 5% to 20% of the employee remuneration should be appropriated, and the board of directors will issue a resolution; the remuneration strategy is based on the company's operating performance and provides a competitive overall Remuneration, including basic salary, bonus and bonus. 3. The company regularly conducts year-end assessments every year. The assessment procedures are based on work target performance, work ability and work attitude, etc., and are assessed fairly and reasonably in accordance with the standards of the assessment table. 4. Workplace Diversity Policy: 5. The company is committed to providing employees with a dignified and safe working environment. We implement diversity in employment, fairness in salary and promotion	No significant difference.

<table>
<tr><th rowspan="2">Promotion Item</th><th colspan="3">Implementation Status (Note 1)</th><th rowspan="2">Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary Description</th></tr>
<tr><td></td><td></td><td></td><td>opportunities, and ensure that employees will not be excluded from employment due to race, gender, religious belief, age, political orientation and other factors. Discrimination, harassment or unequal treatment for any other status protected by statute.

<table><tr><th>index</th><th>(%)</th></tr><tr><td>Women accounted for total employees (%)</td><td>47.89%</td></tr><tr><td>Women accounted for all supervisors (%)</td><td>29.41%</td></tr><tr><td>Women accounted for senior executives (%)</td><td>-</td></tr></table></td><td></td></tr>
<tr><td>(3) Does the Company provide employees with a safe and healthy working environment, and implement regular safety and health education for employees?</td><td>V</td><td></td><td><u>Labor work environment monitoring</u>
Once a year, a monitoring organization is entrusted to monitor the working environment to control the status of hazard factors in the working environment, and to improve the working site based on the monitoring results to reduce the occurrence of occupational diseases.</td><td>No significant difference.</td></tr>
<tr><td>(4) Has the Company established effective career development training programs for employees?</td><td>V</td><td></td><td>The company attaches great importance to the cultivation and development of colleagues, and believes that only by continuously cultivating outstanding talents can it strengthen the basis of competition and create high-quality human resources. The company has invested a considerable amount of resources to match the human resources required for the company's development and the majors required for the business promotion of each functional unit, provide comprehensive training courses, and effectively develop human resource training to improve the work quality of colleagues and achieve business goals.
The company's training content for on-the-job and newcomers includes newcomer training and professional/functional training. In 2011, there were a total of 25 shifts of on-the-job and newcomer training, with a total training time of 1,025 hours and a total of 700 participants. The average number of hours of education and training each employee received in 111 was 14.64 hours.</td><td>No significant difference.</td></tr>
<tr><td>(5) Does the company comply with the relevant laws and international standards with regards to customer health and safety, customer privacy, and marketing and labeling of products and services, and implement consumer protection and grievance policies?</td><td>V</td><td></td><td>The marketing and labeling of the company's related products have been handled in accordance with the group's GDPR Team's advocacy of national laws and regulations and ISO-related regulations.</td><td>No significant difference.</td></tr>
<tr><td>(6) Has the company formulated supplier management policies requiring suppliers to comply with relevant regulations on</td><td>V</td><td></td><td>The company has a set of evaluation and inquiry procedures for suppliers, and will carefully evaluate suppliers with poor social perception or bad reputation. If the supplier has a significant impact on environmental protection, occupational safety and health, or labor</td><td>No significant difference.</td></tr>
</table>

Promotion Item	Implementation Status (Note 1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No	Summary Description	
issues such as environmental protection, occupational safety and health, or labor rights, and what is the status of their implementation?			human rights, the terms of the contract may be terminated or revoked at any time.	
5. Does the company refer to international reporting standards or guidelines when preparing its sustainability report and other reports disclosing non-financial information? Does the company obtain third party assurance or certification for the reports above?		V	The company currently does not prepare reports such as sustainability reports that disclose non-financial information of the company.	If there are legal or practical considerations, it will be handled with reference to the Code of Practice for Sustainable Development of Listed OTC Companies and relevant laws and regulations.
6. If the Company has adopted its own sustainable development best practice principles based on the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, please describe any deviation from the principles in the Company's operations: No differences.				
7. Other important information to facilitate better understanding of the company's promotion of sustainable development: None.				

(VI) Ethical Corporate Management – Implementation Status and Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No	Summary Description	
1. Establishment of ethical corporate management policies and programs (1) Does the company have an ethical corporate management policy approved by its Board of Directors, and bylaws and publicly available documents addressing its corporate conduct and ethics policy and measures, and commitment regarding implementation of such policy from the Board of Directors and the top management team?	✓		(1) The company has formulated the "Code of Integrity Management", and will actively implement the commitments of the management policy based on its principles, and publicize the company's integrity management policy to all employees.	No significant difference.
(2) Whether the company has established an assessment mechanism for the risk of unethical conduct; regularly analyzes and evaluates, within a business context, the business activities with a higher risk of unethical conduct; has formulated a program to prevent unethical conduct with a scope no less than the activities prescribed in Article 7, paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/TPE Listed Companies?	✓		(2) The company has established an "Integrity Manual", and regularly publicizes that employees must not use their powers to seek illegal benefits, accept entertainment, gifts, accept kickbacks, embezzle public funds, or other illegal benefits. Every donation and sponsorship must be reported to the authorized level for approval, in compliance with relevant laws and internal operating procedures.	No significant difference.
(3) Does the company clearly set out the operating procedures, behavior guidelines, and punishment and appeal system for violations in the unethical conduct prevention program, implement it, and regularly review and revise the plan?	✓		(3) The company has established the "Integrity Manual", which has clear codes of conduct for "conflicts of interest", "compliance with laws and regulations", "business secrets and company assets", and uses publicity, education and training methods to require employees not to use their powers to seek Illegal interests, and acceptance of entertainment, gifts, kickbacks, embezzlement of public funds, or other illegal interests, hoping to prevent dishonest behavior from affecting business relationships or transaction behavior, and clearly stipulate the reporting and complaint system in the integrity manual,	No significant difference.

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No	Summary Description	
2. Ethical Management Practice				
(1) Does the company assess the ethics records of those it has business relationships with and include ethical conduct related clauses in the business contracts?	✓		(1) The company will conduct a preliminary credit investigation before starting to establish a transaction relationship with customers or suppliers, and try to avoid transactions with customers or suppliers with records of dishonest behavior.	No significant difference.
(2) Has the company set up a dedicated unit to promote ethical corporate management under the board of directors, and does it regularly (at least once a year) report to the board of directors on its ethical corporate management policy and program to prevent unethical conduct and monitor their implementation?	✓		(2) The company has set up a pluralism unit affiliated with the board of directors to promote corporate integrity management. And regularly report to the board of directors every year. The implementation situation in 2011 was reported to the board of directors on February 21, 2011.	No significant difference.
(3) Has the company established policies to prevent conflict of interests, provided appropriate communication and complaint channels, and properly implemented such policies?	✓		(3) At present, if there is a conflict of interest in the company, the internal employees of the company can report directly to the supervisor of the department directly under the company.	No significant difference.
(4) Does the company have effective accounting and internal control systems in place to enforce ethical corporate management? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit compliance with the systems to prevent unethical conduct or hire outside accountants to perform the audits?	✓		(4) The company has a complete accounting system and internal control system, and the relevant personnel implement it in accordance with the prescribed system. If any abnormality occurs, it will be reported to the supervisor or the board of directors immediately.	No significant difference.
(5) Does the company provide internal and external ethical corporate management training programs on a regular basis?	✓		(5) The company annually provides an online training session regarding overview of Integrity Handbook to all employees. In 2022, 100% of employees have completed the training course.	No significant difference.
3. Implementation of Complaint Procedures				
(1) Has the company established specific whistle-blowing and reward procedures, set up conveniently accessible whistle-blowing	✓		(1) The company has clearly stipulated the disciplinary system in the "Integrity Manual", and has set up an independent reporting mailbox according to the operating procedures for reporting violations of the integrity code.	No significant difference.

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary Description</th></tr>
<tr><td>channels, and appointed appropriate personnel specifically responsible for handling complaints received from whistleblowers?
(2) Has the company established standard operation procedures for investigating the complaints received, follow-up measures taken after investigation, and mechanisms ensuring such complaints are handled in a confidential manner?
(3) Has the company adopted proper measures to protect whistleblowers from retaliation for filing complaints?</td><td>✓
✓</td><td></td><td>(2) The company has formulated the "Whistleblowing System" and "Code of Integrity Management". If a whistleblowing case is accepted, the investigation process and results will be kept, and the identity and content of the whistleblower will be kept confidential.
(3) The whistleblower can choose to be anonymous, and the unit that accepts the whistleblower is also obliged to keep it confidential if it is not anonymous.</td><td>No significant difference.
No significant difference.</td></tr>
<tr><td>4. Strengthening Information Disclosure Does the company disclose its ethical corporate management policies and the results of their implementation on its website and the Market Observation Post System (MOPS)?</td><td>✓</td><td></td><td>Both the company's website and annual report disclose the relevant content of the Code of Integrity Management and the performance of integrity management for the knowledge of interested parties. Please refer to the company website for the promotion situation.</td><td>No significant difference.</td></tr>
<tr><td colspan="5">5. If the company has adopted its own ethical corporate management best practice principles based on the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies, please describe any deviations between the principles and their implementation: No differences.</td></tr>
<tr><td colspan="5">6. Other important information to facilitate a better understanding of the status of operation of the company’s ethical corporate management policies (e.g., the company’s reviewing and amending of its ethical corporate management best practice principles):
Every year, the company-wide "integrity and anti-corruption" online training course is regularly carried out. The course content includes: introduction to the contents of the integrity manual, key summaries, practical example explanations, and after-school tests to check the learning results of colleagues. In order to implement the publicity of the Integrity Manual, in addition to the original Chinese version, the company also completes the English version of the Integrity Manual for overseas operating bases, and publicizes it and conducts relevant education for colleagues.</td></tr>
</table>

(VII) If the company has established a corporate governance code and related regulations, it should disclose its inquiry method:

Please refer to the company website (http://www.simulatetechnology.com).

(VIII) Other important information that can promote understanding of the company's corporate governance operations:

1. The company passed the "Guidelines for Process of Internal Major Information and Insider Trading Prevention Management" by the board of directors on October 28, 2016 and revised it on April 29, 2022. The main contents include the following items

(1) Scope of application

These Procedures shall apply to all directors, managerial officers, and employees of this Corporation. This Corporation shall ensure that any other person who acquires knowledge of this Corporation's material inside information due to their position, profession, or relationship of control shall comply with the applicable provisions of these Procedures.

(2) Internal important information confidentiality operating procedures.

(3) Procedures for handling internal material information disclosure.

(4) Handling of abnormal situations.

(5) Internal control operations and internal education and publicity.

This year, before November 30, 2022, relevant education publicity for employees and current directors and managers has been completed. The course content includes the scope of internal major information, confidential homework, public homework and violation handling. A total of 73 people have 1-hour education Propaganda, send the publicity files to current directors and managers during the course, and place the publicity files on the company intranet for reference by employees.

2. At least once per year, this company shall conduct educational campaigns to promote awareness among all directors, managerial officers, and employees with respect to "Procedures for Handling Material Inside Information" and related laws and regulations. This company shall also provide educational campaigns to new directors, supervisors, managerial officers, and employees in a timely manner.

3. On October 29, 2021, the Board of Directors made the resolution of appointing corporate governance personnel to protect shareholders' rights and enhance the functions of the Board of Directors.

4. Managers attend training related to corporate governance

Job Title	Name	Organizer	Course Name	Training Hours
CFO	Huang, Tuo-Wen	Accounting Research and Development Foundation	Continuing Education for Accounting Executives.	12
Supervisor of the Corporate Governance	Huang, Tuo-Wen	Securities and Futures Institute	The First-term of Corporate Governance.	12
President	Hu, Jo-Yao	Taiwan Institute for Sustainable Energy	Taishin 30 Sustainable Net Zero Summit Forum - Earnest Net Zero Achieves Sustainability 2030.	3
		Taiwan Corporate Governance Association	ESG Reporting Trends and its Business Implications for Information Disclosure.	3

(IX)Status of Implementation of Internal Control System

1. Statement on internal controls

SIMULA TECHNOLOGY INC.
Statement on internal controls

Date: FEB 21, 2023

The Company inspected the 2022 internal control system autonomously with the following results:

1. The Company is fully aware that the Board of Directors and the management are responsible for the establishment, implementation, and maintenance of the internal control system and it has been established accordingly. The purpose of its establishment was to reasonably ensure the fulfillment of effective operation and efficiency (including profit, performance, and protection of assets safety), and the reliability, timeliness, transparency and regulatory compliance of financial reports.
2. The internal control system design has inherent limitations. No matter how perfect such control is, it can only provide reasonable assurance of the fulfillment of the three objectives referred to above. The effectiveness of such an internal control system could be influenced by changes of the environment and other circumstances. Therefore, the Company internal control system has been designed with a self-monitoring mechanism so that corrective action will be activated immediately upon the identification of any nonconformity.
3. The Company has assessed the effectiveness of the design and implementation of the internal control system in accordance with criteria provided in the "Regulations Governing the Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as "the Regulations"). The criteria defined in "the Regulations" include five elements that depend on the management control process: (1) environment controls, (2) risk assessment, (3) control processes, (4) information and communications, and (5) supervision. Each of the five elements is then divided into sub-categories. Please refer to "the Regulations" for details.
4. The Company has implemented criteria for inspection of the internal control system referred to above to ascertain its effectiveness, design and implementation.
5. The Company, based on the inspection results referred to above, declared (on December 31, 2022) that the internal control system, including the supervision and management of subsidiaries, is reasonably effective and achieves the objectives of operation and efficiency, the financial report is of reliability, timeliness, transparency and regulatory compliance.
6. The Declaration of Internal Control System is the main content of the Company's annual report and published prospectus. Any false statement and concealment of the published content referred to above involves liability set out in Article 20, Article 32, Article 171, and Article 174 of the Securities and Exchange Act.
7. The Declaration of the Internal Control System was resolved at the meeting of the Board of Directors on February 21, 2023 with no objections by any of the seven attending Directors. The contents of the declaration have been accepted without objection.

SIMULA TECHNOLOGY INC.

Chairman：Huang, Han-Chou 黃漢州

President：Hu, Jo-Yao 胡若堯

2. Companies which CPAs to professionally review the internal control system shall disclose the review report provided by the accountants: None.

(X) The Company and its personnel have been punished by law, the Company has undertaken disincentive measures for its personnel for breaching the internal control system, and any material deficiencies and revisions in the most recent year up to the publication date of the Annual Report: None.

(XI) Important resolutions of the Shareholders' Meeting, the Board of Directors, the Audit Committee and the Remuneration Committee in the most recent year and as of the publication date of the Annual Report:

Important Resolutions of the Board of Directors		
Date	Subject	Resolution Result
2022.02.25	1. Approved the Statement on Internal Control System and Self-Assessment Implementation Results Report for the 2021.	This subject has been approved by the Audit Committee, after being consulted by the chairman, approved by all attending directors without objection.
	2. Approved the 2021 distribution of employees and directors' remuneration.	This subject has been approved by the Remuneration Committee, after being consulted by the chairman, approved by all attending directors without objection.
	3. Approved the proposal of 2021 annual business report, financial statements and annual business plan.	This subject has been approved by the Audit Committee, after being consulted by the chairman, approved by all attending directors without objection.
	4. Approved the proposal for the distribution of 2021 earnings.	This subject has been approved by the Audit Committee, after being consulted by the chairman, approved by all attending directors without objection.
	5. Approved the cash dividend distribution of 2021 earnings.	After being consulted by the chairman, approved by all attending directors without objection.
	6. Approved the amendment to Articles of Incorporation.	After being consulted by the chairman, approved by all attending directors without objection.
	7. Approved the amendment to Handling Procedures for Acquisition or Disposal of Assets.	After being consulted by the chairman, approved by all attending directors without objection.
	8. To lift non-competition restrictions on current directors and their representatives.	Except the Representative of Director, Qisda Corp. Huang, Han-Chou and Hung, Chiu-Chin, and Independent Director Yeh, Hui-Hsin did not participate in the voting of this case, and it was approved by the remaining directors and independent directors.
	9. Approved the proposal of the convene date of 2022 Shareholders' Meeting and meeting agenda.	After being consulted by the chairman, approved by all attending directors without objection.
	10. Approved the Bank line contract renewal case.	After being consulted by the chairman, approved by all attending directors without objection.
	11. Proposal to review the public fee case for accountant services in 2022.	This subject has been approved by the Audit Committee, after being consulted by the chairman, approved by all attending directors without objection.
	12. Change case of the President of the company.	After being consulted by the chairman, approved by all attending directors without objection.
	13. Change case of internal audit supervisor.	After being consulted by the chairman, approved by all attending directors without objection.

Important Resolutions of the Board of Directors		
Date	Subject	Resolution Result
2022.04.29	1. Approved the amendments to the "Internal Control System".	This subject has been approved by the Audit Committee, after being consulted by the chairman, approved by all attending directors without objection.
	2. Approved the company's consolidated financial statements for the Q1, 2022.	This subject has been approved by the Audit Committee, after being consulted by the chairman, approved by all attending directors without objection.
	3. Approved the amendment to Articles of Incorporation.	After being consulted by the chairman, approved by all attending directors without objection.
	4. Approved the amendment to "Corporate Governance Code of Practice".	After being consulted by the chairman, approved by all attending directors without objection.
	5. Proposal to amend "Procedures for Handling Material Inside Information and Insider Trading Prevention".	After being consulted by the chairman, approved by all attending directors without objection.
	6.Change of business address of the company.	After being consulted by the chairman, approved by all attending directors without objection.
2022.07.28	1. Approved the company's consolidated financial statements for the Q2, 2022.	This subject has been approved by the Audit Committee, after being consulted by the chairman, approved by all attending directors without objection.
	2. Approved the Bank line contract renewal case.	After being consulted by the chairman, approved by all attending directors without objection.
	3. Approved the amendment to "Corporate Social Responsibility Code".	After being consulted by the chairman, approved by all attending directors without objection.
2022.10.28	1. Proposed of established the internal audit plan of 2023.	This subject has been approved by the Audit Committee, after being consulted by the chairman, approved by all attending directors without objection.
	2. Approved the company's consolidated financial statements for the Q3, 2022.	This subject has been approved by the Audit Committee, after being consulted by the chairman, approved by all attending directors without objection.
	3. Proposed appointment of certified accountant for the 2023 financial statements of the company.	This subject has been approved by the Audit Committee, after being consulted by the chairman, approved by all attending directors without objection.
	4. Approved the Bank line contract renewal case.	After being consulted by the chairman, approved by all attending directors without objection.
	5. Approved the amendment to "Rules of Procedure for the Board of Directors".	After being consulted by the chairman, approved by all attending directors without objection.
	6. proposed to revise the "Internal Material Information Handling and Management Procedures for Preventing Insider Trading".	After being consulted by the chairman, approved by all attending directors without objection.
2023.02.21	1. Approved the Statement on Internal Control System and Self-Assessment Implementation Results Report for the 2022.	This subject has been approved by the Audit Committee, after being consulted by the chairman, approved by all attending directors without objection.
	2. Approved the amendments to the	This subject has been approved by the Audit

Important Resolutions of the Board of Directors		
Date	Subject	Resolution Result
	"Internal Control System" and "Internal Audit Implementation Rules".	Committee, after being consulted by the chairman, approved by all attending directors without objection.
	3. Approved the 2022 distribution of employees and directors' remuneration.	After being consulted by the chairman, approved by all attending directors without objection.
	4. Approved the proposal of 2022 annual business report, financial statements and 2023 annual business plan.	This subject has been approved by the Audit Committee, after being consulted by the chairman, approved by all attending directors without objection.
	5. Approved the proposal for the distribution of 2022 earnings.	This subject has been approved by the Audit Committee, after being consulted by the chairman, approved by all attending directors without objection.
	6. Approved the cash dividend distribution of 2022 earnings.	After being consulted by the chairman, approved by all attending directors without objection.
	7. To elect 7 directors (including 3 independent directors).	After being consulted by the chairman, approved by all attending directors without objection.
	8. Proposed nomination of directors and candidates for independent directors.	In accordance with Article 206 of the Company Act, Article 178 of the same law applies mutatis mutandis, all directors did not participate in the discussions and votes on matters that have an interest in themselves or the legal person directors they represent. The case was approved by the remaining Independent Directors and directors who attended and did not avoid.
	9. Proposed nomination of directors and candidates for independent directors.	In accordance with Article 206 of the Company Act, Article 178 of the same law applies mutatis mutandis, all directors did not participate in the discussions and votes on matters that have an interest in themselves or the legal person directors they represent. The case was approved by the remaining Independent Directors and directors who attended and did not avoid.
	10. Approved the amendment to Rules and Procedures for Shareholders' Meeting.	After being consulted by the chairman, approved by all attending directors without objection.
	11. proposal of the drafted the "Risk Management Policies and Procedures"	After being consulted by the chairman, approved by all attending directors without objection.
	12. Approved the amendment to Audit Committee Charter.	After being consulted by the chairman, approved by all attending directors without objection.
2023.02.21	13. Approved the proposal of the convene date of 2023 Shareholders' Meeting and meeting agenda.	After being consulted by the chairman, approved by all attending directors without objection.
	14. Approved the Bank line increase and contract renewal case.	After being consulted by the chairman, approved by all attending directors without objection.
	15. Proposal to review the public fee case for accountant services in 2023.	This subject has been approved by the Audit Committee, after being consulted by the chairman, approved by all attending directors without objection.
	16. Formulate the company's pre-approved non-confirmed service	This subject has been approved by the Audit Committee, after being consulted by the chairman,

Important Resolutions of the Board of Directors		
Date	Subject	Resolution Result
	policy.	approved by all attending directors without objection.
	17. Proposed the 2023 compensation distributions to senior managerial officers.	This subject has been approved by the Remuneration Committee, after being consulted by the chairman, approved by all attending directors without objection.
	18. Approved the distribution of 2022 employees' remuneration for senior managerial officers.	This subject has been approved by the Remuneration Committee, except the Qisda Corp. Representative of Director, Hu, Jo-Yao did not participate in the voting of this case, and it was approved by the other attending directors and independent directors.
	19. Proposed the 2023 senior managers salary adjustment policy case.	This subject has been approved by the Remuneration Committee, except the Qisda Corp. Representative of Director, Hu, Jo-Yao did not participate in the voting of this case, and it was approved by the other attending directors and independent directors.
2023.04.24	1. Proposal the change of the company's visa accountant and proposed appointment of certified accountant for the 2023 financial statements of the company.	This subject has been approved by the Audit Committee, after being consulted by the chairman, approved by all attending directors without objection.
	2. Approved the company's consolidated financial statements for the Q1, 2023.	This subject has been approved by the Audit Committee, after being consulted by the chairman, approved by all attending directors without objection.
	3. Approved the amendment to "Corporate Governance Code of Practice".	After being consulted by the chairman, approved by all attending directors without objection.
	4.Proposal to Amend the "Code of Practice for Sustainable Development"	After being consulted by the chairman, approved by all attending directors without objection.

Important Resolutions of the Shareholders' meeting			
Date	Subject	Resolution Result	Implementation status
2022.06.10 Shareholders' meeting	1. To recognize 2021 Operation Report and Financial Statements.	The proposal of the original Board of Directors was approved by voting.	Approved the proposal to recognize 2021 Operation Report and Financial Statements.
	2. To recognize the proposal for the distribution of 2021 earnings.	The proposal of the original Board of Directors was approved by voting.	The 2021 earnings distribution, cash dividends of NT$79,972,945 were distributed to shareholders (NT$1 per share). The ex-dividend base date was July 10, 2022, and the cash dividend distribution date was July 28, 2022.
	3. Approved the amendment to Articles of Incorporation.	The proposal of the original Board of Directors was approved by voting.	It was approved for registration by the Ministry of Economic Affairs Ching Shou Shang Tze No. 11101113300 and announced on the company's website On July 18, 2022.

Important Resolutions of the Shareholders' meeting			
Date	Subject	Resolution Result	Implementation status
	4. Approved the amendment to "Handling Procedures for Acquisition or Disposal of Assets".	The proposal of the original Board of Directors was approved by voting.	It has been announced on the websites of MOPS and the company on June 22, 2022, and it will be handled in accordance with the revised procedures.
	5. To lift non-competition restrictions on incumbent directors and their representatives.	The proposal of the original Board of Directors was approved by voting.	To lift non-competition restrictions on incumbent directors and their representatives.

Important Resolutions of the Audit Committee			
Date	Item	Resolution Result of Audit Committee	The Company handled opinions from Audit committee
2022.02.25	1. Approved the Statement on Internal Control System and Self-Assessment Implementation Results Report for the 2021.	Approved by all attending members without objection.	Approved by all attending directors without objection.
	2. Approved the proposal of 2021 annual business report, financial statements and 2023 annual business plan.	Approved by all attending members without objection.	Approved by all attending directors without objection.
	3. Approved the proposal for the distribution of 2021 earnings.	Approved by all attending members without objection.	Approved by all attending directors without objection.
	4. Approved the amendment to "Handling Procedures for Acquisition or Disposal of Assets".	Approved by all attending members without objection.	Approved by all attending directors without objection.
	5. Review the public fee case for accountant services in 2022.	Approved by all attending members without objection.	Approved by all attending directors without objection.
	6. Change case of the internal audit supervisor.	Approved by all attending members without objection.	Approved by all attending directors without objection.
2022.04.29	1. Approved the amendments to the "Internal Control System".	Approved by all attending members without objection.	Approved by all attending directors without objection.
	2. Approved the company's consolidated financial statements for the Q1, 2022.	Approved by all attending members without objection.	Approved by all attending directors without objection.
2022.07.28	Approved the company's consolidated financial statements for the Q2, 2022.	Approved by all attending members without objection.	Approved by all attending directors without objection.
2022.10.28	1. Established the internal audit plan of 2023.	Approved by all attending	Approved by all attending directors without objection.

Important Resolutions of the Audit Committee			
Date	Item	Resolution Result of Audit Committee	The Company handled opinions from Audit committee
		members without objection.	
	2. Approved the company's consolidated financial statements for the Q3, 2022.	Approved by all attending members without objection.	Approved by all attending directors without objection.
	3. Proposed appointment of certified accountant for the 2023 financial statements of the company.	Approved by all attending members without objection.	Approved by all attending directors without objection.
2023.02.21	1. Approved the Statement on Internal Control System and Self-Assessment Implementation Results Report for the 2022.	Approved by all attending members without objection.	Approved by all attending directors without objection.
	2. Approved the amendments to the "Internal Control System" and "Internal Audit Implementation Rules".	Approved by all attending members without objection.	Approved by all attending directors without objection.
	3. Approved the proposal of 2022 annual business report, financial statements and 2023 annual business plan.	Approved by all attending members without objection.	Approved by all attending directors without objection.
	4. Approved the proposal for the distribution of 2022 earnings.	Approved by all attending members without objection.	Approved by all attending directors without objection.
	5. Review the public fee case for accountant services in 2023.	Approved by all attending members without objection.	Approved by all attending directors without objection.
	6. Formulate the company's pre-approved non-confirmed service policy.	Approved by all attending members without objection.	Approved by all attending directors without objection.
2023.04.24	1. The change of the certified accountant of the company and the proposed appointment of the certified accountant for the 2023 financial statements of the Republic of China	Approved by all attending members without objection.	Approved by all attending directors without objection.
	2. Approved the company's consolidated financial statements for the Q1, 2023.	Approved by all attending members without objection.	Approved by all attending directors without objection.

Important Resolutions of the Remuneration Committee			
Date	Item	Resolution Result of Remuneration Committee	The Company handled opinions from Remuneration committee
2022.02.25	1. Approved the 2021 distribution of employees and directors' remuneration.	Approved by all attending members without objection.	Approved by all attending directors without objection.
	2.Appointment of President's Salary Remuneration Case	Approved by all attending members without objection.	Approved by all attending directors without objection.
2023.02.21	1. Approved the 2022 distribution of employees and directors' remuneration.	Approved by all attending members without objection.	Approved by all attending directors without objection.
	2. Approved the distribution of 2022 employees' remuneration for senior managerial officers.	Approved by all attending members without objection.	Approved by all attending directors without objection.
	3. Proposed the 2023 compensation distributions to senior managerial officers.	Approved by all attending members without objection.	Approved by all attending directors without objection.
	4. Proposed the 2023 Senior Managers Bonus and Salary Adjustment Policy Case.	Approved by all attending members without objection.	Approved by all attending directors without objection.

(XII) Major contents of any dissenting opinions on record or stated in a written statement made by Directors or supervisors regarding material resolutions passed by the Board of Directors' Meeting in the most recent year up to the publication date of this report:

None.

(XIII) In the most recent year up to the publication date of the Annual Report, a summary of the resignation and dismissal of Chairman, President, Accounting Manager, financial Manager, internal audit manager, Head of Corporate Governance and R&D:

April 12, 2023

Job Title	Name	Onboard Date	Dismissal Date	Reason of Resign or Dismissal
President	Yu, Su-Kuan	2020.06.09	2022.02.25	Job Adjustment
Audit Supervisor	Jian, Wan-Yi	2014.01.28	2022.02.25	Job Adjustment

V. Information on CPA fees

Fee Range of CPAs professional fees information

Unit: NT$ thousand

Name of the Accounting Firm	Name of CPA	CPA's Audit Period	Audit Fee	Non-audit Fee	Total	Remark
Ernst & Young	Chen, Kuo-Shuai	2022.01.01~2022.12.31	2,150	260	2,410	Non-audit fees are mainly tax compliance audit fees and advance.
	Mars Hong					

(I) Non-audit fees paid to the CPA, accounting firm of CPA and its affiliates were more than 25% of the audit fees: None.

(II) Replacement of accounting firm and the audit fees in the replacing year is less than that in the previous year: None.

(III) Audit fees were reduced by over 15% compared with the previous year: None.

VI. Information on replacement of CPAs

Due to the adjustment of the internal duties of the accounting firm, the financial statement CPAs was replaced.

VII. Has any of the Company's Chairman, President, or managers responsible for finance or accounting duties served in the Company's CPA firm or its affiliated Company within the most recent year:

None.

VIII. The Situation of equity transfer or changes to equity pledge of Directors, managers or shareholders holding more than 10% of Company shares in the most recent year (or initial date of a manager's term of service) up to the publication date of this report:

(I) Changes in shares held by Directors, managers, and shareholders holding 10% or more of shares:

Base Date: April 11, 2023

Job Title	Name	2022		As of April 11, Current Year	
		Increase (decrease) of shares held	Increase (decrease) of shares pledged	Increase (decrease) of shares held	Increase (decrease) of shares pledged
Chairman	Representative of Qisda Corp. Huang, Han-Chou	0	0	0	0
Director	Representative of Qisda Corp. Hu, Jo-Yao (Feb. 25, 2022 take office)	0	0	0	0
Director	Representative of Qisda Corp. Cheng, Yin-Shiang	0	0	0	0
Director	Representative of Qisda Corp. Lin, Yu-Chin (July 28, 2022 take office)	0	0	0	0
President	Hu, Jo-Yao (Feb. 25, 2022 take office)	0	0	0	0
Ten Percent	Qisda Corp.	0	0	0	0
Independent Director	Tan, Tang-O	0	0	0	0
Independent Director	Yeh, Hui-Hsin	0	0	0	0
Independent Director	Chen, Jin-ji	0	0	0	0
Finance Supervisor	Huang, Tuo-Wen	0	0	0	0
Accounting Supervisor	Huang, Tuo-Wen	0	0	0	0
Director	Representative of Qisda Corp. Yu, Su-Kuan (Feb. 25, 2022 resigned)	0	0	0	0
Director	Representative of Qisda Corp. Hung, Chiu-Chin (July 28, 2022 resigned)	0	0	0	0
President	Yu, Su-Kuan (Feb. 25, 2022 resigned)	0	0	0	0

(II) Shares Trading in Shareholding of Directors, Supervisors, Managers and Major Shareholders with a Stake of More than 10 Percent:

None.

(III) Equity Pledge with Related Parties:

None.

IX. Relationship among the Top Ten Shareholders are Spouses or Relatives within the second degree of kinship Relationship:

April 11, 2023; Unit: Shares, %

Name	Current Shareholding		Spouse's/minor's Shareholding		Total shareholding in the name of other persons		Familial Relationships Between Top 10 Shareholders Who Are Either Related Parties, Spouses, or Relatives Within the Second Degree of Kinship, His/Her/Its Name and Relationships		Remark
	Shares	(%)	Shares	(%)	Shares	(%)	Title (or Name)	Relationship	
Qisda Corp.	30,000,000	37.51	0	0	0	0	None	None	
Darly2 Venture Inc.	5,500,000	6.88	0	0	0	0	None	None	
Darly Venture Inc.	5,390,000	6.74	0	0	0	0	None	None	
Huang, Kuan-Wen	1,531,000	1.91	0	0	0	0	None	None	
Lin, Jiun-Shiung	541,000	0.68	0	0	0	0	None	None	
Berkeley Capital's SBL/PB Investment Account under custody of Citibank	503,000	0.63	0	0	0	0	None	None	
Yuantong Venture Inc.	427,000	0.53	0	0	0	0	None	None	
Hu, Hsu-Hui	350,000	0.44	0	0	0	0	None	None	
Lin, Hsin-Yi	307,000	0.38	0	0	0	0	None	None	
Huang, Yi-Wei	300,000	0.38	0	0	0	0	None	None	

X. The number of shares of the same investee held by the Company, its directors, managers and which the Company controls directly or indirectly, with the aggregate shareholding percentages:

December 31, 2022; Unit: Shares, %

Investment Business （Note）	Investment by the Company		Investment by Directors, Supervisors, Managers and Directly or Indirectly-Controlled Business		Combined Investment	
	Shares	(%)	Shares	(%)	Shares	(%)
ASPIRE ASIA INC.	9,402,560	100.00%	—	—	9,402,560	100.00%
Simula Technology Corp.	500,000	100.00%	—	—	500,000	100.00%
Simula Company Limited.	50,500,000	52.31%	46,033,370	47.69%	96,533,370	100.00%
Aspire Electronics Corp.	—	—	2,187,690	95.10%	2,187,690	95.10%
Opti Cloud Technologies, Inc.	—	—	—	67.20%	—	67.20%
Simula Technology (ShenZhen) Co., Ltd.	—	—	—	100.00%	—	100.00%
Mcurich Inc.	645,000	23.33%	—	—	645,000	23.33%
Action Star Technology Co., Ltd.	32,000,571	59.35%	—	—	32,000,571	59.35%

Note: Investments using the equity method.

IV. Capital Overview

I.Capital and shares

(I) Sources of Share Capital

(1) Types of Shares

April 11, 2023 / Unit: share

Shares Type	Authorized Capital			Remarks
	Shares Issued and Outstanding	Unissued Shares	Total	
Common Shares	79,972,945	40,027,055	120,000,000	

(2) Sources of Share Capital

April 11, 2023; Unit: NT$ 1,000; thousand shares

Year/ Month	Par Value (NT$)	Authorized Capital		Paid-in Capital		Remark		
		Shares (thousand shares)	Amount (thousand)	Shares (thousand shares)	Amount (thousand)	Sources of Capital	Paid with property other than cash	Other
2003/12	10	5,500	55,000	5,500	55,000	Set up capital (cash)	None	Ching-Shou-Zhong-Tze No. 09233126620
2004/12	10	30,000	300,000	12,000	120,000	Capital increase by cash 65,000	None	Ching-Shou-Zhong-Tze No. 09431564970
2005/07	10	30,000	300,000	20,000	200,000	Capital increase by cash 42,000 Capital increase by retained earnings 38,000	None	Ching-Shou-Zhong-Tze No. 09432656520
2006/01	10	30,000	300,000	21,700	217,000	Capital increase by cash 17,000	None	Ching-Shou-Zhong-Tze No. 09531701530
2006/11	10	30,000	300,000	24,200	242,000	Capital increase by retained earnings 25,000	None	Ching-Shou-Zhong-Tze No. 09533071330
2007/08	25	30,000	300,000	26,500	265,000	Capital increase by cash 5,400 Capital increase by retained earnings 17,600	None	Ching-Shou-Zhong-Tze No. 09632692250
2008/08	10	50,000	500,000	27,595	275,950	Capital increase by retained earnings 10,950	None	Ching-Shou-Zhong-Tze No. 09732940330
2009/03	27	50,000	500,000	30,175	301,750	Capital increase by cash 25,800	None	Ching-Shou-Zhong-Tze No. 09831822850
2009/09	10	50,000	500,000	31,080	310,802	Capital increase by retained earnings 9,052	None	Ching-Shou-Zhong-Tze No. 09832972650
2010/05	25	50,000	500,000	31,830	318,302	Employee stock options 7,500	None	Ching-Shou-Zhong-Tze No. 09931993160
2010/08	10	50,000	500,000	38,196	381,963	Capital increase by retained earnings 63,661	None	Ching-Shou-Zhong-Tze No. 09932521730
2011/05	25	50,000	500,000	38,526	385,260	Employee stock options 3,297	None	Ching-Shou-Zhong-Tze No. 10031988130
2012/05	25	50,000	500,000	38,779	387,790	Employee stock options 2,530	None	Ching-Shou-Zhong-Tze No. 10131983510
2013/08	10	50,000	500,000	38,973	389,729	Capital increase by retained earnings 1,939	None	Ching-Shou-Zhong-Tze No. 10233851980
2017/08	15	50,000	500,000	5,600	445,729	Capital increase by cash 56,000	None	Fu-Ching-Den-Tzi No. 10690972440
2019/01	27.2	50,000	500,000	5,400	499,729	Capital increase by cash 54,000	None	Fu-Ching-Den-Tzi No. 10891055780
2020/05	20	80,000	800,000	30,000	799,729	Private placement capital increase 300,000	None	Ching-Shou-Shang-Tze No. 1090167410
2021/08	0	120,000	1,200,000	0	799,729	0	None	Ching-Shou-Shang-Tze No. 11001158240

(3) Those who have been approved to raise and issue securities under the shelf registration system shall also disclose the approved amount, scheduled issuance and relevant information on the securities already issued:

Not applicable.

(II) Shareholder Structure

As of April 11, 2023; Unit: share

Shareholder Structure / Quantity	Government Institutions	Financial Institutions	Other Corporations	Individual	Foreign institutions and foreigners	Total
Number of persons	0	0	24	9,723	17	9,764
Number of shares held	0	0	41,769,153	36,630,731	1,573,061	79,972,945
Shareholding Percentage (%)	0%	0%	52.23%	45.80%	1.97%	100%

(III) Distribution of Shareholders

As of April 11, 2023; Unit: Person/share

Class of Shareholding	Number of shareholders	Number of shares held	Shareholding Percentage (%)
1 ～ 999	2,100	180,918	0.24%
1,000 ～ 5,000	6,348	12,460,761	15.58%
5,001 ～ 10,000	765	6,112,779	7.64%
10,001 ～ 15,000	185	2,369,089	2.96%
15,001 ～ 20,000	134	2,490,166	3.11%
20,001 ～ 30,000	90	2,294,887	2.87%
30,001 ～ 40,000	42	1,502,563	1.88%
40,001 ～ 50,000	23	1,054,044	1.32%
50,001 ～ 100,000	46	3,181,389	3.98%
100,001 ～ 200,000	17	2,432,721	3.04%
200,001 ～ 400,000	7	2,001,628	2.50%
400,001 ～ 600,000	3	1,471,000	1.84%
600,001 ～ 800,000	0	0	0%
800,001 ～ 1,000,000	0	0	0%
1,000,001 or more	4	42,421,000	53.04%
Total	9,764	79,972,945	100.00%

(IV) List of Major Shareholders: (Top 10 shareholders or with Shareholdings greater than 5%)

As of April 11, 2023; Unit: share; %

Quantity of shares / Names of Major Shareholders	Number of shares held	Shareholding Percentage (%)
Qisda Corp.	30,000,000	37.51
Darly2 Venture Inc.	5,500,000	6.88
Darly Venture Inc.	5,390,000	6.74

(V) Stock Price, Net Value, Earnings, Dividends and Related Information for the Past Two Years:

Unit: NT$ 1,000; thousand shares

Item \ Fiscal Year			2021	2022	As of March 31, 2023
Share Price	Highest		60.00	46.40	38.2
	Lowest		24.90	26.50	31.95
	Average		41.74	38.32	36.05
Net Value per Share	Before Distribution		19.71	22.00	19.49
	After Distribution		18.71	19.50	N/A
Earnings Per Share	Weighted Average Shares Number		79,973	79,973	79,973
	EPS		1.39	3.12	(0.03)
Dividends Per Share (Note 1)	Cash dividends		1	2.5	N/A
	Stock Dividends	Dividend from Retained Earnings	-	-	N/A
		Dividend from Capital Reserve	-	-	N/A
	Cumulative Unpaid Dividend		-	-	N/A
Return on Investment (ROI) Analysis	Price-to-Earning Ratio (Note 2)		26.40	11.57	N/A
	Price-Dividend Ratio (Note 3)		36.69	14.44	N/A
	Cash Dividend Yield (Note 4)		2.73	6.92	N/A

Note 1: Calculate the amount of distribution based on the amount resolved by the resolved in the next year's shareholders meeting.

Note 2: Price/Earnings ratio = Average closing price per share for the year / Earnings per share.

Note 3: Price/Dividend ratio = Average closing price per share for the year / Cash dividend per share.

Note 4: Cash dividend yield = Cash dividend per share / Average closing price per share for the year.

(VI) Dividend Policy and Implementation Status

(1) Dividends Policy Specified in the Company's Articles of Incorporation

Where the Company has a profit at the end of each fiscal year, the Company shall first allocate the profit to pay taxes and recover accumulated losses, and then 10% of the remaining net earnings shall be allocated as the Company's legal reserve unless and until the accumulated legal reserve reaches the paid-in capital. If there is still a balance, together with the accumulated undistributed surplus, a surplus distribution proposal is drawn up. If the profit distribution plan and special stock dividends mentioned in the preceding paragraph are cash dividends, the board of directors shall be authorized to make a resolution and report at the shareholders' meeting.

The company's dividend policy is based on the characteristics of the growth of the technology industry and the overall environment, while taking into account a stable and balanced dividend policy, and considering factors such as profitability, financial structure, and future development. When the amount is 2%, the dividend distribution shall not be less than 10% of the distributable earnings for the current year. The distribution of surplus may be carried out in accordance with the company's overall capital budget planning, but the proportion of cash dividend distribution shall not be lower than 10% of the total dividends distributed in the current year.

The company may issue new shares or cash from the statutory surplus reserve or capital reserve in accordance with Article 241 of the Company Act. If the payment in the preceding paragraph is made in cash, the board of directors shall be authorized to make a resolution and report to the shareholders' meeting.

(2) Dividends Distribution to be proposed to the Shareholders' Meeting

The company's 2022 earnings distribution plan has been approved at the board meeting held on February 21, 2023 to distributed cash dividends of NT$199,932,363 (NT$2.5 per common share), which will be reported at the 2023 Annual Shareholders' Meeting.

(3) Explanation regarding expected major changes to dividend policy: None

(VII) Effect of the proposed stock dividends (to be adopted by the Shareholders' Meeting) on the operating performance and earnings per share:

Not applicable.

(VIII)Compensation for employees and directors:

(I)The Company's Articles of Incorporation includes the amount and coverage of compensation for employees and directors

Where the Company has a profit before tax for each fiscal year, the Company shall first reserve certain amount of the profit to recover losses for preceding years, and then set aside no less than 5~20% of the remaining profit for distribution to employees as remuneration and no more than 1% of the remaining profit for distribution to directors as remuneration. The Company may allocate employees' remuneration prescribed in the preceding paragraph in the form of stock or cash to employees of an affiliated company meeting certain conditions.

(2) The accounting procedure used to handle differences between estimated column of employee dividend and forecast basis of director's and supervisor's compensation, basis for calculating shares for the purpose of paying out share dividends and actual payout figure for this period:

Based on the current year's profit (that is, the profit before tax deducting the profit before the distribution of employee remuneration and director's remuneration) and deducting accumulated losses, the company estimates employee remuneration at a certain percentage, and the director's remuneration is estimated and recorded based on the expected payment amount, and listed as operating costs or operating expenses. If employee remuneration is issued in stock, the number of allotted shares is calculated based on the closing price of common stock on the day before the board of directors' resolution. If there is a change after the release of the financial report in the next year, it will be treated as a change in accounting estimate, and the impact of the change will be recognized as profit or loss for the next year.

(3) Circumstances in which the board of directors approves the distribution of remuneration

(1) Basis for estimates of remuneration for employees and directors for this term, basis for calculating employee stock compensation and accounting procedures for when there is a discrepancy between the estimated and actual amount

The company's 2022 annual employee and director remuneration distribution proposal passed by the board of directors on February 21, 2023 is proposed to be submitted to the report of the regular shareholders' meeting. The resolution of the board of directors is as follows:

On July 29, 2020, the board of directors of the company approved the resolution to distribute the remuneration of employees and directors based on the pre-tax benefits before deducting the benefits distribution of remuneration. The provision ratios are 6% and 0.75% respectively.

The actual distribution ratios of employee and director remuneration in 2022 are both 6% and 0.75%; the amounts are NT$17,253,236 and NT$2,156,654 respectively, all paid in cash.

(2) The amount of employee remuneration distributed by stock and its proportion to the total after-tax net profit and total employee remuneration of individual or individual financial reports in the current period: None.

(IV)Actual distribution of employees, Directors' and supervisor’s compensation in the previous year:

(1) The actual allocation of employee and director remuneration in the previous year:

Cash distribution of employee remuneration NT$8,609 thousand and director remuneration NT$1,076 thousand

(2) The difference between the proposed distribution approved by the original board of directors and the actual amount:

The actual distribution is the same as the distribution proposed by the board of directors.

(IX)Share Repurchases: None

II. Issuance of Corporate Bonds: None

III. Issuance of Preferred Shares: None.

IV. Issuance of Global Depositary Receipts (GDRs)

V. Exercise of Employee Stock Option Plan (ESOP) and Restricted Stock:

(1) Handling of employee stock option certificates: N/A.

(2) Names, acquisition and subscription status of the managers who have obtained the employee stock option certificates and the top ten employees who have obtained the certificates and the number of shares that can be subscribed by the date of publication of the annual report and whose subscription amount is more than NT$30 million: N/A

VI. Mergers, acquisitions or issuance of new shares for acquisition of shares of other companies: None.

VII. Implementation of capital allocation plan:

(I) Plan details:

(1) As of the quarter before the date of this Annual Report, the previous issuance or private placement of securities had not been completed or completed within the last three years and the planned benefits have not yet been shown:

As of the quarter before the publication date of the annual report, the company has completed all previous issuances of securities and the benefits of the plan have emerged, so it is not applicable.

(2) Implementation: N/A.

V.Operation Overview

I. Business Activities

(I) Business Scope

1.Main business contents

The company is a leading domestic designer/manufacturer of electronic connectors, wires, and electronic modules.

2.Operating Ratio

Unit： NTD thousand；%

Year / Category	2021		2022		Q1, 2023	
	Revenue	%	Revenue	%	Revenue	%
Wearable products	377,538	12.30%	287,443	6.79%	17,685	2.35%
Consumer products	420,720	13.71%	382,362	9.04%	75,553	10.04%
Automotive, medical and industrial products	2,248,312	73.27%	3,548,477	83.87%	657,555	87.35%
Others	21,917	0.72%	12,742	0.30%	1,994	0.26%
Total:	3,068,487	100.00%	4,231,024	100.00%	752,787	100.00%

3.Current products (services) of the company

(1) Design and manufacture of connectors, cables, and modules for consumer-related products.
(2) Design and manufacture of connectors, cables, and modules for wearable products.
(3) Design and manufacture of connectors, cables, and modules for automotive products.
(4) Design and manufacture of connectors, cables, and modules for medical products (including handheld medical products).
(5) Custom connector, cable, and module design and manufacturing, such as waterproof, high-current, high-speed... related products.

4.New Product (Service) Development Plan

The epidemic and geopolitical uncertainties have greatly affected the global supply chain. In view of the condition, the company's corresponding work is as follows:

(1) Automotive Industry

a. Automate production in response to the labor shortage crisis caused by the epidemic's resurgence.

b. Replicate the possibility of automating production to other overseas production sites.

c. Launch universal products like OBDII and USB-C interface products to increase market share.

d. Development of USB-C products for automobiles

(2) Wearable industry

To automate production and respond to the labor shortage crisis due to the epidemic's resurgence.

(3) Medical industry

a. Build up MIT design, manufacturing, and service capabilities

b. Promote USB-C interface products to handheld medical devices.

(4) Industrial Industry

Build MIT design, manufacturing, and service capabilities for M series products

(5) Others

Enhance the company's value and service scope through inter-industry strategic alliances and M&A activities

(II) Industry Overview

1.Current status and development of the industry

The company was established on December 15, 2003, as a professional manufacturer and designer of electronic connectors and cables in Taiwan. Our main products are used in various fields such as wearable devices, smartphones, laptops, automotive electronics, medical devices, and industrial applications.

The connector industry is facing various challenges. These include the increasing precision of terminal devices, high-speed network communication, miniaturization, and hole-less designs of terminal devices. These trends have driven the development of connectors towards smaller and micro-sized solutions. Additionally, fast charging technology imposes higher requirements on the current and power-carrying capacity of connectors. Furthermore, with the rapid development of applications such as AI (Artificial Intelligence), gaming, smart manufacturing, IoT (Internet of Things), fiber optics, smart wearables, autonomous vehicles, and drones, it is estimated that more opportunities for connector development will arise. These opportunities include the continuous evolution of high-frequency transmission interface technologies, the integration of connectors/sensors as a new trend, and the shift of connectors towards flexible electronics and other emerging technologies. We believe that these advancements will bring new opportunities and prosperity to the connector industry.

2. The relationships of upstream, midstream, and downstream in the industry

Connector products refer to all connecting components and related accessories used for signal and power transmission in electronic devices. This includes cables, sockets, plugs, and other related components. Connectors are detachable or replaceable plug-in devices that link circuits, modules, and systems within electronic products. They serve as bridges for signal transmission. The relationships and changes in the industry's upstream, midstream, and downstream sectors are described as follows:

Upstream:

In the upstream sector of the connector industry, the main products include copper alloy metals, plating solutions, plastics, and other materials. These materials account for approximately 60% of the manufacturing cost, with metal materials being the largest component, followed by plastic materials, and then plating materials. Metal materials are used to make connector terminals, and to ensure that electronic signals are not impeded or attenuated during transmission, connector terminals are often made of brass or phosphor bronze. The plastic parts are formed through injection molding, while the metal parts undergo stamping and are then processed through plating.

Currently, Taiwanese connector manufacturers have gained significant expertise in the midstream processes. However, the upstream raw materials and equipment are still primarily controlled by Japanese companies. There is a lack of domestic investment in research and development in related fields, placing Taiwanese manufacturers at a disadvantage in terms of bargaining power with upstream suppliers.

Midstream:

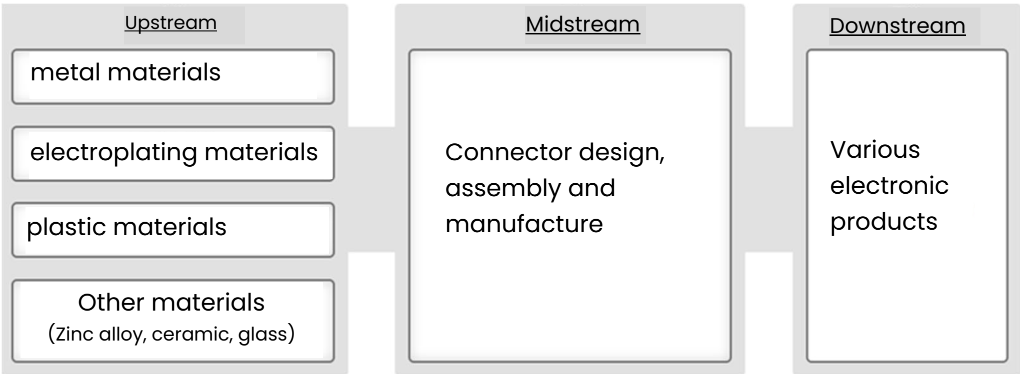
In the midstream sector of the connector industry, the main products are connectors and cables. The production process includes product design, mold development, metal stamping, plastic injection or plating, intermediate assembly processes, and final assembly and testing. As electronic products are moving towards higher frequencies, the design of connectors is becoming increasingly complex, as mitigating electromagnetic interference becomes more challenging.

Taiwanese manufacturers primarily focus on PCB connectors, I/O connectors, card connectors, IC sockets, and other similar types of connectors. In the 3C (Computers, Communications, and Consumer Electronics) applications, domestic manufacturers have become major participants, supplying products for computer peripherals, network communication devices, consumer electronics, and other related fields. As the growth in these markets has slowed down, manufacturers are gradually diversifying their applications to include green energy, automotive, medical, industrial, 5G, high-speed telecommunications, and other products.

Downstream:

The application of connectors is very extensive, covering industries such as automotive, computer, telecommunications, industrial, military aerospace, transportation, and healthcare. In terms of industry applications, the current distribution is as follows: automotive-related applications account for the highest share at 22%, followed by telecommunications at 21%, consumer-related applications at 15%, industrial-related applications at 11%, and other applications at 31%.

The future development trend for connectors (including cables) is towards lightweight and high-speed solutions.



3.Product Development Trends

The current global situation is characterized by numerous uncertainties, including geopolitical factors, pandemics, supply chain bottlenecks, inflation, and weak consumer market demand. The industry faces the following trends:

(1) Accelerated Automation Applications

Under the influence of inflation and economic downturn, global businesses are facing severe talent and technological gaps, along with increased operational costs. The application and expansion of automation in enterprises have the potential to help overcome current development challenges and obstacles.

(2) Supply Chain Restructuring and New Competitive Landscape

In the past three years, the global supply chain has experienced unprecedented disruptions, driven by new geopolitical dynamics, raw material supplies, product structures, and consumer patterns. Supply chains have started to shift from long chains to shorter ones, accelerating the development of multi-chain models. The establishment of multi-chain ecosystems is expected to lead to new industry deployments, including manufacturing relocation.

(3) Geopolitics Accelerating Low Earth Orbit (LEO) Satellite Development

The development of low Earth orbit satellites has gained attention due to SpaceX's advancements, while the developments in the Russia-Ukraine conflict have catalyzed the deployment of LEO satellites by various countries. More regions recognize the indispensability of satellite communications under sensitive geopolitical circumstances. With numerous satellite operators continuously launching LEO satellites into orbit and governments gradually opening up related frequency bands, it is expected that more companies will invest in and develop products related to LEO satellites.

(4) Metaverse Trend of "Big Players Getting Bigger"

Despite the impact of the pandemic in recent years, the application of the metaverse has continued to evolve. The future focus of metaverse development lies in interoperability between different platforms, with leading companies connecting diverse and decentralized metaverse services, particularly in the fields of gaming, social communities, and marketing.

(5) Shaping Future Consumer Trends

In the post-pandemic era, factors such as geopolitics, supply-demand imbalances, and monetary policies have led to inflationary pressures in many countries. Consumers are continuously paying relatively high prices for energy and food, and it is expected that they will need to readjust their consumption patterns due to reduced disposable income. In addition to digital considerations, future consumers will prioritize products and services that offer intuitive usage, enhanced efficiency, easy management, high integration, and cost-effectiveness. To meet the demands of future consumers, voice shopping platforms, comprehensive smart devices, and subscription services for consumer electronics products will be key focus areas in the post-pandemic era of the electronic consumer market.

4.Competitive Landscape of Products

In the past few years, a series of events including trade wars, national and cybersecurity issues, COVID-19 and its variants, container shipping congestion, and the Russia-Ukraine conflict have led to a global supply chain crisis.

According to the Bishop Report, the global connector market reached a value of $84 billion in 2021, with a year-on-year growth of 7.8%. The North American region experienced the highest growth rate at 14.6%. Following closely, the Asia-Pacific region witnessed a growth of 7.1%. China, being the largest market for electronic connectors, saw a growth of 6.1% in sales volume.

Regional Growth Rates
2021 – 2022

Region	2021	2022	% Change	Past 5 Year CAGR	Past 10 Year CAGR	Past 20 Year CAGR
North America	$16,484.0	$18,889.0	14.6%	8.8%	6.4%	3.7%
Europe	$16,278.4	$17,328.5	6.5%	7.1%	5.3%	5.0%
Japan	$5,275.7	$5,172.8	-2.0%	1.1%	-2.1%	1.6%
China	$24,978.3	$26,494.3	6.1%	6.8%	7.7%	11.4%
Asia-Pacific	$11,383.9	$12,194.7	7.1%	6.9%	4.9%	7.2%
ROW	$3,590.3	$4,011.7	11.7%	8.0%	3.9%	5.2%
Total	**$77,990.6**	**$84,091.0**	**7.8%**	**6.9%**	**5.4%**	**5.8%**

$ Millions

Source：Bishop

(III) Technological and R&D Overview

1. Research and development expenses from 2022 through to the publication date of the annual report

Unit: Thousands of NTD

Year / Item	2021	2022	As of March 31, 2023
R&D expense	81,157	104,912	21,449
Net Operating Revenue	3,068,487	4,231,024	752,787
R&D Expenses as a Percentage of Net Operating Revenue (%)	2.64%	2.48%	2.85%

Note: The company plans to allocate approximately 4% to 5% of its operating revenue to R&D expenses for the year 2023.

2.Recent Successful Technological or Product Developments

A. Product Developments:

(a) Development of Next-generation Standard Connectors (USB4.0 / HDMI 2.1 / DP40 / DP80)

(b) Development of Customized Connectors for Automotive Applications (ELD / Dashcam / Vehicle maintenance)

(C) Development of Standard Connectors for Automotive Applications (Fakra / HMTD)

(d)Development of Industrial Standard Connectors (Circular Connector)

(e)Development of Customized Pogo Pin Connectors (Consumer / Medical / High Frequency)

(f)Development of Customized Magnetic Connectors (Consumer / Medical)

(g)Development of Customized Cables for Wearable Devices (Consumer / Medical)

(h)Development of High-strength Anti-swing Cables (Gaming)

B. Technological Developments:

(a)Anti-swing Cable Design Capability

(b)UV-resistant / Chemical-resistant / Environment-resistant Cable Design Capability

(c)Low-pressure Molding Design Capability

(d)Digital Recounting Timer and Signal Relay Cable Design Capability

(e)Modular Electronic Testing Capability

(f)PCBA Programming/Testing Integration Capability

(g)Coaxial Cable Automated Processing Capability

(h)Product Traceability Design Capability

(VI) Long-Term and Short-Term Business Development Plans

Our company is primarily engaged in the research, development, manufacturing, and sales of electronic connectors and components. We have transitioned from previously focusing on consumer and information technology electronic products with high substitutability to highly customized products for automotive, medical, industrial, and wearable devices. Since joining the J.S.T. Daitron Group in Q2 of 2020, our service scope and development have received unlimited support.

To adapt to industry trends and the changing domestic and international business environment, our company has formulated short-term and long-term plans to enhance overall competitiveness. The summary of these plans is as follows:

1. Short-Term Plan

A. Market Strategy

(a)Automation of key product production (ELD, USB4, Pogo, etc.).

(b)Promotion of generalized application of key industry products.

B. Research and Development Strategy

(a)Strengthen the development of high-frequency, power, and signal conversion electronic technologies.

(b)Enhance high-frequency, static magnetic, and dynamic magnetic analysis technologies.

(c)Improve high-frequency transmission cable assembly and testing technologies.

(d)Actively collaborate with academic research institutions and high-tech enterprises to introduce technical support.

(E)Actively participate in connector-related associations and collaborate with mainstream companies in the electronics industry for product integration and standard development.

C.Production Strategy

(a)Continuously improve production processes, enhance process automation, and increase production line capacity and efficiency.

(b)Plan regular pre-employment and on-the-job training for employees to improve production efficiency and quality.

(C)Enhance product quality, reduce losses, minimize unnecessary waste, and increase product gross margin.

D.Financial Strategy

(a)Establish relationships with financial institutions, monitor financial and foreign exchange market trends, and improve financial utilization performance.

(b)Strengthen accounts receivable collection and improve the quality of accounts to ensure sufficient working capital to meet the expanding operational needs.

E. Management Strategy

The Company actively implement Enterprise Resource Planning (ERP) system and TipTop system to promote the overall information and efficiency of operations in 2014.

2. Long-Term Plan

A. Market Strategy

(a)Develop niche products and markets through resources of Qisda's large fleet.

(b)Maintain a continuous presence in the electric vehicle, smart healthcare, and heavy-duty industrial industries.

(c)Replicate experience in automated processes.

B. Research and Development Strategy

(a)Establish the development of application products and modular technology for connectors and cables targeting consumer, automotive, medical, and industrial markets, while providing high-quality and technical support services.

(B)Enhance manufacturing automation capabilities and product quality capabilities.

(c) To master key technologies and establish technology integration to become a total solution provider.

C. Production Strategy

(a) Grasp product technology and the development trends of future product markets, effectively utilize production scale in mainland China to meet customer demand with sufficient capacity in a timely manner.

(b) Establish long-term and close cooperation with upstream raw material suppliers to reduce inventory risks and cost pressures, avoid shortages and insufficient supplier capacity, control and improve raw material quality and prices, and reduce the company's defect rate and production costs.

(c) Integrate group production-related resources, establish a globally unified management and logistics framework to achieve flexible production scheduling and real-time production supply goals.

D. Financial Strategy

(a) Strengthen long-term and sound financial planning to align with the company's long-term business development, reduce operational risks, and enhance market competitiveness.

(b) Carry out cash capital increases at appropriate times to raise medium- and long-term funds, provide ample financial support, and stabilize the company's financial structure.

(c) Make full use of diversified fundraising channels and financial instruments in the capital market to establish a robust financial structure.

E. Management Strategy

Actively develop and implement an effective global design service chain management system.

II. Market and Production Overview

(I) Market Analysis

1. Main product (service) sales (provide) area

Unit：NTD thousand；%

Year / Area	2021		2022	
	Amount	%	Amount	%
Domestic sales	265,110	8.64%	145,186	3.43%
External sales	2,803,377	91.36%	4,085,838	96.57%
Total	3,068,487	100.00%	4,231,024	100.00%

2. Market share

According to the statistics of Bishop & Associates (please refer to P52), the following table shows:

(1) In 2021, the global sales of connectors will be US$77.9 billion and the Company's turnover will be US$102 million, representing a market share of 0.13%.

(2) In 2022, the global sales of connectors will be US$84 billion and the company will have a turnover of US$140 million, representing a market share of 0.16%.

3. Future market supply and demand and growth (Source: Trend Force)

(1) Advanced wafer processes enter the transistor structure conversion period, and mature processes focus on the diversified development of special processes.

(2) The trend is to focus on automotive IC design, while the third type of semiconductors is emerging.

(3) The new generation of DRAM memory is gradually taking shape, and NAND Flash is accelerating the development of 200+ layer technology.

(4) Advanced driver assistance system penetration rate increases, accelerating the development of automotive MLCC

(5) Carbon neutrality accelerates the transformation of transportation electrification, and the battery war for electric vehicles continues.

(6) Production capacity and technology gradually in place, Chinese panel makers in the small size AMOLED market to expand their influence

(7) TV and automotive displays will be the two key applications to drive Mini LED backlight penetration, while Micro LED tentacles will extend to more diverse application scenarios

(8) The share of 5G smartphones is expected to officially exceed 50%.

(9) AR/VR products will become the key role of green production and accelerate the popularity of metaverse

(10) Global 5G FWA achieves large-scale commercialization, accelerating the popularity of home broadband

4.Competitive Niche

(1) Ability to quickly provide design analysis and integrate key technologies

The company has mastered the core key process and design technologies for major development industries, and can effectively integrate the required resources to quickly respond and meet customer needs. In addition to the factory in Shenzhen, China, we are also looking for a second or even a third production location to maximize flexibility and efficiency and to expand our competitive advantage.

(2) Continuous investment in R&D team

We are continuously upgrading and strengthening our engineering manpower and team, and adopting the JDM (Joint Design Manufacture) model in our R&D strategy to provide complete solutions by co-developing core products with international manufacturers and major customers.

(3) Complete quality assurance system to ensure product quality

Based on quality insistence and customer relationship maintenance, our company passed ISO 9000 certification in 2004, ISO 14000 certification in 2005, OHSAS18001 certification in 2010, TS16949 (Global Quality Management System for Automotive Industry) in 2014 and ISO13485 (Quality Management System for Medical Devices) in 2016. In order to build a complete quality assurance system, improve credit and quality management, and move toward the goal of TQM (Total Quality Management), we continue to strive to improve product yields and establish an important foothold for our company.

(4) Expand international marketing channels and provide local technical and business services

In order to establish long-term development goals and provide more comprehensive services to customers, the establishment of international marketing channels (e.g., agents) and locations is an inevitable means to effectively grasp market dynamics and provide real-time local services in the future.

(5) Combine the resources of Qisda's large fleet to develop services for key components.

5. Favorable and unfavorable factors of development prospect and countermeasures

(1) Favorable factors for future development

a. Innovative application of electronic products

Electronic products are spreading their technology to network communications, automotive electronics, digital home and medical electronics applications, and more new application markets will emerge in the future. From the launch of the Apple iPad, which led the global development and continuous improvement of tablet computers, to the launch of practical applications of wearable devices, and in recent years, the concept of the Internet of Things (IOT) has led to the key connector product technology required for the Internet of Things application system, and this year gradually revealed the futuristic artificial intelligence (AI) and other completely different market and product concepts, the future is the development of a variety of applications. The development of innovative technology is also a new opportunity for the future development of supply chain.

b. Excellent R&D capability and increasing product competitiveness

The Company is committed to process technology and product development and innovation, and in recent years we have been expanding our product applications, improving our manufacturing technology, and integrating our products across fields to enhance the added value of our products and provide better consumer experience.

The Company has improved our CAE capabilities, and have performed mechanical analysis, mold flow analysis, high-frequency electromagnetic field analysis, and mechanism design reviews, and have used a multi-faceted design review approach to improve product quality and stability, and to conduct mass production analysis and cost analysis to effectively reduce production costs.

By introducing automated design logic and processes, the company enhances product quality and stability, reduce design risk, extend our competitive advantage to a full range of services, build more reliable customer relationships, and expand our global market share by expanding regional markets and applications with strategies such as "complementary cooperation", "technology leadership", and "complete solutions".

c. Good quality and stability, widely recognized by customers

Due to the rapid development of portable devices, wearable and Internet of Things products, and considering the convenience of end-users, the demand for slim, short and delicate products has been high in recent years, so the industry has been improving the quality of component manufacturing and the stability control of end-user products. In addition, we have introduced advanced testing equipment to effectively shorten product development time and establish the own testing capability to improve product quality technology, enhance product reliability, and solve product quality problems for the customers. This advantage has been recognized by the international customers and has helped the company to expand the business through new product development and new customer development.

d. Active expansion of international marketing channels with high growth potential

In order to establish long-term development goals and provide more comprehensive services to our customers, it is inevitable that the company will establish international marketing channels and offices in the hope that we will be able to grasp market dynamics in the future effectively.

(2) Unfavorable factors for future development and its response measures

a. The global economy, market and environment are changing drastically, and the company needs to adjust the pace more quickly to cope with the changes.

In the past, the upstream, midstream and downstream of the connector industry have been affected by financial turmoil. The rise of the consumer market in China, the significant growth of basic wages, and the reduction of exchange rates in Japan and Korea to enhance the competitiveness of the country have changed the ecology of the industry. The U.S., European, and Japanese companies producing high-end or high-end technology connectors are starting to enter the market for different applications due to profit considerations; while China has nurtured new operators under the operation of Taiwanese companies for many years, and with the support of the Chinese government, threatening Chinese suppliers are joining the battle.

<u>In response to the policy:</u>

It is necessary to accelerate the pace of adjustment to think about new strategies and review the points and aspects that have not been studied in the past. For example, upstream materials are seldom explored for key, electrical and thermal conductivity, and price considerations. Most Taiwanese manufacturers use brass and phosphor bronze, the latter of which has always had a lower proportion. Still, in high-end products, the use of phosphor bronze may be as high as 90%, so process technology must be adjusted in response. In addition, the rise of environmental awareness has also caused materials to be emphasized, and environmentally friendly materials will often make mature technologies obsolete and re-development.

As most Taiwanese manufacturers are small and medium-sized enterprises, strategic alliances are more feasible than mergers and acquisitions. The strategic partnership can maximize resources, especially the mutual granting of patent rights and information sharing.

b. Reducing production costs has reached the limit. Taiwan manufacturers need to strengthen the special competitive advantage
In the past, Taiwan manufacturers specialize in manufacturing and cost control. Still, the experience to a certain extent limits the development momentum of Taiwanese companies, such as limiting the operating model of the IT industry and capital expenditure on equipment. In terms of manpower and advanced technology, it is limited by the organizational structure and habits, it is difficult to effectively invest, so competitiveness can not meet the changing environment. As the connectors have reached a mature stage, the price sensitivity of downstream manufacturers has been increasing. After the basic wage increase in Mainland China and the rise of China-invested enterprises, connector manufacturers have moved to other regions in Mainland China or other countries to set up factories with lower labor costs.

<u>In response to the policy:</u>

Under the influence of the global economic downturn, high-end automotive and medical industry manufacturers have started to focus on reasonably priced and stable quality component suppliers.

c. High proportion of foreign sales, which are more affected by exchange rates
The company's business mainly exports and receives a large amount of foreign currency. In addition, the company's subsidiaries' primary business activities are located in mainland China. Their transactions are mainly in the local currency so that exchange rate fluctuations will affect the company's revenue and profit to a certain extent.

<u>In response to the policy:</u>

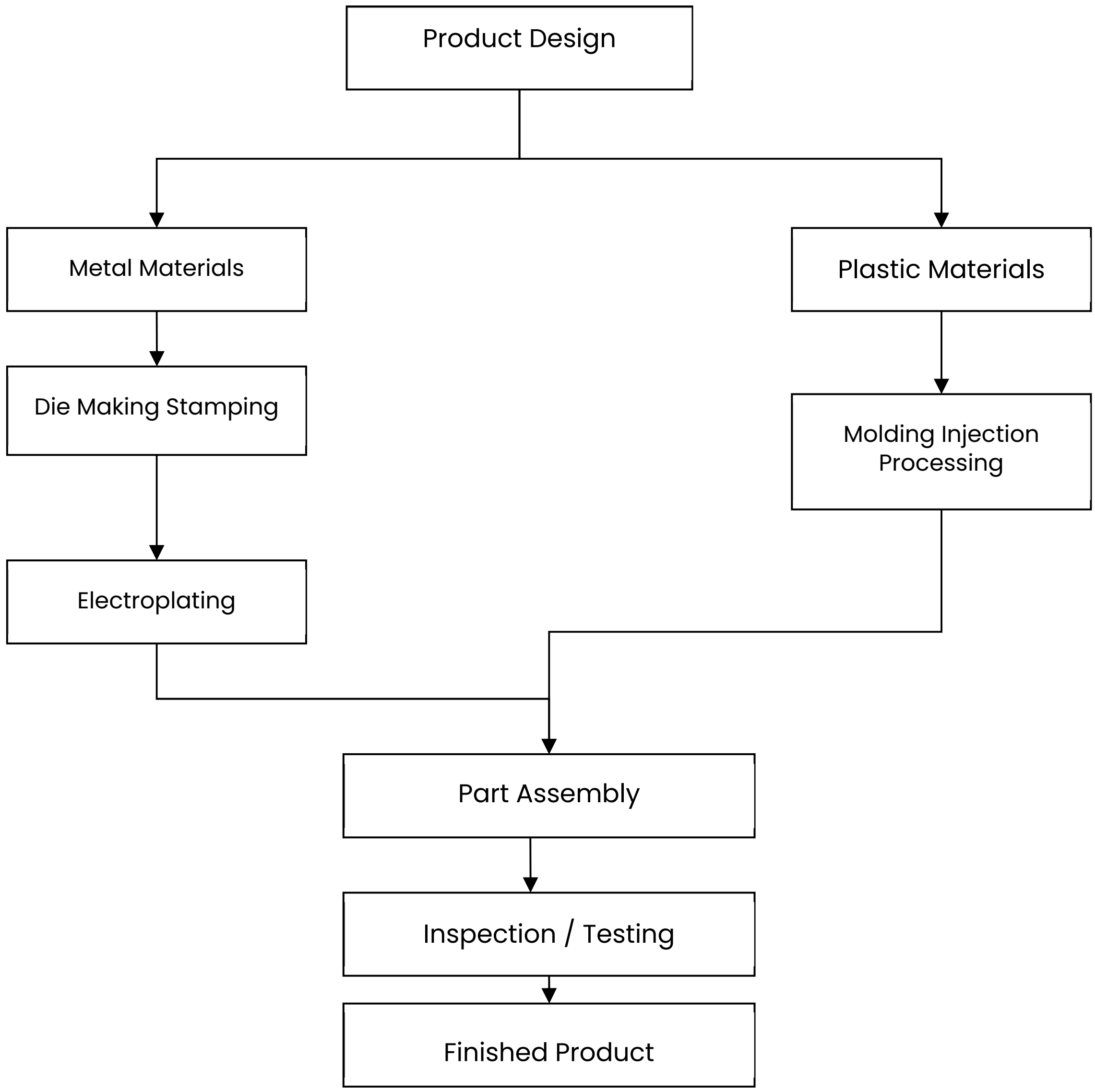
The Company and its subsidiaries' hedging strategy is to enter into forward exchange contracts (Forward) or exchange rate swap contracts (SWAP) with financial institutions to manage the exchange rate risk of the net foreign currency positions arising from sales and purchase transactions. With the expectation of effectively reducing the impact of exchange rate changes on revenue and earnings. However, although this hedging strategy effectively reduces the company's and its subsidiaries' exchange rate risk, it cannot eliminate the impact of changes in foreign currency exchange rates.

(II) Important Applications and Production Processes of Major Products

1. Important Applications of Major Products

Product	Main Applications
Connectors	• portable electronic devices: cell phones, PC/NB, tablet PCs, and wearable electronic products • Digital home appliances: digital TVs, DVD players, game consoles, set-top boxes, and other digital music products • Digital data storage: portable storage devices or hard drives • High-speed video and audio transmission interfaces: display applications, mobile devices, digital home appliances • Automotive, medical and industrial related devices
Cables	• Portable electronic devices: cell phones, PC/NB, tablet PCs, wearable electronics • Automotive, medical and industrial related devices

2. Production process of major products



3. Supply Status of Major Raw Materials

Major raw materials	Supply situation
PCBA	Good and normal
Copper	Good
Plastics	Good and normal
Electronic materials	Wafer supply situation has gradually improved and is normal

4. The names of customers who have accounted for more than 10% of the total purchase (sales) in any of the last two years, the amount and proportion of their purchase (sales), and the reasons for the increase or decrease.

(1) Major Importers

Unit: NT$ 1,000

	2021				2022				2023 of Q1			
Item	Company Name	Amount	%	Relation with Issuer	Company Name	Amount	%	Relation with Issuer	Company Name	Amount	%t	Relation with Issuer
1	Company A	320,965	16.58	Nil	Company A	414,555	16.62	Nil	Company A	70,961	18.43	Nil
2	Company B	(Note)		Nil	Company B	357,152	14.32	Nil	Company B	48,916	12.70	Nil
3	Others	1,615,385	83.42	Nil	Others	1,722,806	69.06	Nil	Others	265,180	68.87	Nil
	Net Total Purchases	1,936,350	100.00	—	Net Total Purchases	2,494,513	100.00	—	Net Total Purchases	385,057	100.00	—

(Note) The net imports did not reach more than 10% of the year, so it is not intended to be disclosed.
Reason for the change: No significant changes in the last two years.

(2) Major Sales Customers

Unit: NT$ 1,000

	2021				2022				2023 of Q1			
Item	Company Name	Amount	%t	Relation with Issuer	Company Name	Amount	%	Relation with Issuer	Company Name	Amount	%	Relation with Issuer
1	Company A	1,014,961	33.08	Nil	Company A	1,738,585	41.09	Nil	Company A	243,466	32.34	Nil
2	Company B	(Note)	-	Nil	Company B	592,342	14.00	Nil	Company B	139,282	18.50	Nil
3	Others	2,053,526	66.92	Nil	Others	1,900,097	44.91	Nil	Others	370,039	49.16	Nil
	Net Sales	3,068,487	100.00	—	Net Sales	4,231,024	100.00	—	Net Sales	752,787	100.00	—

(Note) The Net Sales did not reach more than 10% of the year, so it is not intended to be disclosed.
Reason for the change: No significant changes in the last two years.

5. The value of the last two years of production

Unit: Thousand pcs / NTD 1,000

Year / Sales volume and value / Major Products	2021			2022		
	Capacity	Quantity	Value	Capacity	Quantity	Value
Connectors (cables)	81,599	81,599	487,633	52,359	52,359	785,626
Electronic products	1,139	1,085	1,481,846	1,871	1,735	2,431,267
Total	82,738	82,684	1,969,479	54,230	54,094	3,216,893

6. Sales volume value for the last two years

Unit: Thousand pcs / NTD 1,000

Year / Shipments & Sales / Major Products	2021				2022			
	Domestic Sales		External Sales		Domestic Sales		External Sales	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Wearable Products	1,625	81,301	5,601	296,237	400	19,014	5,262	268,429
Consumer Products	9,186	77,898	24,743	342,822	6,412	55,542	20,857	326,820
Automotive, Medical and Industrial Products	9,689	104,483	36,784	2,143,829	6,923	69,063	24,985	3,479,414
Others	90	1,428	2,639	20,489	128	1,567	1,236	11,175
Total	20,590	265,110	69,767	2,803,377	13,863	145,186	52,340	4,085,838

III. The number of workers, average years of service, average age and education distribution of employees in the last two years and as of the printing date of the annual report:

Unit: person; %

Year		2021	2022	As of March 31, 2023
Number of Employees	Manager	30	28	29
	General Employee	392	372	377
	Direct Employee	670	495	461
	Total	1,092	895	867
Average Age		34.67	36.29	36.38
Average Years of Service		3.98	5.19	5.48
Educational Distribution Ratio (%)	Director of Philosophy	0.18%	0.22%	0.23%
	Master's Degree	2.01%	2.35%	2.42%
	Bachelor's Degree	29.95%	35.42%	36.10%
	Senior high school	20.05%	30.50%	31.03%
	Senior high school below	47.80%	31.51%	30.22%

IV. Environmental Protection Expenditure Information

1. Description of the application, payment or establishment of a pollution permit or pollution discharge permit, or the payment of pollution prevention and control fees, or the establishment of a special unit for environmental protection, as required by law: Not applicable.
2. List the company's investment in major equipment for environmental pollution prevention and control, its use and possible benefits: None.
3. The company's environmental pollution improvement process in the last two years and up to the date of publication of the public statement, and if there are pollution disputes, the process of handling them: None.
4. The total amount of losses (including compensation) and penalties suffered by the company as a result of environmental pollution in the last two years and up to the date of publication of the public statement, as well as its future countermeasures (including improvement measures) and possible expenses (including the estimated amount of losses, penalties and compensation that may occur if no countermeasures are taken, and if the amount cannot be reasonably estimated, the fact that it cannot be reasonably estimated): None.
5. Description of the current pollution situation and its impact on the company's earnings, competitive position and capital expenditures, as well as the estimated significant environmental capital expenditures in the next two years: Not applicable.

V. Labor relations

i. The company's employee welfare measures, training, training and retirement systems and their implementation status, as well as the agreements between employers and employees and measures to protect the rights and interests of employees:

1. Employee welfare measures:

(1) Labor insurance, health insurance and group insurance (life insurance, accident insurance, hospitalization medical insurance, cancer insurance).

(2) Three festivals gifts, birthday coupons, spring festival gift coupons and year-end dinners and lottery.

(3) Employees' bonus.

(4) Subsidies for wedding and funeral celebrations.

(5) Funeral and burial benefits (for oneself, parents, spouse and children).

(6) Meal subsidies.

(7) Overseas and domestic travel from time to time.

(8) Regular employee medical checkups.

(9) Provide employee education and training.

(10) Childcare allowance: Besides the childbirth allowance, we provide a monthly childcare allowance of NT$2,500 for each child until the child reaches the age of six.

(11) Other welfare activities (family day, hiking and art activities, etc.).

2. Staff Training and Training Status:

In order to assist new employees to enter the working condition as soon as possible, the company will arrange training courses according to different job categories through pre-employment training, and the team group of the department will assist new employees to understand the company's industrial positioning and the future development direction of the company. The company will hold professional internal training courses from time to time, so that employees can receive new information on professional skills at any time, and through technical seminars to enhance their own process and research and development capabilities. In addition, for the on-the-job training of employees, each department may arrange appropriate education courses within the company according to the actual needs, or arrange for employees to attend training courses held by various consulting companies, training institutions, or government and industrial organizations according to the needs of the professional courses of each function, in order to enhance the professionalism of employees. In addition to the training for new recruits, the following table summarizes the results of education and training for 2022:

Organizer	Course Name	Hours
TWSE/TPEx	Annual 2022 Information Security Presentation for TWSE/TPEx Listed Companies.	3
Internal Training	2022 Integrity Handbook Training.	1
Internal Training	FMEA Potential Failure Mode and Effects Analysis Version 5 Education Training	3
Internal Training	The European General Data Protection Regulation (“GDPR”).	2
Internal Training	IATF16949 internal audit process, skills and methods and 5 why to fill in the method training.	3
Internal Training	ISO14064-1 2018 Greenhouse Gas Inventory Standard_Greenhouse Gas Inventory and Practical Training Course	2
Internal Training	Interpretation of Moldflow Simulation Results	2
Internal Training	PCBA Placement Design Rule	1
Internal Training	Prohibition and prevention of insider trading.	1
Internal Training	Occupational safety and health education and training for employees and publicity related to fire and earthquake escape.	2
Internal Training	Introduction to signal types.	1
Internal Training	Patent Profile.	1
Internal Training	Product carbon footprint.	2
Internal Training	Design focus of connectors with different waterproof levels.	1
Internal Training	Connector high frequency report reading.	2
Internal Training	Wireless charging module.	1

Organizer	Course Name	Hours
Internal Training	Important parameters and errors of structural analysis.	2
Internal Training	Ultrasonic welding technology sharing.	1
Internal Training	LPM/Low Pressure Machine of traditional injection machine.	1
Internal Training	Introduction to plastic mold structure.	2
Internal Training	Introduction to plastic applications.	1
Internal Training	Cyber security education and training.	3
Internal Training	Manufacturing production characteristics of magnets.	1
Internal Training	Introduction of mold processing methods (Fitter/Discharge/Electrode).	2
Internal Training	Institutional Design Standards & Relevance of Design and Appearance Issues.	2
Internal Training	The design check list of the burning test tool is shared with the design.	1

3. Retirement system and its implementation status:

Following the company's regulations, starting from July 1st, 2005, the company made monthly contributions of 6% of monthly wages to the individual pension accounts of the Labor Insurance Bureau for new employees and existing employees who have elected the new pension plan. The appropriate amount of retirement reserve is transferred to the Bank of Taiwan's particular account. For employees assigned by the organization to move to affiliated companies, their seniority is renewed to provide more protection for employees to achieve the purpose of talent circulation of the Group. Employees of overseas subsidiaries pay monthly pensions and medical benefits following local government regulations.

Pension System	Old System	New System
Applicable Sources	Labor Standards Act	Labor Pension Act
How to contribute	2% of the monthly salary of employees who choose the old system and deposit it in the name of the company into the special account of the Bank of Taiwan (formerly the Central Trust Bureau).	6% of the monthly salary of employees is contributed to the individual account of the Bureau of Labor Insurance according to the employee's level of insurance.
Withdrawal amount	The accumulated amount of the Labor Retirement Reserve is NT$6,051 thousand.	The total amount contributed was NT$4,134 thousand in 2022.

4. Agreements between employers and employees:

To take good care of employees, the company has established a vacation, welfare, and retirement system and set up an employee welfare committee and a labor-management meeting to coordinate employee welfare measures. Therefore, the employees have a high degree of loyalty to the company. The relationship between the employees and employers is harmonious, with no labor disputes or disputes so far.

5. Employee rights and benefits protection measures:

The company attaches importance to, cares about, and proactively maintains employees' fundamental rights and interests. In addition to handling employees' rights and interests by following relevant laws and regulations, the company also provides employee group insurance coverage. It establishes an employee welfare committee as a gatekeeper for employees' rights and interests.

6. For personnel related to the transparency of financial information, the following are the relevant licenses obtained as specified by the competent authorities

A. Professional certification for the head of finance and accounting of public companies:

1 person of the Finance Department.

B. Basic Competency Test for Corporate Internal Control held by the Securities and Futures Bureau:
2 persons of the Audit Office.

Therefore, the qualifications of the company's personnel related to the transparency of financial information comply with the regulations of the competent authorities.

C.The most recent year 2022 of continuing education for accounting and auditing supervisors:

Organizer	Course Name	Hours
Accounting Research and Development Foundation	Continuing education for accounting executives.	12
The Institute of Internal Auditors	Practical articles on inspection techniques.	6
The Institute of Internal Auditors	How to adjust the internal control system to cope with the new ESG norms.	6
The Institute of Internal Auditors	Practical operation of internal audit and internal control personal information law.	6
The Institute of Internal Auditors	Practical discussion and countermeasures of "insider trading" and "false financial report".	6

7. Work environment and employee safety protection measures

The company regards employees as the most critical asset of the company. It attaches great importance to the working environment and the safety of employees. We hope to fulfill our social responsibility and move towards sustainability while the company grows. In addition to complying with relevant domestic laws and regulations, we have established and implemented a safety and health management plan accordingly. The company regularly implement work environment monitoring, safety and health inspections and audits, safety and health education and training, and fire education and training. The company conducts annual health checkups to help employees understand their physical condition and provide follow-up medical consultation services.

The company had no occupational safety incidents in the past three years.

8. Code of conduct or ethics for employees

To ensure harmonious labor relations, consolidate the company's excellent corporate culture and core values, and fulfill the goal of sustainable development, the company also implemented the retirement system and the provisions of labor-management negotiation meetings. Following the law, the "Work Rules" and various personnel management regulations specify that both employees and employers of the company should be committed to establishing corporate and professional ethics. This allows employees to understand their behavior clearly or that ethics should follow the code of conduct to ensure the company's development. The main regulations are as follows:

(1) Employees shall work conscientiously internally, give full play to their team spirit, take care of public property, reduce losses, provide quality, increase production, and perform their tasks faithfully; externally, they shall protect the honor of the company and keep the confidentiality of their business or duties, and shall not divulge information regarding business contents, product technology, related documents and drawings, or the status of customers' dealings with the company.
(2) Employees shall not use their authority to benefit themselves or others by accepting gifts, invitations to banquets, kickbacks or other unlawful benefits from others.
(3) Employees shall not, without the written consent of the company, operate a business related to or similar to the company for themselves or a third party, nor shall they be an unlimited

liability shareholder, executive shareholder, director or manager of a similar business, or an obvious or anonymous partner of a firm.

(4) The company shall not use the name of the company for any purpose other than to carry on the business of the company.

ii. Losses suffered from labor disputes in the most recent year and up to the printing date of the annual report, and disclose the estimated amount of current and future losses and measures that may be taken.

Suppose it is not possible to make a reasonable estimate. In that case, it should state the fact that it is not possible to make a reasonable estimate:

Since its establishment, the company has had harmonious labor relations and has not experienced any losses due to labor disputes.

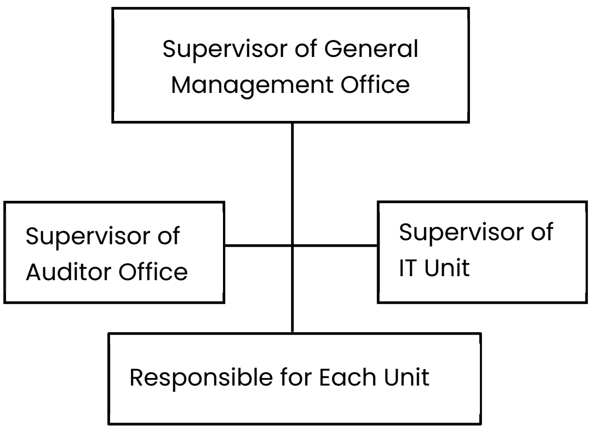
The possibility of future losses due to labor disputes is extremely low.

VI. Information security management

I. Risk management structure of information security

1. The information security management unit is subordinate to the Head Office, please refer to the figure below for the information security management structure. The top supervisor of the Head Office is the top supervisor of information security. The head of the Information Department is the main executive officer. The audit supervisor is responsible for the supervision of operation execution. The accountable personnel of each unit under the Head Office are responsible for the formulation of internal information security policies, planning and execution of information security operations, and promotion and implementation of information security

Ares Safety Management



The audit Office is the supervisory unit of information and communication security monitoring and is responsible for supervising the status of internal information security implementation.

2. The information security policy follows the following instructions:

(1) To prevent unauthorized access, use, control, leakage, destruction, tampering, destruction or other infringement of information or information systems, and to ensure their confidentiality, integrity, and availability as defined by the regulations, and to conduct semi-annual "information security inspection and control" spot checks on nine major items. Audit.

(2) It is operated in the way of Plan→Do→Check→Action to protect the confidentiality, integrity, and availability of information assets.

(3) In order to implement the protection of confidentiality, integrity and availability of information assets, the organization shall continuously

A. Enhance information security consensus and strengthen information security training.
B. Improve information security protection to ensure operation continuity.

3. Specific management plan

(1) Insured Information Security Insurance

(2) Network

A. Build a network firewall.

B. Strengthen the security of firewall and network, sign maintenance contract every year, and update the security protection on the firewall such as intrusion detection, virus, webpage, etc. immediately.

C. Internal to internal and internal to external are separated by different policies and controls, and the server side only opens the service port and prohibits non-service port connections.

D. External to internal VPN privilege control and server port control.

E. Cross-plant endpoints are controlled by another firewall and protected by permission policies.

F. Anti-virus system is built to protect computer endpoints from malware and viruses.

G. Email filtering mechanism for viruses, advertisement letters and phishing letters.

H. Real-time monitoring of network service operation status.

(3) Backup Storage

A. Establish backup and redundancy system.

B. Implement hot backup for important data.

C. Implement offline backup of important data.

D. Implement offline backup of important data.

E. Backup more than three copies of important data.

F. Check the backup status daily.

G. Monthly backup data restoration test for important data.

(4) Personnel

A. Each staff will be assigned a dedicated account and password.

B. Regularly implement email social engineering exercises.

C. Regularly implement information security education training and examinations to enhance employees' information security awareness.

D. Regularly implement information security propaganda for e-mail and anti-virus.

E. Regularly check the operation of anti-virus software.

F. Endpoint protection monitor user installation of software.

G. Regularly audit user installation of software.

4. Ancillary Security Response Operations

(1) Purpose

We have established these operation points to follow the notification and response mechanism in the event of an information security incident and to deal with the incident promptly and effectively.

(2) Scope of Application

Any information system, service, or network status of the company that is identified to violate information security concerns or protection measures failures, poses a threat to information security, shall be considered.

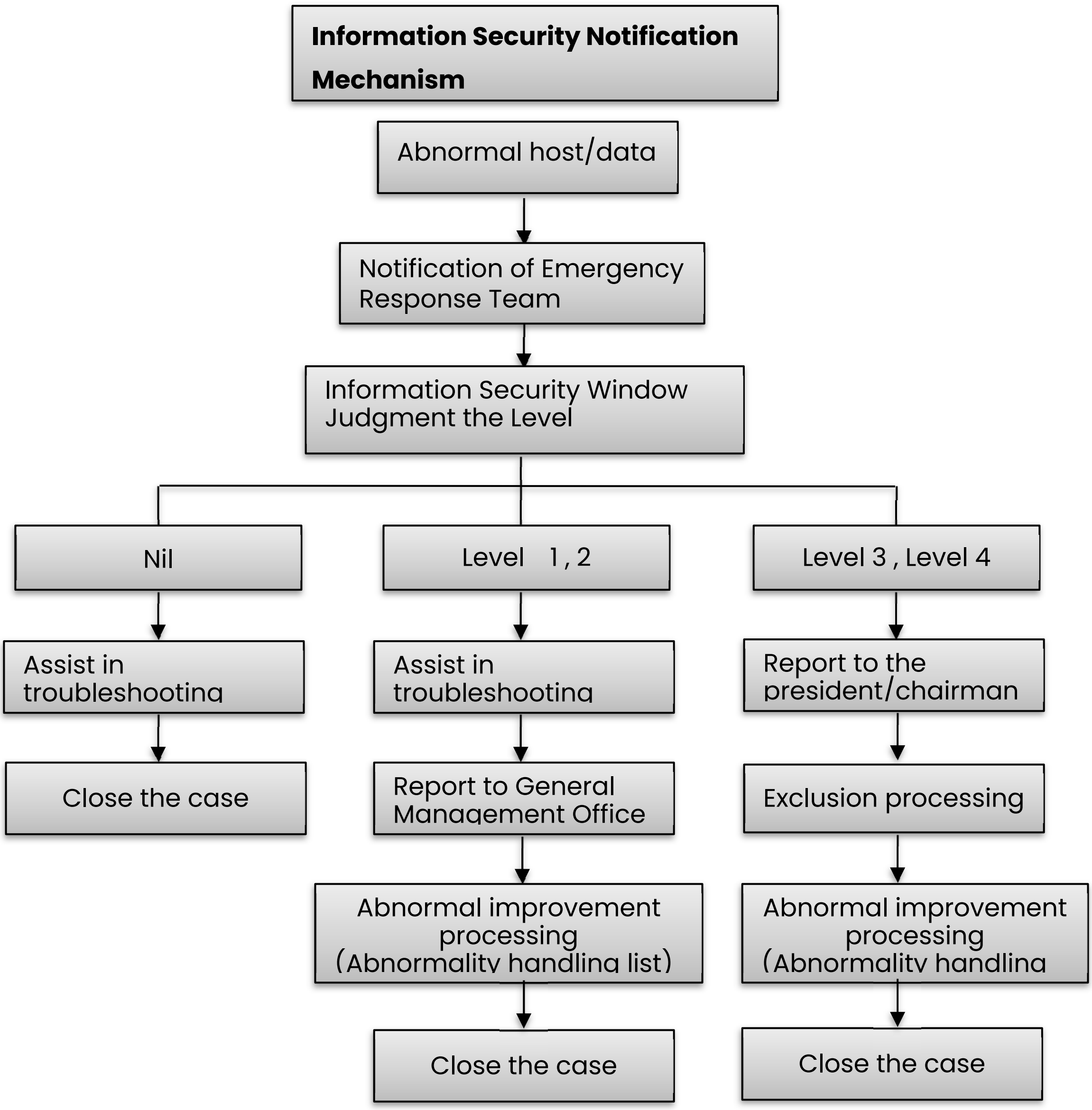
(3) Job Responsibilities

When an information security event is discovered, the information supervisor of the company shall judge the information security event notification and complete the contingency operation according to the event level.

The company's information department is the emergency response team responsible for handling and improving abnormalities during abnormal information security events.

Event Level Judgment

Valuation Category / Level of Impact	Confidentiality	Integrity	Availability
Level 1	Non-core business data Leakaged	Non-core business systems or data is tampered with	Disruption or temporary suspension of non-core business operations (Separate computer level)
Level 2	Non-confidential or sensitive core business information Leakaged	Core business systems or data is slightly tampered with	Core business operations are disrupted or system efficiency is reduced, and normal operations are resumed within a tolerable interruption time. (Office area)
Level 3	Confidential or sensitive official information leaked	core business system or information is seriously tampered with	Core business operation is affected or system is stopped and cannot be restored to normal within tolerable interruption time. (Within the scope of Level 1)
Level 4	Company confidential information leaked	The critical information infrastructure system or data tampered with	The system has been stopped and the normal operation cannot be resumed within the tolerable interruption time. (beyond the scope of the Level 1 plant)



5. Significant information and communications security incidents:

   There were no significant information security incidents for the most recent year and as of the date of the annual report.

6. Implementation

   (1) Education and training implementation:

   The number of people who completed the training in 2022: 70,

   Completion rate: 100%.

   (2) Email social engineering exercises

   In 2022, 350 e-mails were sent for the exercise, and the result of the exercise was 41 opened letters (12%), 10 clicked links (3%), and 11 opened attachments (3%).

VII. Significant Contracts:

As of the printing date of the annual report, there are still good supply and sales contracts, technical cooperation contracts, engineering contracts, long-term loan contracts, and other contracts of significant importance to shareholders' equity that have expired in the most recent year.

As of the printing date of the annual report, the company had good supply and sales contracts, technical cooperation contracts, engineering contracts, long-term loan contracts, and other contracts of significance to shareholders' equity.

VI. Financial Information

I. Condensed financial statements for the most recent 5 years

I. Condensed balance sheet and comprehensive income statement

(1) Condensed Consolidated Balance Sheet

International Financial Reporting Standards (IFRS)-

Unit: Thousands of NTD

Item \ Year		Five-Year Financial Summary (Note 1)					As of March 31, 2023 of Financial Information (Note 2)
		2018	2019	2020	2021	2022	
Current Assets		654,679	930,172	1,551,352	2,137,835	2,227,169	2,136,251
Property, Plant and Equipment		263,902	225,580	345,321	831,911	768,468	758,386
Intangible Assets		6,095	4,646	4,126	521,939	479,988	471,004
Other Assets		36,755	65,192	47,123	83,791	72,922	71,344
Total Assets		961,431	1,225,590	1,947,922	3,575,476	3,548,547	3,436,985
Current Liabilities	Before Distribution	413,066	365,402	409,381	1,053,567	842,068	935,060
	After Distribution	413,066	365,402	429,374	1,133,540	1,042,000	-
Non-current Liabilities		300	17,719	18,877	291,624	213,754	195,585
Total Liabilities	Before Distribution	413,366	383,121	428,258	1,345,191	1,055,822	1,130,645
	After Distribution	413,366	383,121	448,251	1,425,164	1,255,754	-
Equity Attributable to Owners of the Parent		524,158	822,859	1,503,438	1,576,425	1,759,469	1,558,938
Common Stock		445,729	499,729	799,729	799,729	799,729	799,729
Capital Surplus		169,411	270,361	570,361	551,718	551,718	551,718
Retained Earnings	Before distribution	(69,260)	82,556	161,753	252,403	417,903	215,658
	After distribution	(69,260)	82,556	141,760	172,430	217,971	-
Other Equity		(21,722)	(29,787)	(28,405)	(27,425)	(9,881)	(8,167)
Treasury Stock		-	-	-	-	-	-
Non-controlling Interests		23,907	19,610	16,226	653,860	733,256	747,402
Total Equity	Before distribution	548,065	842,469	1,519,664	2,230,285	2,492,725	2,306,340
	After distribution	548,065	842,469	1,499,671	2,150,312	2,292,793	-

Note 1: The financial information of the recent five annual periods have been verified by CPAs.

Note 2: The Q1 financial information has been reviewed by CPAs.

(2) Condensed Standalone Balance Sheet-IFRS

Condensed Parent Company Only Balance Sheet

Unit: Thousands of NTD

Item \ Year		Five-Year Financial Summary (Note 1)					As of March 31, 2023 of Financial Information
		2018	2019	2020	2021	2022	
Current Assets		622,988	991,591	1,367,266	642,978	480,636	N/A
Property, Plant and Equipment		9,965	11,094	162,073	153,394	142,588	
Intangible Assets		3,341	2,649	2,409	2,557	2,054	
Other Assets		160,747	234,301	366,417	1,358,462	1,471,959	
Total Assets		797,041	1,239,635	1,898,165	2,157,391	2,097,237	
Current Liabilities	Before Distribution	272,583	407,404	379,609	420,504	224,378	
	After Distribution	272,583	407,404	399,602	500,477	424,310	
Non-current Liabilities		300	9,372	15,118	160,462	113,390	
Total Liabilities	Before Distribution	272,883	416,776	394,727	580,966	337,768	
	After Distribution	272,883	416,776	414,720	660,939	537,700	
Common Stock		445,729	499,729	799,729	799,729	799,729	
Capital Surplus		169,411	270,361	570,361	551,718	551,718	
Retained Earnings	Before Distribution	(69,260)	82,556	161,753	252,403	417,903	
	After Distribution	(69,260)	82,556	141,760	172,430	217,971	
Other Equity		(21,722)	(29,787)	(28,405)	(27,425)	(9,881)	
Treasury Stock		-	-	-	-	-	
Total Equity	Before Distribution	524,158	822,859	1,503,438	1,576,425	1,759,469	
	After Distribution	524,158	822,859	1,483,445	1,496,452	1,559,537	

Note 1: The financial information of the recent five annual periods have been verified by CPAs.

2. Condensed Statement of Income

(1) International Financial Reporting Standards (IFRS)-

Condensed Consolidated Statement of Comprehensive Income

Unit: Thousands of NTD

Item \ Year	Five-Year Financial Summary (Note 1)					As of March 31, 2023 of Financial Information (Note 2)
	2018	2019	2020	2021	2022	
Operating revenue	1,182,126	1,355,354	1,029,856	3,068,487	4,231,024	752,787
Gross profit	335,063	533,904	390,632	643,487	913,601	127,114
Income from operations	62,876	224,126	110,232	187,212	431,627	28,273
Non-operating income(expenses)	5,630	(19,899)	(13,022)	(12,604)	34,315	(4,427)
Income before tax	68,506	204,227	97,210	174,608	465,942	23,846
Profit from continuing operations for the year	51,691	148,830	76,304	126,261	361,317	11,751
Loss of discontinued operation	-	-	-	-	-	-
Net income	51,691	148,830	76,304	126,261	361,317	11,751
Other comprehensive income - after tax	(3,058)	(9,376)	891	493	13,976	1,796
Total comprehensive income	48,633	139,454	77,195	126,754	375,293	13,547
Net income (loss) attributable to owners of the parent	58,201	152,371	79,735	111,216	249,235	(2,313)
Net income (loss) attributable to non-controlling interest	(6,510)	(3,541)	(3,431)	15,045	112,082	14,064
Total comprehensive income attributable to owners of the parent	55,649	143,751	80,579	111,623	263,017	(599)
Total comprehensive income attributable to non-controlling interest	(7,016)	(4,297)	(3,384)	15,131	112,276	14,146
Earnings per share	1.31	3.30	1.10	1.39	3.12	(0.03)

Note 1: The financial information of the recent five annual periods have been verified by CPAs.

Note 2: The Q1 financial information has been reviewed by CPAs.

(2) International Financial Reporting Standards (IFRS)-

Unit: Thousands of NTD

Item \ Year	Five-Year Financial Summary (Note)					As of March 31, 2023 of Financial Information
	2018	2019	2020	2021	2022	
Operating revenue	1,143,456	1,302,630	966,177	1,305,242	1,122,031	N/A
Gross profit	222,598	294,634	275,883	324,106	260,866	
Income from operations	38,115	90,306	64,935	93,953	63,334	
Non-operating income(expenses)	36,901	83,403	32,854	39,840	204,810	
Income before tax	75,016	173,709	97,789	133,793	268,144	
Profit from continuing operations for the year	58,201	152,371	79,735	111,216	249,235	
Loss of discontinued operation	-	-	-	-	-	
Net income	58,201	152,371	79,735	111,216	249,235	
Other comprehensive income - after tax	(2,552)	(8,620)	844	407	13,782	
Total comprehensive income	55,649	143,751	80,579	111,623	263,017	
Earnings per share	1.31	3.30	1.10	1.39	3.12	

Note: The financial information of the most recent five annual periods have been verified by CPAs.

II. Names and audit opinions of the attesting CPAs for the last five years

1.The names of CPA and their opinions for the most recent five years.

Year	CPA Firm	CPA’s Name	Auditing Opinion
2018	Ernst & Young	Julia Lo、Huang, Yi-Hui	Unqualified opinion
2019	Ernst & Young	Julia Lo、Hong, Mao-I	Unqualified opinion
2020	Ernst & Young	Julia Lo、Hong, Mao-I	Unqualified opinion
2021	Ernst & Young	Chen, Guo-Shuai、Hong, Mao-I	Unqualified opinion
2022	Ernst & Young	Chen, Guo-Shuai、Hong, Mao-I	Unqualified opinion

2. If there is any change of accountant in the last five years, the company, predecessor and successor accountants should list the reasons for the change:

The replacement of the CPA in 2019 and 2021 is due to the internal adjustment of the certified accounting firm, so it is not applicable.

II. Analysis of important financial ratios for the last 5 years

(I) Consolidated financial ratio analysis - IFRS

Analysis Item		Financial analysis in the past five years (Note 1) 2018	2019	2020	2021	2022	As of March 31, 2023 of Financial Information (Note 2)
Financial Structure (%)	Ratio of liabilities to assets	42.99	31.26	21.98	37.62	29.76	32.90
	Ratio of long-term capital to property, plant and equipment	207.79	381.32	442.80	303.15	352.19	329.90
Solvency (%)	Current ratio	158.49	254.56	370.38	202.91	264.49	228.46
	Quick ratio	118.71	222.96	334.95	133.18	197.29	180.10
	Times interest earned ratio	25.62	55.64	76.18	47.18	82.44	18.80
Operating Ability	Accounts receivable turnover (turns)	4.14	4.46	3.61	5.63	5.03	3.79
	Average collection period	88	82	101	65	73	96
	Inventory turnover (turns)	4.77	4.67	3.65	5.09	4.91	4.65
	Accounts payable turnover (turns)	5.99	6.35	5.16	7.10	7.10	7.32
	Average days in sales	77	78	100	72	74	78
	Property, plant and equipment turnover (turns)	4.43	5.54	3.61	5.21	5.29	3.94
	Total assets turnover (turns)	1.28	1.24	0.65	1.11	1.19	0.86
Profitability	Return on total assets (%)	5.86	13.88	4.87	4.68	10.27	1.47
	Return on stockholders' equity (%)	9.87	21.41	6.46	6.73	15.30	1.96
	Ratio of Pre-tax income to issued capital (%)	15.37	40.87	12.16	21.83	58.26	11.93
	Profit ratio (%)	4.37	10.98	7.41	4.11	8.54	1.56
	Earnings per share ($)	1.31	3.30	1.10	1.39	3.12	(0.03)
Cash Flow	Cash flow ratio (%)	21.14	90.46	39.97	2.64	64.94	21.05
	Cash flow adequacy ratio (%)	35.44	117.30	114.96	115.99	162.12	162.12
	Cash reinvestment ratio (%)	10.42	28.64	9.22	Note 3	13.53	(0.10)
Leverage	Operating leverage	9.08	3.69	4.76	4.82	3.54	11.98
	Financial leverage	1.05	1.02	1.01	1.02	1.01	1.05

Analysis of financial ratio change in the last two years. (If the difference does not exceed 20%, the analysis is not required.)

1. The decrease in the ratio of liabilities to assets compared to the previous period was mainly due to the decrease in long-term and short-term borrowings and accounts payable.
2. The increase in current ratio and quick ratio compared to the previous period was mainly due to the decrease in short-term borrowings and accounts payable in the current period.
3. The increase in interest coverage ratio was mainly due to the substantial increase in net profit before tax and interest in 2022 compared with last year.
4. The increase in various indicators of profitability was mainly due to the obvious increase in net profit in 20221.
5. The increase in cash flow ratio, cash flow allowable ratio and cash reinvestment ratio is mainly due to the increase in net cash flow from operating activities
6. The decrease in operating leverage is mainly due to the increase in operating profit in 2022

Note 1: The financial information of the most recent five annual periods have been verified by CPAs.

Note 2: The financial information for the year ended March 31, 2023 has been reviewed by accountants.

Note 3: If the net cash flow from operating activities is an outflow, it has no comparative significance, so the relevant ratio will not be listed.

Note 4: If the operating profit is negative, there is no comparative significance, so the relevant ratio will not be listed.

Note 5: If the net profit before income tax and interest expense is negative, there is no comparative significance, so the relevant ratio will not be listed.

(2) Financial Analysis-IFRS (Standalone Financial Statements)

Analysis Item / Year		Financial analysis in the past five years (Note 1)					As of March 31, 2023 of Financial Information
		2018	2019	2020	2021	2022	
Financial Structure (%)	Ratio of liabilities to assets	34.24	33.62	20.80	26.93	16.11	N/A
	Ratio of long-term capital to property, plant and equipment	5,263.00	7,501.63	931.11	1,132.30	1,313.48	
Solvency (%)	Current ratio	228.55	243.39	351.41	152.91	214.21	
	Quick ratio	224.56	239.29	344.18	146.91	201.53	
	Times interest earned ratio	27.96	60.59	114.31	54.60	96.05	
Operating Ability	Accounts receivable turnover (turns)	4.11	4.30	3.43	4.41	4.54	
	Average collection period	89	85	106	83	80	
	Inventory turnover (turns)	82.90	92.21	38.67	45.03	33.96	
	Accounts payable turnover (turns)	11.11	5.53	2.85	5.96	8.98	
	Average days in sales	4	4	9	8	11	
	Property, plant and equipment turnover (turns)	103.48	123.71	11.16	8.27	7.58	
	Total assets turnover (turns)	1.51	1.28	0.62	0.64	0.53	
Profitability	Return on total assets (%)	7.97	15.20	5.13	5.58	11.82	
	Return on stockholders' equity (%)	11.73	22.62	6.86	7.22	14.94	
	Ratio of Pre-tax income to issued capital (%)	16.83	34.76	12.23	16.73	33.53	
	Profit ratio (%)	5.09	11.70	8.25	8.52	22.21	
	Earnings per share（$）	1.31	3.30	1.10	1.39	3.12	
Cash Flow	Cash flow ratio (%)	4.54	71.89	30.14	12.39	99.35	
	Cash flow adequacy ratio (%)	44.62	391.27	194.06	203.03	217.28	
	Cash reinvestment ratio (%)	2.07	32.21	7.39	0.66	7.30	
Leverage	Operating leverage	5.61	3.15	3.96	3.45	4.09	
	Financial leverage	1.08	1.03	1.01	1.03	1.05	

Analysis of financial ratio change in the last two years. (If the difference does not exceed 20%, the analysis is not required.)

1. The decrease in the ratio of liabilities to assets compared to the previous period was mainly due to the decrease in long-term and short-term borrowings and accounts payable.
2. The increase in current ratio and quick ratio compared to the previous period was mainly due to the decrease in short-term borrowings and accounts payable in the current period.
3. The increase in interest coverage ratio was mainly due to the substantial increase in net profit before tax and interest in 2022 compared with last year.
4. The decline in inventory turnover and the increase in average sales days were mainly due to the decrease in cost of goods sold.
5. The increase in turnover rate of accounts payable was mainly due to the decrease in average accounts payable.
6. The increase in various indicators of profitability was mainly due to the significant increase in net profit in 2022.
7. The increase in cash reinvestment ratio compared to the previous period was mainly due to the increase in net cash flow from operating activities.

Note 1: The financial information of the most recent five annual periods have been verified by CPAs.
Note 2: If the net cash flow from operating activities is an outflow, it has no comparative significance, so the relevant ratio will not be listed.
Note 3: If the operating profit is negative, there is no comparative significance, so the relevant ratio will not be listed.
Note 4: If the net profit before income tax and interest expense is negative, there is no comparative significance, so the relevant ratio will not be listed.

The calculation method of the ratio in the above table is listed as follows:

1. Financial structure
   (1) Ratio of debts to asset = Total liabilities / Total assets
   (2) Ratio of long-term capital to property, plant, and equipment = (Total equity + Non-current liabilities) / Net property, plant and equipment
2. Solvency
   (1) Current ratio = Current assets / Current liabilities.
   (2) Quick ratio = (Current assets - Inventories - Prepaid expenses) / Current liabilities
   (3) Interest coverage ratio = Net income before income tax and interest expense / Interest expenses over this period.
3. Operating ability
   (1) Receivable (including accounts receivable and notes receivable due to business operations) turnover rate = Net sales / Balance of average accounts receivable for various periods (including accounts receivable and notes receivable due to business operations).
   (2) Average collection days for receivables = 365/Receivables turnover rate.
   (3) Inventory turnover rate = Cost of goods sold/ Average inventory.
   (4) Payable (including accounts payable and notes payable due to business operations) turnover rate = Cost of goods sold / Balance of average accounts payables of various periods (including accounts payable and notes payable due to business operations).
   (5) Average days for sales = 365 / Inventory turnover rate.
   (6) Property, plant and equipment turnover rate = Net sale/Average net property, plant and equipment.
   (7) Total asset turnover rate = Net sales / Average total assets
4. Profitability
   (1) Return on assets = [Net income after taxes + interest expense x (1 - tax rate)] / Average total assets
   (2) Return on equity = Net income after taxes / Average total equity
   (3) Profit margin = Net income after taxes / Net sales
   (4) Earnings per share = (Net income attributable to shareholders of the parent company - preferred stock dividend) / Weighted average number of shares outstanding (Note 1)
5. Cash flow
   (1) Cash flow ratio = Net cash flow of operating activities / Current liabilities.
   (2) Cash flow adequacy ratio = Net cash flow from operating activities for the most recent five years / (Capital expenditures + inventory increase + cash dividend) for the most recent five years.
   (3) Cash flow reinvestment ratio = (Net cash flow from operating activities - cash dividends) / (Gross value of property, plant, and equipment + Long-term investments + Other non-current assets + working capital). (Note 2)
6. Leveraging
   (1) Operating leverage = (Net operating revenue - variable operating cost and expenses) / Operating profit. (Note 3)
   (2) Financial leverage = Operating profit / (Operating profit - interest expenses).

Note1: The following factors are to be included in the consideration for the calculation of earnings per share:

1. It is based on the weighted average common stock shares instead of the outstanding stock shares at year end.
2. For capitalization with cash or treasury stock trade, the stock circulation must be included for consideration to calculate weighted average shares.
3. For capitalization with retained earnings and additional paid-in capital, the earnings per share calculated semi-annually and annually must be adjusted retroactively and proportionally to the capitalization but without considering the issuance period of the

capitalization.

4. If preferred stock shares are nonconvertible and cumulative, the dividend of the year (whether it is distributed or not) should be deducted from net income or added to the net loss. If preferred shares are not cumulative, preferred stock dividend should be deducted from net income if there is ant but it needs not be added to net loss if there is any.

Note2: The following factors are to be included for consideration for the analysis of cash flow:

1. Net cash flow from operating activity meant for the net cash inflow from operating activity on the Cash Flow Statement.
2. Capital expenditure meant for the cash outflow of capital investment annually.
3. Increase of inventory is counted only when ending inventory exceeds beginning inventory. If the ending inventory is decreased, it is booked as zero value.
4. Cash dividend includes the amount for common stock and preferred stock.
5. Gross Property, land and equipment for the total Property, land and equipment before deducting the cumulative depreciation.

Note3: Issuer should classify operating coat and operating expense according to fixed and variable category If the classification is estimated and subjective, it should correspond with rationality and consistence.

Note4: In the case of shares issued by a company with no par value or a par value other than NT$10 per share, the calculation of ratio of the paid-in capital shall be replaced by ratio of the equity attributable to owners of the parent.

III. Audit Committee's Review Report in the Most Recent Year

Simula Technology Inc.

Audit Committee's Review Report

The Board of Directors has prepared the Company's Financial Statements (including consolidated financial statement) for the year of 2022. Mr. Chen, Guo-Shuai and Hong, Mao-I of the Certified Public Accountants of EY-Taiwan, have audited the Financial Statements. The 2022 Financial Statements, Business Report, Independent Auditors Report and the Company's 2022 Earnings Distribution Proposal have been reviewed and determined to be correct and accurate by the Audit Committee of the Company. I, as the Chair of the Audit Committee, hereby submit this report according to the Article 219 of the Company Act.

Sincerely,

2023 Annual Shareholders' Meeting

Simula Technology Inc.

Audit committee convener: Yeh, Hui-Hsin

February 21, 2023

VI. Consolidated Financial Statements with Independent Auditors' Report of the most recent year:

Please refer to Appendix 1 (Pages: 104-213).

V. Parent Company only Financial Statements with Independent Auditors' Report for the most recent year:

Please refer to Appendix 2 (Pages: 214-307).

VI. Any financial difficulties experienced by the Company and its affiliate businesses during the most recent year up to the publication date of this report need to be stated as well as the impact on the Company's financial position need to be outlined:

None.

VII. Review and Analysis of Financial Status, Financial Performance, and Risk Management

I. Analysis of Financial Status

(1) Financial Status - Consolidated (Based on IFRSs)

Item \ Year	2022	2021	Difference		Explanation
			Amount	%	
Current Assets	2,227,169	2,137,835	89,334	4.18	
Property, Plant and Equipment	768,468	831,911	(63,443)	-7.63	
Non-current Assets	552,910	605,730	(52,820)	-8.72	
Total Assets	3,548,547	3,575,476	(26,929)	-0.75	
Current Liabilities	842,068	1,053,567	(211,499)	-20.07	1
Non-current Liabilities	213,754	291,624	(77,870)	-26.70	2
Total Liabilities	1,055,822	1,345,191	(289,369)	-21.51	1. 2
Capital Stock	799,729	799,729	-	-	
Capital Surplus	551,718	551,718	-	-	
Retained Earnings	417,903	252,403	165,500	65.57	3
Other Equity	(9,881)	(27,425)	17,544	63.97	4
Non-controlling Interests	733,256	653,860	79,396	12.14	
Total Equity	2,492,725	2,230,285	262,440	11.77	

The main reasons for significant changes exceeding 20% in the current and preceding periods, with the change amount exceeding NT$10 million, along with their impact analysis, are as follows:

1. The significant change is primarily due to the repayment of short-term borrowings amounting to NT$106,880 million and a decrease in accounts payable compared to the same period last year, resulting from reduced purchases in the fourth quarter of the current period.
2. The significant change is primarily due to the repayment of long-term borrowings amounting to NT$51,340 million.
3. The significant change is primarily due to an increase in profits in the current period.
4. The significant change is primarily due to the offsetting of losses through the reduction of capital in the current period, resulting from the fair value measurement of financial assets through other comprehensive income.

Future plans for dealing with significant changes:
Considering the overall performance of the company, there are no significant abnormal conditions that require the formulation of specific response plans.

(2) Financial Status - Standalone (Based on IFRSs) in the last two years

Unit: NT$ 1,000

Item \ Year	2022	2021	Difference		Explanation
			Amount	%	
Current Assets	480,636	642,978	(162,342)	-25.25%	1
Non-current Assets	1,616,601	1,514,413	102,188	6.75%	
Total Assets	2,097,237	2,157,391	(60,154)	-2.79%	
Current Liabilities	224,378	420,504	(196,126)	-46.64%	2
Non-current Liabilities	113,390	160,462	(47,072)	-29.34%	3
Total Liabilities	337,768	580,966	(243,198)	-41.86%	2、3
Capital stock	799,729	799,729	-	-	
Capital surplus	551,718	551,718	-	-	
Retained Earnings	417,903	252,403	165,500	65.57%	4
Other Equity	(9,881)	(27,425)	17,544	63.97%	5
Total Equity	1,759,469	1,576,425	183,044	11.61%	

The main reasons and impact analysis for significant changes exceeding 20% in the current and preceding periods, with the change amount exceeding NT$10 million, are as follows:

1. The significant change is primarily due to a decrease in operating income compared to the same period last year, resulting from slow inventory turnover of major customers since September of the current period, leading to a reduction in accounts receivable.
2. The significant change is primarily due to the repayment of short-term borrowings amounting to NT$106,880 thousand and a decrease in purchases in the fourth quarter of the current period compared to the same period last year, resulting in a reduction in accounts payable.
3. The significant change is primarily due to the repayment of long-term borrowings amounting to NT$40,000 thousand.
4. The significant change is primarily due to an increase in profits in the current period.
5. The significant change is primarily due to the offsetting of losses through the reduction of capital in the current period, resulting from the fair value measurement of financial assets through other comprehensive income.

Future plans for dealing with significant changes:
Considering the overall performance of the company, there are no significant abnormal conditions that require the formulation of specific response plans.

II.Financial Performance

(1) Comparative Analysis of Operating Results

1. Comparative Analysis of Consolidated Financial Performance (Based on IFRSs)

Unit: NT$ 1,000

Year / Item	2022	2021	Difference		Explanation
			Amount	%	
Net Revenue	4,231,024	3,068,487	1,162,537	37.89	1
Cost of Sales	3,317,423	2,425,000	892,423	36.80	1
Gross Profit	913,601	643,487	270,114	41.98	1
Operating Expenses	481,974	456,275	25,699	5.63	1
Income From Operations	431,627	187,212	244,415	130.56	1
Non-Operating Income (Expenses)	34,315	(12,604)	46,919	372.25	2
Income Before Tax	465,942	174,608	291,334	166.85	1
Income Tax Expense	(104,625)	(48,347)	56,278	116.40	1
Net income of continuing business units for the period	361,317	126,261	235,056	186.17	1
Other comprehensive income - after tax	13,976	493	13,483	2,734.89	
Total comprehensive income	375,293	126,754	248,539	196.08	

The main reasons and impact analysis for significant changes exceeding 20% in the current and preceding periods, with the change amount exceeding NT$10 million, are as follows:

1.The significant change is primarily due to the improvement in the COVID-19 situation and the recovery of the economy in the 2022, leading to a significant increase in order volume. As a result, the overall consolidated sales and profits of the company in the 2022 have experienced substantial growth compared to the 2021.

2.In the 2022, there was an increase in foreign exchange gains due to the depreciation of the New Taiwan Dollar. Additionally, there was an increase in gains from the disposal of real estate, plant, and equipment.

2. Comparative Analysis of Standalone Financial Performance (Based on IFRSs)

Unit: NT$ 1,000

Item \ Year	2022	2021	Difference		Explanation
			Amount	%	
Operating revenue	$ 1,122,031	1,305,242	(183,211)	-14.04%	
Cost of sales	861,165	981,136	(119,971)	-12.23%	
Gross profit	260,866	324,106	(63,240)	-19.51%	
Operating expenses	197,532	230,153	(32,621)	-14.17%	
Income from operations	63,334	93,953	(30,619)	-32.59%	1
Non-operating income(expenses)	204,810	39,840	164,970	414.08%	2
Income before tax	268,144	133,793	134,351	100.42%	
Income tax expense	(18,909)	(22,577)	(3,668)	16.25%	
Net income of continuing business units for the period	249,235	111,216	138,019	124.10%	2
Other comprehensive income - after tax	13,782	407	13,375	3,286.24%	
Total comprehensive income	$ 263,017	111,623	151,394	135.63%	

The main reasons and impact analysis for significant changes exceeding 20% in the current and preceding periods, with the change amount exceeding NT$10 million, are as follows:

1.The significant change is primarily due to the slow clearance of inventory by the main customers, starting from September of the current period. This has resulted in a decrease in operating income compared to the same period last year, leading to a reduction in operating profit.
2.The significant change is attributable to the increase in the share of profit or loss recognized using the equity method. Additionally, there was an increase in gains from the disposal of real estate, plant, and equipment.

(2) Expected sales quantity and basis:

Based on the market development trend of our products, the development of our customer's business, the revenue results of 2022, and the operational target of 2023, the Company expects that all major countries in the world have adopted the unsealing policy and returned to everyday life. The impact brought by the epidemic has subsided. The Company expects the sales volume for 2023 will increase compared to 2022.

(3) Potential impacts on the company's future financial business and response plans:

In addition to maintaining a strong presence in existing industries, the company will actively target high-value industries such as automotive, medical, and industrial sectors. Leveraging its Front-End Design-in advantage, the company aims to seize collaboration opportunities with customers. Simultaneously, through upstream and downstream integration, the company will collaborate extensively with relevant subsidiaries to develop business related to 3C expansion bases (Docking Stations), thereby enhancing revenue and profitability. Furthermore, with a focus on maintaining reasonable profits, the company will continue to actively develop automated production methods for important related components to reduce overall production costs and improve operational profitability.

III. Cash flow

(1) Cash flow analysis for the current year:

Unit: NT$ 1,000

Cash and Cash Equivalents at the beginning of the year	Net cash inflow (outflow)	Cash and Cash Equivalents at the ending of the year
547,756	223,744	771,500

Unit: NT$ 1,000

	2022	2021	Increase (Decrease) Amount	rate of change %
Net Cash flow from Operating Activities	546,881	27,800	519,081	1,867.20%
Net Cash flow from Investing Activities	(32,816)	(558,316)	525,500	94.12%
Net Cash flow from Financing Activities	(297,441)	(39,055)	(258,386)	-661.60%

1. The increase in net cash inflows from operating activities is primarily due to the increased profitability in 2022.
2. The decrease in net cash outflows from investing activities is primarily due to the acquisition of subsidiaries in 2021.
3. The increase in net cash outflows from financing activities is mainly attributable to the borrowing of long-term loans and an increase in dividend payments in 2021.

(2) Improvement Plan for Insufficient Liquidity:

There is no cash shortage situation.

(3) Analysis of Cash Liquidity for the Next Year

1. Operating Activities: The company bases its analysis of cash liquidity for the next year on product market trends, customer business development, and the reference of the revenue performance in the 111th fiscal year. Taking into consideration the operational goals for the 2023 fiscal year and the gradual implementation of lifting lockdown measures in major countries, the impact of the pandemic has been easing, and the global economy is rapidly recovering. The company is expected to benefit from this, with an anticipated increase in overall order sales volume, leading to cash inflows.
2. Investing Activities: The company plans to purchase production and research and development equipment, among other investments.
3. Financing Activities: The company plans to repay long-term loans and distribute cash dividends.

IV. Effect of Major Capital Expenditure on Financial Business Operations:

None

V. Investment Policy of the Past Year, Profit/Loss Analysis, Improvement Plan and Investment Plan for the Coming Year:

(1) Investment Policy:

The company focuses on its core business, and the investment policy is oriented towards targets related to the core business. The relevant departments follow internal control procedures and the "Asset Acquisition or Disposal Handling Process" to execute investment activities.

(2) Main Reasons for Profit or Loss, Improvement Plan, and Future Year Investment Plan in the Recent Year's Investments:

Unit: NT$ 1,000

Investment Company	Invested Company	Shareholding Percentage (%)	Investment gains and losses recognized in 2022	Main Reason of Profit or Loss	Improvement Plan	Investment Plan for the Coming Year
Simula Technology Inc.	ASPIRE ASIA INC.	100.00%	(10,737)	The main losses were caused by Weitong Technology (Shenzhen) Co., Ltd. and Wuxi Opti Cloud Technologies, Inc.	Weitong Technology (Shenzhen) Co., Ltd. Weitong Technology (Shenzhen) Co., Ltd. Increase orders and save expenses.	Depending on actual operating conditions.
Simula Technology Inc.	Simula Technoloby Corp.	100.00%	8,087	—	—	
Simula Technology Inc.	Simula Company Limited	52.31%	(8,710)	The main losses were caused by Weitong Technology (Shenzhen) Co., Ltd.	Weitong Technology (Shenzhen) Co., Ltd. Increase orders and save expenses.	
Simula Technology Inc.	Action Star Technology Co., Ltd.	59.35%	167,733	Increased customer demand.	—	
ASPIRE ASIA INC.	Simula Company Limited	47.69%	(7,939)	The main losses were caused by Weitong Technology (Shenzhen) Co., Ltd.	Weitong Technology (Shenzhen) Co., Ltd. Increase orders and save expenses.	
ASPIRE ASIA INC.	ASPIRE ELECTRONICS Corp.	95.10%	(2,952)	The main losses were caused by Wuxi Opti Cloud Technologies, Inc.	Wuxi Opti Cloud Technologies, Inc. save expenses.	
Simula Company Limited	Simula Technology (ShenZhen) Co., Ltd.	100.00%	(17,462)	Customer demand is reduced.	Increases orders and save expenses.	
ASPIRE ELECTRONICS Corp.	Opti Cloud Technologies, Inc.	53.82%	(3,104)	—	saved expenses.	

VI.Risk Factors to be Analyzed and Evaluated as of the Printing Date of the Recent Annual Report

(1) Impact of Interest Rate, Exchange Rate Fluctuations, and Inflation on Company's Profit and Loss, and Future Measures to Address them:

The following is a summary of the company's interest income, expenses, and foreign exchange gains/losses as a percentage of the company's operating income for the fiscal year 2022 and the first quarter of 2023.

Unit: NT$ thousands

Items	Year 2022	First Quarter of Year 2023
Interest Income	1,739	357
Interest Expense on Bank Borrowings	5,721	1,340
Net Operating Revenue	4,231,024	752,787
Interest Income/Net Operating Revenue	0.04%	0.05%
Interest Expense/Net Operating Revenue	0.14%	0.18%

Items	Year 2022	First Quarter of Year 2023
Foreign Exchange (Gain) Loss	20,196	2,434
Net Operating Revenue	4,231,024	752,787
Foreign Exchange Gain/Loss/Net Operating Revenue	0.48%	0.32%

Explanation:

1. Interest Rate Risk:

(1) Impact of Interest Rate Fluctuations on the Company's Revenue and Profit:

For the current fiscal year, the majority of the company's operating funds are sourced from internal funds. As of the printing date of the annual report, bank interest expenses accounted for only 0.18% of operating income. Additionally, due to the abundant liquidity in the banking system and the current low-interest-rate environment, the borrowing costs remain relatively low. Therefore, the impact of interest rate fluctuations on the company's profitability for the fiscal year 2022 was minimal.

(2) Future Mitigation Measures:

In managing the company's working capital, apart from strengthening accounts receivable management to ensure a smooth cash flow, the company maintains close relationships with banks and expands credit lines. The company continuously monitors interest rate fluctuations to effectively manage interest costs associated with operations.

2. Exchange Rate Risk:

(1) Impact of Exchange Rate Fluctuations on the Company's Revenue and Profit:

As the company primarily engages in export activities, fluctuations and trends in exchange rates have a significant impact on its annual earnings. To mitigate the adverse effects on the company's operations, the company employs foreign exchange hedging strategies to minimize the risk.

(2) Future Mitigation Measures:

A. Collect relevant information on exchange rate fluctuations, closely monitor trends and changes, and maintain close communication with banks to develop timely countermeasures against potential risks.

B. Maintain a necessary level of foreign currency on the books, and convert excess foreign currencies into New Taiwan Dollars in a timely manner to reduce exchange rate risk.

C. Strengthen relationships with domestic suppliers and, depending on exchange rate trends, consider paying invoices in New Taiwan Dollars or foreign currencies to reduce exchange rate risk.

D. Implement timely hedging measures, such as pre-selling forward contracts for confirmed sales orders.

E. Consider price adjustments in quotations to account for the impact of exchange rate fluctuations and ensure appropriate profit margins.

3. Inflation:

(1) Impact of Inflation on the Company's Revenue and Profit: The company's performance and profitability have not been significantly affected by inflation.

(2) Future Mitigation Measures: Monitor the price changes of upstream raw materials and key components to minimize the impact of cost fluctuations on the company.

(2) Policies, Profit or Loss, and Future Measures Regarding High-Risk, High-Leverage Investments, Fund Lending, Endorsement Guarantees, and Derivative Transactions:

1. High-Risk Investments: The company has not engaged in high-risk investments.

2. High-Leverage Investments: The company has not engaged in high-leverage investments.

3. Fund Lending: The company has not engaged in fund lending. The company has established "Operating Procedures for Fund Lending and Endorsement Guarantees," and any future transaction requirements will be processed in accordance with relevant management regulations and legal provisions

4. Endorsement Guarantees: The company has not provided endorsement guarantees. The company has established "Operating Procedures for Fund Lending and Endorsement Guarantees," and any future transaction requirements will be processed in accordance with relevant management regulations and legal provisions

5. Derivative Transactions: With the aim of risk mitigation, most gains or losses generated from forward foreign exchange transactions can be offset against gains or losses resulting from the revaluation of foreign currency assets on the balance sheet. In the future, the company will periodically evaluate and adjust hedging strategies based on its operational status and market trends

(3) Future R&D Plans and Estimated R&D Expenditure

In response to the growing demand for data transmission and high-speed digital applications, the company's future R&D plans will focus on high-speed communication, automotive electronics, and electronic module design technology. By strengthening cooperation with domestic and international customers, as well as collaborating with academic research institutions to establish a foundation of technical expertise, the company aims to enhance its R&D capabilities and strengthen its technological competitiveness.

A. High-Speed Communication Technology and Testing Capability

With the integration of the USB Type-C connector interface and the increasing need for high-speed data transmission and high-speed digital applications, the quality and stability of ultra-high-speed transmission become crucial. Traditional connector and cable industries have primarily focused on mechanical design and process automation, relying on experience or third-party laboratories for high-frequency phenomena simulation and testing. As frequencies continue to rise and high-frequency phenomena become more complex, relying solely on experience and third-party laboratories is no longer sufficient. It requires the implementation of comprehensive high-frequency testing capabilities and deep expertise to interpret results, thereby truly improving products and enhancing test reliability and accuracy. Customers will rely heavily on such professional and reliable suppliers. The company's existing focus on high-frequency connector design, automated production, and CAE analysis simulation allows it to expand into a broader high-speed communication field.

B. Automotive Electronics Technology

With the widespread adoption of advanced driver-assistance systems and the development of electric vehicles, various applications are rapidly incorporated into in-vehicle devices, such as Type-C, Circular Conn., and Fakra connectors. Achieving these requirements is closely related to high-speed technology and customization capabilities. The company possesses sufficient capabilities and customization experience in high-frequency, electronic, mechanical, and system integration to meet the demands of automotive electronics.

C. Electronic Module Design Technology

Electronic module design is typically a highly experiential technology. Connector and cable manufacturers usually do not establish complete electronic product design processes or modularize their electronic designs. In response to the current risks of increased electronic component costs and material shortages, the company incorporates material selection as an important design criterion in the early stages of product development. It utilizes modular design to avoid unnecessary risks and waste caused by "increased costs and lead times." Through cooperation with research institutions and academic units, the company gradually establishes a foundation of electronic module analysis capabilities to strengthen its grasp of material characteristics and improve quality stability.

D. Reliability Testing and Verification Capability

With the company's product diversification and wide range of application areas, there is a need for a certain level of testing and verification capabilities. In addition to the existing complete reliability laboratory, the company actively cultivates cooperation and synergy with third-party laboratories to expand the breadth and depth of testing and verification. It also actively plans for laboratory equipment and capability upgrades to ensure product reliability and stability.

Estimated R&D Expenditure

The estimated R&D expenditure for the year 2023 is approximately 45 million, including relevant R&D instruments and equipment.

(4) Impact of Important Domestic and International Policies and Legal Changes on the Company's Financial Operations and Response Measures

The company has always operated conservatively, respecting the rule of law, promoting integrity and transparency, and protecting shareholders' rights and interests. It actively implements corporate governance and approaches recent significant domestic and international policy and legal changes with cautious optimism. It coordinates with policy and legal changes, evaluates the strategic conditions of the company's operations, and formulates appropriate financial and business policies. In the past year, there have been no significant impacts on the company's financial operations due to important domestic and international policy and legal changes.

(5) Impact of Technological Changes and Industry Transformations on the Company's Financial Operations and Response Measures

The company constantly monitors technological changes relevant to its industry and assigns personnel to assess and study the impact of these changes on the company's future development and financial operations, as well as the necessary response measures. In the past year, there have been no significant technological changes that have had a major impact on the company's financial operations.

(6) Impact of Corporate Image Changes on Crisis Management and Response Measures

Since its establishment, the company has focused on its core business, committed to enhancing its overall competitiveness, and pursuing sustainable operation. It does not tolerate any behavior that violates the principles of integrity or the core values of the company. As of now, there have been no incidents that have significantly affected the corporate image.

(7) Expected Benefits, Potential Risks, and Response Measures for Mergers and Acquisitions：The company has no plans for any mergers or acquisitions.

(8) Expected Benefits, Potential Risks, and Response Measures for Factory Expansion: There are no such circumstances.

(9) Risks Faced and Response Measures for Concentration of Procurement or Sales:

The company adjusts its product sales based on the operational status of its customers. Considering the company's and the industry's growth trends, it will timely adjust its sales targets to maintain balanced and stable operational results.

(10) Impact and Risk Response Measures of Significant Transfer or Replacement of Directors, Supervisors, or Shareholders with Ownership Exceeding 10%

There have been no significant transfers or replacements of share ownership among the directors, supervisors, or major shareholders of the company

(11) Impact and measures for changes in the company's management

There has been no significant change in the company's board of directors or management team.

(12) Litigation or non-litigation events

1. The company has no pending or settled litigation, non-litigation, or administrative disputes within the past two years and up to the date of the annual report that may have a significant impact on shareholder equity or security prices

2. The company's directors, supervisors, general manager, substantial shareholders holding more than 10% of the shares, and subsidiaries have no pending or settled litigation, non-litigation, or administrative disputes within the past two years and up to the date of the annual report that may have a significant impact on shareholder equity or security prices.

(13) Organizational structure for risk management

The company's risk management focuses on the risk management system of corporate governance and risk transfer planning, including strategic, financial, operational, and hazard risks, which are managed by the Risk Management Committee. The company clearly defines its risk management vision and policies, effectively manages risks beyond its risk tolerance, and uses risk management tools to optimize the total cost of risk management

1. Risk management vision

   A. Commitment to providing products and services to create long-term value for customers, shareholders, employees, and society.

   B. Risk management requires a systematic organizational and risk management operational procedure, timely and effective identification, evaluation, processing, reporting, and monitoring of significant risks that may affect the company's survival, and strengthening all employees' risk awareness.

   C. Risk management does not pursue "zero" risk but seeks to maximize benefits within acceptable risk levels to optimize the cost of risk management.

2. Risk management policy

   A. To ensure the company's sustainable operation, the Risk Management Committee should regularly identify, evaluate, process, report, and monitor risks that may have a negative impact on the company's operational objectives

   B. Risks should be identified and controlled before accidents occur, losses should be reduced when accidents occur, and the provision of products and services should be quickly restored after accidents. For significant risk situations recognized by the Risk Management Committee, operational continuity plans should be established

   C. For risks that do not exceed the risk tolerance level, the cost of risk management may be considered, and different management tools may be used to process risks. However, the following situations are not limited to this

- Negative impact on employees' safety.
- Violation of legal regulations.
- Having a negative impact on the company's reputation.

3. Organization and Structure of the Risk Management Committee

The Risk Management Committee is chaired by the General Manager, with the Head of Management Department serving as the Secretary-General. The heads of each department at the first-level units of the company serve as committee members, and meetings are held quarterly.

(14) Other significant risks and corresponding measures.

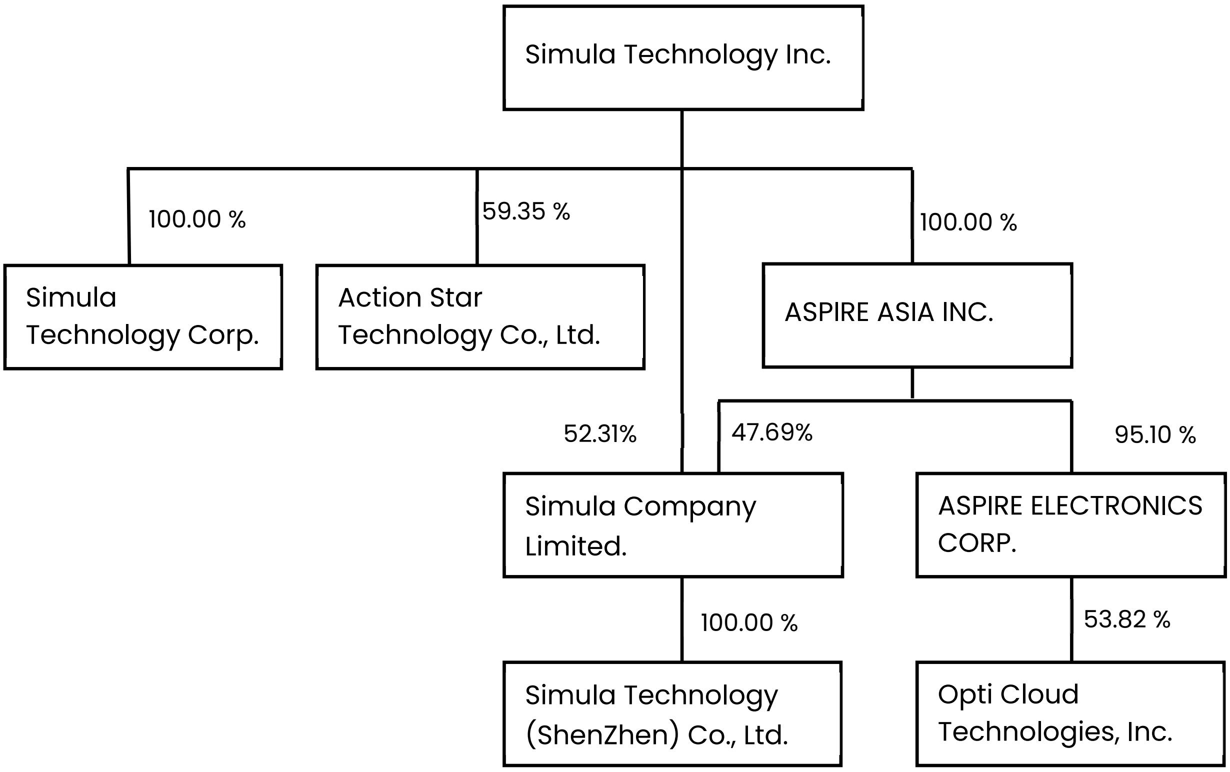
VII. Other significant matters: None.

VIII. Special Notes

I.Summary of Affiliates Companies

(1) Affiliates

1. Affiliated Organization Chart (as of 2022/12/31)



2. Relationship with affiliated companies, mutual shareholding ratio, shares and actual investment amount

As of December 31, 2022; Unit: NT$ 1,000; thousand shares

Investment Company	Invested Company	Relationship with the Company	Holding Shares of the Company			Investment Company Holds Shares		
			Number of Shares (Thousand shares)	Equity Ratio (%)	Investment Amount	Number of Shares (Thousand shares)	Equity Ratio (%)	Investment Amount
Simula Technology Inc.	ASPIRE ASIA INC.	Subsidiary	-	-	-	9,403	100.00	286,764
Simula Technology Inc.	Simula Technology Corp.	Subsidiary	-	-	-	500	100.00	15,699
Simula Technology Inc.	Simula Company Limited	Subsidiary	-	-	-	50,500	52.31	187,625
Simula Technology Inc.	Action Star Technology Co., Ltd.	Subsidiary	-	-	-	32,001	59.35	983,858
ASPIRE ASIA INC.	Simula Company Limited	Sub-subsidiary	-	-	-	46,033	47.69	181,726

Investment Company	Invested Company	Relationship with the Company	Holding Shares of the Company			Investment Company Holds Shares		
			Number of Shares (Thousand shares)	Equity Ratio (%)	Investment Amount	Number of Shares (Thousand shares)	Equity Ratio (%)	Investment Amount
ASPIRE ASIA INC.	ASPIRE ELECTRONICS CORP.	Sub-subsidiary	-	-	-	2,188	95.10	95,099
Simula Company Limited	Simula Technology (ShenZhen) Co., Ltd.	Sub-sub-subsidiary	-	-	-	Note	100.00	191,437
ASPIRE ELECTRONICS CORP.	Opti Cloud Technologies, Inc.	Sub-sub-subsidiary	-	-	-	Note	53.82	112,985

Note: It is a limited company, so there is no number of shares

3. Background Information of the Affiliated Companies

Unit: NT$ thousand

Name of Business	Date of Incorporation	Address	Paid-in Capital	Main Activities
ASPIRE ASIA INC.	2003.12	OMC Chambers, P.O. Box 3152, Road Town, Tortola, British Virgin Island	286,764 (US9,403 thousand)	Investment Business
Simula Technology CORP.	2013.11	43951 Boscell Road, Fremont CA 94538 US	15,699 (US500 thousand)	Sales in North America
Simula Company Limited	1999.08	Room 1705-6,17/F, President Commercial Centre,608Nathan Road, Mong Kok, Kowloon	369,351 (HKD96,533 thousand)	Investment Business
Action Star Technology Co., Ltd.	2013.03.15	10F., No. 155, Sec. 2, Datong Rd., Xizhi Dist., New Taipei City, Taiwan (R.O.C.)	539,210	Manufacturing of Computer and Peripheral Equipment Manufacturing
ASPIRE ELECTRONICS CORP.	2010.03.15	Offshore Chambers, P.O. Box 217, Apia, Samoa.	74,241 (US2,188 thousand)	Investment Business
Simula Technology (ShenZhen) Co., Ltd.	2012.08.07	No. 1, Building AB, Laotaikeng Industrial Zone, Baolong 6th Road, Tongle Community, Longgang Street, Longgang District, Shenzhen, Guangdong, China	191,437 (HKD49,500 thousand)	Manufacturing of Electronic Connectors, Sockets, Plastic Hardware, Power Sockets
Opti Cloud Technologies, Inc.	2012.07.09	Building 55, Huigu Pioneering Park, No. 35 Xingzhi Road, Huishan Economic Development Zone, Wuxi City, Jiangsu Province, China	137,336 (US4,274 thousand)	Research and development of high-speed optical transmission cable and module technology

4. Directors and Presidents of the Affiliated Companies

Unit: NT$ thousand: Shares; %

Name of Business	Job Title	Name or Representative	Shareholding	
			Shares (Investment Amount)	Investment Shareholding (%)
ASPIRE ASIA INC.	Director	Hu, Jo-Yao	-	-
Simula Technology CORP.	Director	Hu, Jo-Yao	-	-
Action Star Technology Co., Ltd.	Chairman	Huang, Han-Chou	-	-
	President	Yu, Ta-Hsiang	-	-
Simula Company Limited	Director	Hu, Jo-Yao	-	-
ASPIRE ELECTRONICS CORP.	Director	Hu, Jo-Yao	-	-
Simula Technology (ShenZhen) Co., Ltd.	Director	Hu, Jo-Yao		
	President	Hu, Jo-Yao		
Opti Cloud Technologies, Inc.	Director	Liu, Ding-Yu	-	6.1 %
	President	Liu, Ding-Yu		7.3%

5. Operating Condition of the Affiliated Companies

The financial status and operating results of each affiliated company in 2022:

Unit: NT$ thousand

Name of Companies	Aspire Asia Inc.	Simula Technology Corp.	Simula Company Limited	Action Star Technology Co., Ltd.	Aspire Electronics Corp.	Simula Technology (ShenZhen) Co., Ltd.	Opti Cloud Technologies, Inc.
Capital Amount	286,764	15,699	369,350	539,210	74,241	191,437	137,336
Total Assets (Note1)	142,868	52,519	325,575	1,866,585	12,756	394,070	23,740
Total Liabilities (Note1)	-	10,342	51,570	606,282	1	212,812	50
Net assets (Note1)	142,868	42,177	274,005	1,260,303	12,755	181,258	23,690
Operations Revenue	-	178,907	384,386	2,962,599	-	833,428	-
Operations Profit	-	10,822	236	401,015	-	(21,198)	(3,471)
Net Profit After Tax	(10,891)	8,087	(16,649)	333,344	(3,104)	(17,462)	(5,767)

Note 1: Converted to NTD at the exchange rate of the balance sheet on December 31, 2022.

2. Consolidated Financial Statements of Affiliates

It is same as the Consolidated Financial Rreport of the parent company.

3. Relations Report: Not applicable

II. From 2022 up to the publication date of the annual report, private placement of marketable securities: None

III.Holding or disposal of shares in the Company by the Company's subsidiaries during the most recent year (2022) or during the current year up to the date of publication of the annual report: None

IV.Other Supplementary Information: None.

IX. Any of the situations listed in Article 36, Paragraph 3, Subparagraph 2 of the Securities and Exchange Act, which might materially affect shareholder equity or the price of the Company's securities, which has occurred during 2022 or during the current year up to the date of publication of the annual report:.

N/A

Appendix 1

Consolidated Financial Statements with Independent Auditors' Report of the most recent year

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

MANAGEMENT REPRESENTATION LETTER

The entities that are required to be included in the combined financial statements of Simula Technology Inc. as of December 31, 2022 and for the year then ended under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard No. 10, “Consolidated Financial Statements.” In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Simula Technology Inc. and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

Simula Technology Inc.

By

Huang, Han-Zhou

Chairman

February 21, 2023

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

INDEPENDENT AUDITORS' REPORT

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

Opinion

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of December 31, 2022 and 2021, and its consolidated financial performance and cash flows for the years then ended, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2022 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

We determine that revenue recognition is one of the key audit matters. The Company's consolidated revenue amounting to NT$4,231,024 thousand for the year ended December 31, 2022 is a significant account to the Company's consolidated financial statements. The Company has conducted these sale activities in multi-marketplace, including Taiwan, China, USA, etc. Furthermore, the timing of fulfilling performance obligation needs to be determined based on varieties of sale terms and conditions enacted in the main sale contracts or sale orders. Our audit procedures therefore include, but not limit to, evaluating the properness of accounting policy for revenue recognition, assessing and testing the effectiveness of relevant internal controls related to revenue recognition, sampling-test of details, including obtaining major sale orders or agreements to inspect the terms and conditions, checking the consistency of the fulfillment timing, performing analytical review procedures on monthly sale revenues, executing sale cut-off tests, etc. We have also evaluated the appropriateness of the related disclosure in Note 6 to the consolidated financial statements.

Market valuation on inventory

We determined the market valuation on inventory is one of the key audit matters in considering that the amount of inventory was significant and the assessment of sufficiency of inventory loss requires significant management judgement. The Group's net inventory amounted to NT$551,688 thousand as of December 31, 2022. The Group's main products are characterized by rapid development in technology and the trend of consumers' preference. Management, in timely considering the status of new products development and the demand from clients, has to evaluate the loss due to market value decline as well as write-down on slow-moving inventories to their net realizable value. Our audit procedures therefore include, but not limit to, evaluating the Company's policy with respect to the assessment of the loss from slow-moving inventory and phased-out items, testing the accuracy of inventory aging schedule, analyzing inventory movement, performing observation on the Company's inventory physical-taking, and inspecting the current status of inventory usage, etc. We also assessed the adequacy of the inventory-related disclosures shown in the Notes 5 and 6 to the consolidated financial statements.

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

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

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

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

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

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

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

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

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern of the Company. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the accompanying notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

We have audited and expressed an unqualified opinion on the parent-company-only financial statements of the Company as of and for the years then ended December 31, 2022 and 2021.

/s/Chen, Kuo-Shuai

/s/Hong, Mao-Yi

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

<u>*Notice to Readers*</u>

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

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Simula Technology Inc.

Consolidated Balance Sheets

As of December 31, 2022 and 2021

(Amounts Expressed in Thousands of New Taiwan Dollars)

Assets			2022.12.31		2021.12.31	
Code	Accounts	Notes	Amount	%	Amount	%
	Current assets					
1100	Cash and cash equivalents	4, 6(1)	$771,500	21.74	$547,756	15.32
1110	Financial assets at fair value through profit or loss	4, 6(2)	4,591	0.13	2,053	0.06
1136	Financial assets carried at amortized cost	8	4,877	0.14	4,796	0.13
1170	Accounts receivable, net	4, 6(3), 6(17)	849,641	23.94	791,997	22.15
1180	Accounts receivable - related parties, net	4, 6(3), 6(17), 7	11,321	0.32	27,099	0.76
1200	Other receivables		18,513	0.52	27,407	0.77
1210	Other receivables - related parties	7	-	-	346	0.01
1220	Current income tax assets		415	0.01	-	-
130x	Inventories	4, 6(4)	551,688	15.55	707,657	19.79
1410	Prepayments		14,137	0.40	27,021	0.75
1470	Other current assets		486	0.01	1,703	0.05
11XX	Total current assets		2,227,169	62.76	2,137,835	59.79
	Non-current assets					
1517	Financial assets at fair value through OCI	4, 6(5)	3,858	0.11	4,880	0.14
1550	Investment accounted for under equity method	4, 6(6)	-	-	947	0.03
1600	Property, plant and equipment, net	4, 6(7), 7, 8	768,468	21.66	831,911	23.27
1755	Right-of-use assets	4, 6(18), 7	30,443	0.86	54,624	1.53
1780	Intangible assets	4, 6(8), 6(9)	479,988	13.53	521,939	14.60
1840	Deferred income tax assets	4, 6(22)	15,530	0.44	12,071	0.33
1915	Prepayment for equipment		21,847	0.62	8,503	0.24
1920	Refundable deposits		1,237	0.02	2,692	0.07
1990	Other Non-current assets		7	-	74	-
15XX	Total non-current assets		1,321,378	37.24	1,437,641	40.21
1XXX	Total Assets		$3,548,547	100.00	$3,575,476	100.00

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Simula Technology Inc.

Consolidated Balance Sheets-(Continued)

As of December 31, 2022 and 2021

(Amounts Expressed in Thousands of New Taiwan Dollars)

Liabilities and Equity			2022.12.31		2021.12.31	
Code	Accounts	Notes	Amount	%	Amount	%
	Current liabilities					
2100	Short-term loans	6(10)	$-	-	$106,880	2.99
2120	Financial liabilities at fair value through profit or loss	4, 6(11)	1,110	0.03	77	-
2130	Contract liability	4, 6(16)	8,875	0.25	19,708	0.55
2170	Accounts payable		381,442	10.75	552,712	15.46
2180	Accounts payable - related parties	7	-	-	698	0.02
2200	Other payables	6(12)	246,766	6.95	239,112	6.69
2220	Other payables - related parties	7	779	0.02	1,775	0.05
2230	Current income tax liabilities	4, 6(22)	109,609	3.09	55,424	1.54
2281	Lease liabilities	4, 6(18)	20,580	0.58	22,574	0.63
2282	Lease liabilities - related parties	4, 6(18), 7	-	-	2,280	0.06
2320	Long-term liabilities, current portion	6(13), 8	51,340	1.45	51,340	1.44
2399	Other current liabilities		21,567	0.61	987	0.03
21XX	Total current liabilities		842,068	23.73	1,053,567	29.46
	Non-current liabilities					
2540	Long-term loans	6(13), 8	198,556	5.60	249,896	6.99
2570	Deferred income tax liabilities	4, 6(22)	1,312	0.04	1,032	0.03
2581	Lease liabilities	4, 6(18)	10,948	0.31	30,676	0.86
2640	Net defined benefit liability	4, 6(14)	2,938	0.08	10,020	0.28
25XX	Total non-current liabilities		213,754	6.03	291,624	8.16
2XXX	Total liabilities		1,055,822	29.76	1,345,191	37.62
31xx	Equity					
3100	Capital	6(15)				
3110	Common stock		799,729	22.54	799,729	22.37
3200	Capital surplus	6(15)	551,718	15.55	551,718	15.43
3300	Retained earnings	6(15)				
3310	Legal reserve		93,144	2.62	82,080	2.29
3320	Special reserve		27,425	0.77	26,375	0.74
3350	Unappropriated earnings		297,334	8.38	143,948	4.03
	Total retained earnings		417,903	11.77	252,403	7.06
3400	Other components of equity		(9,881)	(0.28)	(27,425)	(0.77)
36xx	Non-controlling interests	6(15), 6(25)	733,256	20.66	653,860	18.29
3XXX	Total equity		2,492,725	70.24	2,230,285	62.38
	Total liabilities and equity		$3,548,547	100.00	$3,575,476	100.00

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Simula Technology Inc.

Consolidated Statements of Comprehensive Income

For the Years Ended December 31, 2022 and 2021

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

Code	Accounts	Notes	2022 Amount	2022 %	2021 Amount	2021 %
4000	Operating revenues	4, 6(16), 7	$4,231,024	100.00	$3,068,487	100.00
5000	Operating costs	6(4), 7	(3,317,423)	(78.41)	(2,425,000)	(79.03)
5900	Gross profit		913,601	21.59	643,487	20.97
6000	Operating expenses	7				
6100	Sales and marketing		(136,201)	(3.22)	(142,921)	(4.66)
6200	General and administrative		(240,288)	(5.68)	(233,232)	(7.60)
6300	Research and development		(104,912)	(2.48)	(81,157)	(2.64)
6450	Expected credit gains (losses)	4, 6(17)	(573)	(0.01)	1,035	0.03
	Total operating expenses		(481,974)	(11.39)	(456,275)	(14.87)
6900	Operating income		431,627	10.20	187,212	6.10
7000	Non-operating income and expenses	6(20), 7				
7100	Interest income		1,739	0.04	1,293	0.04
7010	Other income		9,455	0.22	5,380	0.17
7020	Other gains and losses		29,789	0.71	(13,206)	(0.43)
7050	Finance costs		(5,721)	(0.14)	(3,781)	(0.12)
7060	Share of the profit or loss of associates and joint ventures	4, 6(6)	(947)	(0.02)	(2,290)	(0.07)
	Total non-operating income and expenses		34,315	0.81	(12,604)	(0.41)
7900	Income before income tax		465,942	11.01	174,608	5.69
7950	Income tax expense	4, 6(22)	(104,625)	(2.47)	(48,347)	(1.58)
8200	Net income		361,317	8.54	126,261	4.11
8300	Other comprehensive income (loss)	6(21)				
8310	Items that not be reclassified subsequently to profit or loss					
8311	Actuarial gain (loss) on defined benefit plans		7,096	0.17	(573)	(0.02)
8316	Unrealized gain (losses) on valuation of financial assets at fair value through other		(1,022)	(0.03)	-	-
8360	Items that may be reclassified subsequently to profit or loss					
8361	Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures		7,902	0.19	1,066	0.04
	Total other comprehensive income, net of tax		13,976	0.33	493	0.02
8500	Total comprehensive income		$375,293	8.87	$126,754	4.13
8600	Net income attributable to:					
8610	Shareholders of the parent		$249,235	5.89	$111,216	3.62
8620	Non-controlling interests		112,082	2.65	15,045	0.49
			$361,317	8.54	$126,261	4.11
8700	Comprehensive income attributable to:					
8710	Shareholders of the parent		$263,017	6.22	$111,623	3.64
8720	Non-controlling interests		112,276	2.65	15,131	0.49
			$375,293	8.87	$126,754	4.13
9710	Earnings per share-basic (in NTD)	6(23)	$3.12		$1.39	
9850	Earnings per share-diluted (in NTD)		$3.09		$1.39	

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Simula Technology Inc.

Parent-Company-Only Statements of Changes in Equity

For the Years Ended December 31, 2022 and 2021

(Amounts Expressed in Thousands of New Taiwan Dollars)

				Retained Earnings			Other Components of equity				
		Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange differences arising on translation of foreign operations	Unrealized gain (losses) from financial assets measured at fair value through other comprehensive income	Total	Non-controlling Interests	Total Equity
Code	Items	3100	3200	3310	3320	3350	3410	3420	31xx	36xx	3xxx
A1	Balance as of January 1, 2021	$799,729	$570,361	$76,158	$26,375	$59,220	$(14,537)	$(13,868)	$1,503,438	$16,226	$1,519,664
	Appropriation and distribution of 2020 earnings										
B1	Legal reserve appropriated			5,922		(5,922)			-		-
B5	Cash dividends - common shares					(19,993)			(19,993)		(19,993)
	Other changes in capital surplus										
C7	Changes in equity of associates and joint ventures accounted for using equity method		1,350						1,350		1,350
C15	Cash dividends distributed from capital surplus		(19,993)						(19,993)		(19,993)
D1	Net income for 2021					111,216			111,216	15,045	126,261
D3	Other comprehensive income (loss) for 2021					(573)	980		407	86	493
D5	Total comprehensive income (loss)	-	-	-	-	110,643	980	-	111,623	15,131	126,754
O1	Non-controlling interests increase (decrease)									622,503	622,503
Z1	Balance as of December 31, 2021	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			11,064		(11,064)			-		-
B3	Special reserve				1,050	(1,050)			-		-
B5	Cash dividends - common shares					(79,973)			(79,973)		(79,973)
D1	Net income for 2022					249,235			249,235	112,082	361,317
D3	Other comprehensive income (loss) for 2022					7,096	7,708	(1,022)	13,782	194	13,976
D5	Total comprehensive income (loss)	-	-	-	-	256,331	7,708	(1,022)	263,017	112,276	375,293
O1	Non-controlling interests increase (decrease)									(32,880)	(32,880)
Q1	Disposal of equity instruments at fair value through other comprehensive income					(10,858)		10,858	-		-
Z1	Balance as of December 31, 2022	$799,729	$551,718	$93,144	$27,425	$297,334	$(5,849)	$(4,032)	$1,759,469	$733,256	$2,492,725

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Simula Technology Inc.

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2022 and 2021

(Amounts Expressed in Thousands of New Taiwan Dollars)

Code	Items	2022	2021
AAAA	Cash flows from operating activities:		
A00010	Profit before tax	$465,942	$174,608
A20000	Adjustments:		
A20010	Profit or loss not effecting cash flows:		
A20100	Depreciation (including right-of-use assets)	122,336	107,304
A20200	Amortization	44,137	32,258
A20300	Expected credit losses (gain on recovery)	573	(1,035)
A20400	Net loss (gain) of financial assets (liabilities) at fair value through profit or loss	(1,500)	1,007
A20900	Interest expense	5,721	3,781
A21200	Interest income	(1,739)	(1,293)
A22300	Share of profit or loss of subsidiaries, associates and joint ventures	947	2,290
A22500	Loss (gain) on disposal of property, plant and equipment	(16,372)	(5)
A22600	Property, plant and equipment transferred to expense	-	1,913
A23700	Impairment loss on non-financial assets	6,322	-
A29900	Loss (gain) on lease modification	(49)	40
A30000	Changes in operating assets and liabilities:		
A31130	Notes receivable	-	6
A31150	Accounts receivable	(58,217)	(218,573)
A31160	Accounts receivable - related parties	15,778	(26,340)
A31180	Other receivables	8,894	(13,825)
A31190	Other receivables - related parties	346	(184)
A31200	Inventories	155,969	(130,011)
A31220	Prepayments	12,884	5,389
A31240	Other current assets	1,217	5,561
A32125	Contract liabilities	(10,833)	508
A32130	Notes payable	-	(54,221)
A32150	Accounts payable	(171,270)	137,332
A32160	Accounts payable - related parties	(698)	(4,656)
A32180	Other payables	3,748	59,050
A32190	Other payables - related parties	(996)	678
A32230	Other current liabilities	20,580	(1,855)
A32240	Net defined benefit liability	14	549
A33000	Cash generated from (used in) operations	603,734	80,276
A33100	Interest received	1,739	1,293
A33300	Interest paid	(4,558)	(3,197)
A33500	Income tax paid	(54,034)	(50,572)
AAAA	Net cash provided by (used in) operating activities	546,881	27,800

Code	Items	2022	2021
BBBB	Cash flows from investing activities:		
B00040	Decrease (increase) in financial assets measured at amortized cost	(14)	-
B00050	Disposal of financial assets measured at amortized cost	-	220,416
B02200	Proceeds from capital return of investments accounted for using the equity method	-	(720,745)
B02700	Acquisition of property, plant and equipment	(54,736)	(56,148)
B02800	Proceeds from disposal of property, plant and equipment	22,495	248
B03700	Decrease (increase) in refundable deposits	1,542	(74)
B04500	Acquisition of intangible assets	(2,170)	(2,081)
B06800	Decrease in other non-current assets	67	68
BBBB	Net cash provided by (used in) investing activities	(32,816)	(558,316)
CCCC	Cash flows from financing activities:		
C00200	Decrease in short-term loans	(107,803)	(164,740)
C01600	Increase in long-term borrowings	-	181,496
C01700	Repayment of long-term loans	(51,340)	-
C03100	Decrease in deposits received	-	(272)
C04020	Payments of lease liabilities	(25,445)	(15,553)
C04500	Cash dividends	(112,853)	(39,986)
CCCC	Net cash provided by (used in) financing activities	(297,441)	(39,055)
DDDD	Effect of exchange rate changes on cash and cash equivalents	7,120	(2,215)
EEEE	Net Increase (decrease) in cash and cash equivalents	223,744	(571,786)
E00100	Cash and cash equivalents at beginning of period	547,756	1,119,542
E00200	Cash and cash equivalents at end of period	$771,500	$547,756

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

1. HISTORY AND ORGANIZATION

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

2. DATE AND PROCEDURE OF AUTHORIZATION FOR FINANCIAL STATEMENTS ISSUANCE

The consolidated financial statements of the Company and its subsidiaries ("the Group") were authorized to be issued in accordance with a resolution of the Board of Directors'meeting held on February 21, 2023.

3. NEWLY ISSUED OR REVISED STANDARDS AND INTERPRETATIONS

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

The 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, 2022. The new standards and amendments had no material impact on the Group.

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

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

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

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

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

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

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

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

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

(3)Standards or interpretations issued, revised or amended, by IASB which are not endorsed by FSC, and not yet adopted by the Group as at the end of the reporting period are listed below.

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

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

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

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

(B) IFRS 17 “Insurance Contracts”

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

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

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

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of compliance

The consolidated financial statements of the Group for the years ended December 31, 2022 and 2021 were prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations") and International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by the FSC.

(2) Basis of preparation

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

(3) Basis of consolidation

Preparation principle of consolidated financial statements

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

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

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

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

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

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

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

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

If the Company loses control of a subsidiary, it:

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

The consolidated entities are listed as follows:

			Percentage of Ownership (%), As of December 31,	
Investor	Subsidiary	Main business	2022	2021
The Company	ASPIRE ASIA INC.	Investing activities	100.00%	100.00%
The Company	Simula Technology CORP.	Sells in Northern America	100.00%	100.00%
The Company	Simula Company Limited	Investing activities	52.31%	52.31%
The Company	Action Star Technology Co., Ltd.	R&D & development manufacture and sale of USB docking station product	59.35%	59.35%
ASPIRE ASIA INC.	Simula Company Limited	Investing activities	47.69%	47.69%
ASPIRE ASIA INC.	ASPIRE ELECTRONICS CORP.	Investing activities	95.10%	95.10%

			Percentage of Ownership (%), As of December 31,	
Investor	Subsidiary	Main business	2022	2021
ASPIRE ELECTRONICS CORP.	Opti Cloud Technologies, Inc.	Development of High-speed optical transmission cable and module product technology	53.82%	53.82%
Simula Company Limited	Simula Technology (ShenZhen) Co., LTD	Manufacture of electronic connector, socket and plastic hardware	100.00%	100.00%

(4) Foreign currency transactions

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

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction. At the reporting date, monetary items denominated in foreign currencies are retranslated at the prevailing functional currency closing rate of exchange; non-monetary items measured at fair value in a foreign currency are retranslated using the exchange rates at the date when the fair value is determined; and non-monetary items measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising from the settlement or translation of monetary items are taken to profit or loss in the period in which they arise, except for the following:

(a) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.

(b) Foreign currency items within the scope of IFRS 9 Financial Instruments are accounted for based on the accounting policy for financial instruments.

(c) Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

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

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

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

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

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

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

An asset is classified as current when:

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

All other assets are classified as non-current.

A liability is classified as current when:

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

All other liabilities are classified as non-current.

(7) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value (including fixed-term deposits that have maturities equal to or less than three months from the date of acquisition).

(8) Financial instruments

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

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

(A) Financial assets: Recognition and Measurement

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

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

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

Financial assets measured at amortized cost

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

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

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

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

(a) Purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.

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

Financial asset measured at fair value through other comprehensive income

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

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

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

(a) A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.

(b) When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.

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

(i) Purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.

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

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

Financial asset measured at fair value through profit or loss

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

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

(B) Impairment of financial assets

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

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

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

The loss allowance is measures as follows:

(a) At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Group measures the loss allowance for a financial asset at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that condition is no longer met.

(b) At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.

(c) For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

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

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

(C) Derecognition of financial assets

A financial asset is derecognized when:

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

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

(D) Financial liabilities and equity

Classification between liabilities or equity

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

Equity instruments

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

Financial liabilities

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

Financial liabilities at amortized cost

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

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

Derecognition of financial liabilities

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

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

(E) Offsetting of financial instruments

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

(9) Derivative instrument

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

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

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

(10) Fair value measurement

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

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

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

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

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

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

(11) Inventories

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

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

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

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

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

(12) Investments accounted for using the equity method

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

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

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

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

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

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

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

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

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

(13) Property, plant and equipment

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

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

Buildings	3 to 50 years
Machinery	3 to 10 years
Office equipment	3 to 10 years
Transportation	5 to 8 years
Other equipment	2 to 6 years
Leasehold improvements	The shorter of lease terms or economic useful lives

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

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

(14) Leases

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

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

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

Group as a lessee

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

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

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

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

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

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

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

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

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

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

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

Group as a lessor

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

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

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

(15) Intangible assets

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

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

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

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

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

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

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

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

(16) Impairment of non-financial assets

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

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

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

(17) Revenue recognition

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

Sale of goods

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

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

(18) Post-employment benefits

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

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

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

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

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

(19) Income tax

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

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

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

Deferred income tax

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

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

(a) Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit (loss);

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

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

(a) Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

(b) In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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

(20) Business combinations and goodwill

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

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

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

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

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

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

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

5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

Estimates and assumptions

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

A. Fair value of financial instruments

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

B. Post-employment benefits

The cost of post-employment benefit pension plan and the present value of the defined benefit obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions, including the change in the discount rate and expected salary level. The assumptions used for measuring pension cost and defined benefit obligation are disclosed in Note 6(14).

C. Income tax

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

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

D. Accounts receivable - estimation of impairment loss

The Group estimates the impairment loss of accounts receivable at an amount equal to lifetime expected credit losses. The credit loss is the present value of the difference between the contractual cash flows that are due under the contract (carrying amount) and the cash flows that expects to receive (evaluate forward looking information). However, as the impact from the discounting of short-term receivables is not material, the credit loss is measured by the undiscounted cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6(17) for more details.

E. Inventory

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

6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	As of December 31,	
	2022	2021
Cash and petty cash	$654	$165
Checking and savings	742,233	527,315
Time deposit	28,613	20,276
Total	$771,500	$547,756

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

	As of December 31,	
	2022	2021
Mandatorily measured at fair value through profit or loss:		
Derivatives not designated as hedging instruments		
Forward currency contract	$-	$-
Valuation adjustment of financial assets as measured by fair value through profit or loss	4,591	2,053
Total	$4,591	$2,053
Current	$4,591	$2,053
Non-current	$-	$-

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

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

A. Accounts receivable, net

	As of December 31,	
	2022	2021
Accounts receivable, gross	$851,331	$793,314
Less: loss allowance	(1,690)	(1,317)
Net of allowances	849,641	791,997
Accounts receivable - related parties, gross	11,321	27,099
Less: loss allowance	-	-
Net of allowances	11,321	27,099
Total accounts receivable, net	$860,962	$819,096

B. Account receivables were not pledged.

C. Accounts receivable are generally on 30-120 day terms. The total carrying amount for the year ended December 31, 2022 and 2021, are NT$862,652 thousand and NT$820,413 thousand, respectively. Please refer to Note 6 (17) for more details on loss allowance of accounts receivable for the year ended December 31, 2022 and 2021. Please refer to Note 12 for more details on credit risk management.

(4) Inventory

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

	As of December 31, 2021		
	Inventories, gross	Allowance for Inventory Valuation and Obsolescence Losses	Inventories, net
Raw material	$355,608	$(22,606)	$333,002
Supplies	5,181	(1,045)	4,136
Work in process	212,045	(11,110)	200,935
Finished goods	187,781	(18,197)	169,584
Total	$760,615	$(52,958)	$707,657

A. For the year ended December 31, 2022 and 2021, the Group recognized NT$3,317,423thousand and NT$2,425,000 thousand under the caption of costs of sale, respectively. The following items were also included in cost:

Item	As of December 31, 2022	As of December 31, 2021
Loss from inventory market decline	$(15,510)	$(23,640)
Loss from physical	(2,153)	(1,514)
Loss from inventory write-off obsolescence	38,612	27,912
Total	$20,949	$2,758

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

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

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

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

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

(6) Investments accounted for under the equity method

	As of December 31,			
	2022		2021	
Investee companies	Amount	Percentage of Ownership	Amount	Percentage of Ownership
Investments in subsidiaries:				
Mcurich Inc.	$6,322	23.33%	$7,269	23.33%
Accumulated impairment	(6,322)		(6,322)	
Total	$-		$947	

A. Investments in associates:

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

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

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

(7) Property, plant and equipment

	Land	Buildings	Machinery	Office Equipment	Transportation	Lease Improvement	Other Equipment	Total
Cost:								
As of 1/1/2022	$214,056	$457,917	$343,318	$18,289	$9,907	$157,411	$149,698	$1,350,596
Addition	-	968	26,701	4,142	125	644	12,820	45,400
Disposals	(3,130)	(27,278)	(19,038)	(4,951)	(5,054)	(17,943)	(33,867)	(111,261)
Reclassification	-	-	(20,436)	-	-	-	-	(20,436)
Effect of EX rate	-	-	2,076	72	211	1,976	1,743	6,078
As of 12/31/2022	$210,926	$431,607	$332,621	$17,552	$5,189	$142,088	$130,394	$1,270,377
As of 1/1/2021	$83,973	$57,848	$ 175,159	$6,270	$5,806	$154,944	$147,271	$631,271
Addition	-	-	19,593	5,439	3,122	1,635	18,984	48,773
Acquisitions through business combinations	130,083	400,069	148,544	15,582	3,130	-	10,156	707,564
Disposals	-	-	-	(8,999)	(2,084)	-	(23,539)	(34,622)
Reclassification	-	-	-	-	-	-	(3,747)	(3,747)
Effect of EX rate	-	-	22	(3)	(67)	832	573	1,357
As of 12/31/2021	$214,056	$457,917	$343,318	$18,289	$9,907	$157,411	$149,698	$1,350,596
Depreciation and impairment:								
As of 1/1/2022	$-	$111,421	$220,203	$11,287	$6,346	$65,304	$104,124	$518,685
Depreciation	-	23,692	42,146	3,696	615	5,521	22,234	97,904
Impairment loss	-	-	2,874	-	-	-	3,448	6,322
Disposal	-	(26,400)	(18,361)	(4,933)	(3,634)	(17,943)	(33,867)	(105,138)
Reclassification	-	-	(19,310)	-	-	-	-	(19,310)
Effect of EX rate	-	-	1,359	26	212	741	1,108	3,446
As of 12/31/2022	$-	$108,713	$228,911	$10,076	$3,539	$53,623	$97,047	$501,909

	Land	Buildings	Machinery	Office Equipment	Transportation	Lease Improvement	Other Equipment	Total
As of 1/1/2021	$-	$5,445	$113,657	$4,217	$4,523	$59,150	$98,958	$285,950
Depreciation	-	24,536	32,435	3,648	1,412	5,817	23,464	91,312
Acquisitions through business combinations	-	81,440	74,345	12,391	2,346	-	6,621	177,143
Disposal	-	-	-	(8,968)	(1,872)	-	(23,539)	(34,379)
Reclassification	-	-	-	-	-	-	(1,834)	(1,834)
Effect of EX rate	-	-	(234)	(1)	(63)	337	454	493
As of 12/31/2021	$-	$111,421	$220,203	$11,287	$6,346	$65,304	$104,124	$518,685
Net carrying amount:								
As of 12/31/2022	$210,926	$322,894	$103,710	$7,476	$1,650	$88,465	$33,347	$768,468
As of 12/31/2021	$214,056	$346,496	$123,115	$7,002	$3,561	$92,107	$45,574	$831,911

The Group recognized an impairment loss amounting to NT$6,322 thousand on certain real estate to an extent of the recoverable value in 2022. These impairment loss or gain from recovery has been recorded in the Group’s statements of comprehensive incomes. The recoverable value is measured at usage values by the identified individual asset.

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

(8) Intangible assets

	Patent	Computer software	Technology expertise	Customer relationship	Goodwill	Total
Cost:						
As of January 1, 2022	$314	$26,881	$356,599	$115,236	$75,095	$574,125
Additions – acquired separately	-	2,170	-	-	-	2,170
Derecognized upon retirement	-	(2,294)	-	-	-	(2,294)
Effect of exchange rate changes	-	99	4	-	-	103
As of December 31, 2022	$314	$26,856	$356,603	$115,236	$75,095	$574,104
As of January 1, 2021	$314	$12,985	$272	$-	$-	$13,571
Additions – acquired separately	-	2,081	-	-	-	2,081
Acquisitions through business combinations	-	11,833	356,326	115,236	75,095	558,490
Derecognized upon retirement	-	(65)	-	-	-	(65)
Effect of exchange rate changes	-	47	1	-	-	48
As of December 31, 2021	$314	$26,881	$356,599	$115,236	$75,095	$574,125
Amortization and Impairment:						
As of January 1, 2022	$314	$21,546	$25,899	$4,427	$-	$52,186
Amortization	-	2,349	35,632	6,156	-	44,137
Derecognized upon retirement	-	(2,294)	-	-	-	(2,294)
Effect of exchange rate changes	-	83	4	-	-	87
As of December 31, 2022	$314	$21,684	$61,535	$10,583	$-	$94,116
As of January 1, 2021	$314	$8,859	$272	$-	$-	$9,445
Amortization	-	2,205	25,626	4,427	-	32,258
Acquisitions through business combinations	-	10,509	-	-	-	10,509
Derecognized upon retirement	-	(65)	-	-	-	(65)
Effect of exchange rate changes	-	38	1	-	-	39
As of December 31, 2021	$314	$21,546	$25,899	$4,427	$-	$52,186
Carrying amount, net:						
As of December 31, 2022	$-	$5,172	$295,068	$104,653	$75,095	$479,988
As of December 31, 2021	$-	$5,335	$330,700	$110,809	$75,095	$521,939

Amounts of amortization recognized for intangible assets are as follows:

	For the year ended December 31,	
	2022	2021
Operating costs	$364	$236
Operating expense	43,773	32,022
Total	$44,137	$32,258

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

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

	111.12.31	110.12.31
Action Star Technology Co., Ltd.	$75,095	$75,095

The recoverable amount of the electronic cash-generating unit is NT$2,887,180 thousand for the period ended December 31, 2022. This recoverable amount has been determined based on a value in use calculation using cash flow projections from financial budgets approved by management covering a five-year period. The projected cash flows have been updated to reflect the change in demand for products and services. The pre-tax discount rate applied to cash flow projections is 13.37% and cash flows beyond the five-year period are extrapolated using a 15.69% growth rate that is the same as the long-term average growth rate for the electronics industry. As a result of the updated analysis, management did not identify an impairment for goodwill of NT$75,095 thousand which is allocated to this cash-generating unit.

Key assumptions used in value-in-use calculations

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

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

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

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

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

Sensitivity to changes in assumptions

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

(10) Short-term loans

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

As of December 31, 2022 and 2021, the line of unused short-term loans credit for the Company amounted to NT$1,034,650 thousand and NT$570,920 thousand, respectively.

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

	As of December 31,	
	2022	2021
Mandatorily measured at fair value through profit or loss:		
Derivatives not designated as hedging instruments		
Forward currency contract	$-	$-
Valuation adjustment of financial liabilities as measured by fair value through profit or loss	1,110	77
Total	$1,110	$77
Current	$1,110	$77
Non-current	$-	$-

(12) Other payables

	As of December 31,	
	2022	2021
Employee benefit payables	$134,644	$91,248
Equipment payable	4,713	775
Other payable	107,409	147,089
Total	$ 246,766	$ 239,112

(13) Long-term loans

Details of long-term loans were as follows:

Debtor	2022.12.31	Interest rate	Repayment
Taiwan Business Bank Credit loan	$150,000	Variable interest rate +0.41%	Effective July 5, 2021 to July 5, 2026. Repayable quarterly NT$10,000 thousand.
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		

Details of long-term loans were as follows:

Debtor	2022.12.31	Interest rate	Repayment
Taiwan Business Bank Credit loan	$190,000	Variable interest rate +0.41%	Effective July 5, 2021 to July 5, 2026. Repayable quarterly NT$10,000 thousand.
CTBC Bank Secured bank loan	111,236	Variable interest rate +0.7%	Effective October 26, 2016 to October 26, 2031.Repayable monthly NT$945 thousand.
Subtotal	301,236		
Less: current portion	(51,340)		
Total	$249,896		

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.

(14) Post-employment benefits

Defined contribution plan

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

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

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

Expenses under the defined contribution plan for the years ended December 31, 2022 and 2021 amounted to NT$13,217 thousand and NT$10,325 thousand, respectively.

Defined benefits plan

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

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

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

Pension costs recognized in profit or loss are as follows:

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

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

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

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

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

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

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

Sensitivity analysis

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

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

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

(15) Equity

A. Common stock

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

B. Capital surplus

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

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

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

C. Appropriation of earnings and dividend policies

(a) Legal reserve

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

(b)Special reserve

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

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

As of December 31, 2022 and 2021, the Company first-time adoption of T-IFRS NT$26,375 thousand, respectively.

(c)Earning distribution and dividend policies

(1)Earning distribution

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

a. Payment of all taxes and dues;
b. Offsetting prior years' operation losses;
c. Set aside 10% of the remaining amount after deducting items (a) and (b) as legal reserve;
d. Set aside or reverse special reserve in accordance with law and regulations; and
e. The distribution of the remaining portion, if any, will be recommended by the Board of Directors and resolved in the shareholders' meeting.

(2)Dividend policies

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

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

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

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

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

	Appropriation of earnings	Dividend per share
	2022	2022
Legal reserve	$11,064	
Special reserve	1,050	
Cash dividend(Note)	79,973	$1
Total	$92,087	

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(19) for details on employees' compensation and remuneration to directors and supervisors.

(d)Non-controlling interests

	For the year ended December 31,	
	2022	2021
Beginning balance	$653,860	$16,226
Profit (loss) attributable to non-controlling interests	112,082	15,045
Other comprehensive income, attributable to non-controlling interests, net of tax:		
Exchange differences resulting from translating the financial statements of a foreign operation	194	86
Acquisition of additional interest in a subsidiary	-	622,503
Receive cash dividends	(32,880)	-
Ending balance	$733,256	$653,860

(16) Sales

	As of December 31,	
	2022	2021
Revenue from customer contracts		
Sales of goods	$4,231,024	$3,068,487

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

A. Disaggregation of revenue

For the year ended December 31, 2022

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

For the year ended December 31, 2021

	Single department
Sales of goods	$3,068,487
The timing for revenue recognition:	
At a point in time	$3,068,487

B. Contract balances

(a) Contract liabilities – current

	As of December 31,	
	2022	2021
Sales of goods	$8,875	$19,708

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

	2022	2021
The opening balance transferred to revenue	$(16,300)	$(18,672)
Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue during the period)	5,467	19,180
Business combinations	-	4,177

C. Assets recognized from costs to fulfil a contract

None.

(17) Expected credit losses (gains)

	For the year ended December 31,	
	2022	2021
Operating expenses – Expected credit losses / (gains)		
Accounts receivable	$573	$1,035

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 December 31, 2022 and 2021 are as follows:

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

December 31, 2022	Not past due	Past due					
	(Note)	<=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

December 31, 2021	Not past due	Past due					
	(Note)	<=30 days	31-90 days	91-120 days	121-270 days	>=271 days	Total
Gross carrying amount	$798,165	$21,674	$571	$3	$-	$-	$820,413
Loss ratio	-%	5%	35%	-%	-%	-%	
Lifetime expected credit losses	-	(1,115)	(199)	(3)	-	-	(1,317)
Carrying amount of accounts receivable	$798,165	$20,559	$372	$-	$-	$-	$819,096

	Accounts receivable
Beginning balance as of January 1, 2022	$1,317
Addition/(reversal) for the current period	573
Transfer to other receivable	(200)
Effect of exchange rate changes	-
Ending balance as of December 31, 2022	$1,690

	Accounts receivable
Beginning balance as of January 1, 2021	$344
Addition/(reversal) for the current period	(1,035)
Business combinations	2,009
Effect of exchange rate changes	(1)
Ending balance as of December 31, 2021	$1,317

(18) Leases

Group as a lessee

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

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

A. Amounts recognized in the balance sheet

a. Right-of-use assets

	As of December 31,	
	2022	2021
Buildings	$30,225	$54,384
Office equipment	218	-
Transportation equipment	-	240
Total	$30,443	$54,624

b. Lease liabilities

	As of December 31,	
	2022	2021
Lease liabilities (include related party)	$31,528	$55,530
Current	$20,580	$24,854
Non-current	$10,948	$30,676

Please refer to Note 6 (20)(4) for the interest on lease liabilities recognized during the year ended December 31, 2022 and 2021 and refer to Note 12 (5) Liquidity Risk Management for the maturity analysis for lease liabilities as at December 31, 2022 and 2021.

B. Amounts recognized in the income statement

Right-of-use assets

	For the year ended December 31,	
	2022	2021
Buildings	$24,238	$15,032
Transportation equipment	160	960
Office equipment	34	-
Total	$24,432	$15,992

C. Income and costs relating to leasing activities

	For the year ended December 31,	
	2022	2021
The expenses relating to short-term leases	$2,628	$12,429
The expenses relating to leases of low-value assets-non-current	464	216

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

D. Cash outflow relating to leasing activities

During the year ended December 31, 2022 and 2021, the Group's total cash outflow for leases amounting to NT$28,537 thousand and NT$28,198 thousand, respectively.

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

Nature \ Function	2022			2021		
	Cost of goods sold	Operating expense	Total	Cost of goods sold	Operating expense	Total
Employee benefit						
Salaries & wages	$281,899	$158,871	$440,770	$277,621	$158,532	$436,153
Labor and health insurance	23,678	14,348	38,026	18,108	12,437	30,545
Pension	6,020	7,365	13,385	4,202	6,254	10,456
Other employee benefit	48,699	89,041	137,740	17,730	38,355	56,085
Depreciation	81,668	40,668	122,336	58,412	48,892	107,304
Amortization	364	43,773	44,137	236	32,022	32,258

According to the resolution, not lower than 5% of profit of the current year is distributable as employees' compensation and no higher than 3% of profit of the current year is distributable as remuneration to directors and supervisors. However, the Company's accumulated losses shall have been covered. The aforementioned employees' compensation will be distributed in shares or cash. The employees who fulfill specific requirements may be granted such compensation.

The Company's special shareholders meeting held on August 18, 2021 resolved an amendment on the ration of employees' compensation. According to the resolution, 5%~20% of profit of the current year is distributable as employees' compensation and no higher than 1% of profit of the current year is distributable as remuneration to directors and supervisors. However, the Company's accumulated losses shall have been covered. The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

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

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

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

(20) Non-operating incomes and expenses

A. Interest income

	For the year ended December 31,	
	2022	2021
Interest income	$1,739	$1,293

B. Other incomes

	For the year ended December 31,	
	2022	2021
Rent income	$304	$384
Other income	9,151	4,996
Total	$9,455	$5,380

C. Other gains and losses

	For the year ended December 31,	
	2022	2021
Gains on lease modification	$49	$(40)
Foreign exchange gain (loss), net	20,196	(11,175)
Impairment losses	(6,322)	-
Gain (Loss) from disposal of property, plant and equipment	16,372	5
Gain of financial assets at fair value through profit or loss	1,500	(1,007)
Other expenses	(2,006)	(989)
Total	$29,789	$(13,206)

D. Finance costs

	For the year ended December 31,	
	2022	2021
Interests on bank loans	$4,526	$3,241
Interest on lease liabilities	1,195	540
Total	$5,721	$3,781

(21) Components of other comprehensive income (OCI)

For the year ended December 31, 2022

	Arising during the period	Reclassification during the period	Subtotal	Income tax benefit (expense)	OCI, Net of tax
Not reclassified to profit or loss:					
Actuarial gains or losses on defined benefits plan	$7,096	$-	$7,096	$-	$7,096
Unrealised gain (losses) on valuation of financial assets at fair value through OCI	(1,022)	-	(1,022)	-	(1,022)
May be reclassified to profit or loss in subsequent period:					
Share of other comprehensive income of subsidiaries, associates, and joint ventures accounted for using the equity method	7,902	-	7,902	-	7,902
Total OCI	$13,976	$-	$13,976	$-	$13,976

For the year ended December 31, 2021

	Arising during the period	Reclassification during the period	Subtotal	Income tax benefit (expense)	OCI, Net of tax
Not reclassified to profit or loss:					
Actuarial gains or losses on defined benefits plan	$(573)	$-	$(573)	$-	$(573)
May be reclassified to profit or loss in subsequent period:					
Share of other comprehensive income of subsidiaries, associates, and joint ventures accounted for using the equity method	1,066	-	1,066	-	1,066
Total OCI	$493	$-	$493	$-	$493

(22) Income tax

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

Income tax expense (benefit) recognized in profit or loss

	For the year ended December 31,	
	2022	2021
Current income tax expense (benefit):		
Current income tax expense	$109,950	$47,409
Adjustments in respect of current income tax of prior periods	(3,295)	(9,858)
Surtax on undistributed earnings	980	9,312
Land value increment tax	169	-
Deferred tax expense (benefit):		
Deferred tax expense (benefit) relating to origination and reversal of temporary differences	(3,179)	1,484
Total income tax expense	$104,625	$48,347

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

	For the year ended December 31,	
	2022	2021
Accounting profit before tax from continuing operations	$465,942	$174,608
Tax payable at the enacted tax rates	$134,140	$56,212
Tax effect of expenses not deductible for tax purposes	19	(4,537)
Land value increment tax	(35,465)	(821)
Tax effect of deferred tax assets/liabilities	8,077	(1,961)
Adjustments in respect of current income tax of prior periods	(3,295)	(9,858)
Surtax on undistributed earnings	980	9,312
Land value increment tax	169	-
Total income tax recognized in profit or loss	$104,625	$48,347

Deferred tax assets (liabilities) relate to the following.

For the year ended December 31, 2022

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

For the year ended December 31, 2021

	Beginning balance as of January 1, 2022	Deferred tax assets (liabilities) acquired in business combinations	Deferred tax income (expense) recognized in profit or loss	Ending balance as of December 31, 2022
Temporary differences				
Allowance for Inventory Valuation and Obsolescence Losses	$571	$2,222	$(176)	$2,617
Bad debts loss	642	-	(80)	562
Unrealized exchange loss (gain)	674	6,340	(1,137)	5,877
Impairment loss on assets	2,693	-	80	2,773
Realized financial assets measured at fair value through profit or loss	(275)	-	(55)	(330)
Provisions of employee benefit obligations	242	-	-	242
5 years employee welfare	-	116	(116)	-
Land value increment tax	-	(702)	-	(702)
Deferred tax income/ (expense)		$ 7,976	$(1,484)	
Net deferred tax assets/(liabilities)	$4,547			$11,039
Reflected in balance sheet as follows:				
Deferred tax assets	$4,822			$12,071
Deferred tax liabilities	$(275)			$(1,032)

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

Occurrence year	Accumulated net operating loss	Unused balance As of December 31, 2022	Unused balance As of December 31, 2021	Expiration Year
2017	$20,731	$-	$20,731	2022
2018	15,747	15,747	15,747	2023
2019	9,381	9,381	9,381	2024
2020	8,142	8,142	8,142	2025
2021	32,283	32,283	32,283	2026
2022	44,002	44,002	-	2027
Total	$130,286	$109,555	$86,284	

Unrecognized deferred tax assets

As of December 31, 2022 and 2021, deferred tax assets that have not been recognized as they may not be used to offset future taxable income amounted to NT$74,591 thousand and NT$65,386 thousand, respectively.

The assessment of income tax return

As of December 31, 2022, the assessment status of income tax returns of the Company and subsidiaries was as follows:.

	The assessment of income tax returns
The Company	Assessed and approved up to 2020
Subsidiary – Action Star Technology Co., Ltd.	Assessed and approved up to 2020

(23) Earnings per share

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

A. Basic earnings per share

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

B. Diluted earnings per share

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

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

(24) Business combinations

(1)Consideration for the subsidiary

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

The Group acquire Action Star Technology Co., Ltd. to enhance its vertical integration capabilities and strengthen the Group's ability to enter the smart machine connector solution market to serve the needs of smart enterprises, medical and automotive customers.

The Group has elected to measure the non-controlling interest in the acquiree at fair value.

(2)The fair value of the identifiable assets and liabilities of Action Star Technology Co., Ltd. as at the date of acquisition were:

	Fair value recognized on the acquisition date
Assets	
Cash and cash equivalents	$263,113
Financial assets carried at amortized cost	221,754
Accounts receivable	304,033
Other receivables	9,052
Inventories	446,516
Other current assets	20,390
Property, plant and equipment	530,421
Right-of-use assets	488
Intangible assets－Computer software	1,324
Intangible assets－Technology expertise	356,326
Intangible assets－Customer relationship	115,236
Other Non-current assets	8,850
Subtotal	2,277,503

	Fair value recognized on the acquisition date
Liabilities	
Short-term loans	230,400
Contract liability	4,177
Accounts payable	345,077
Other payables	18,067
Lease liabilities	474
Long-term liabilities, current portion	11,340
Other current liabilities	27,598
Long-term loans	108,400
Deferred income tax liabilities	702
Refundable deposits	2
Subtotal	746,237
Identifiable net assets at fair value	$1,531,266

Goodwill of Action Star Technology Co., Ltd. is as follows:

Purchase consideration	$983,858
Add: non-controlling interests at fair value	622,503
Less: identifiable net assets at fair value	(1,531,266)
Goodwill	$75,095

Acquisition consideration

Transaction costs of the acquisition	
Net cash acquired with the subsidiary	$263,113
Transaction costs attributable to issuance of shares	(983,858)
Net cash flow on acquisition	$(720,745)

(3) Information on the preparation of business results

From the date of acquisition (April 12, 2021) to December 31, 2021, Action Star Technology Co., Ltd. generated operating income and net profit after tax to the Group of NT$1,655,751 and NT$83,647 thousand, respectively. If the merger occurs at the beginning of the year, the operating income generated will be NT$2,012,548 thousand and the net profit after tax will be NT$82,763 thousand.

(25) Subsidiary that has material non-controlling interests

Proportion of equity interest held by non-controlling interests

		As of December 31,	
Name	Country	2022	2021
Opti Cloud Technologies, Inc.	China	48.82%	48.82%
Action Star Technology Co., Ltd.	Taiwan	40.65%	40.65%

Accumulated balances of material non-controlling interest:

	As of December 31,	
	2022	2021
Opti Cloud Technologies, Inc.	$11,566	$14,186
Action Star Technology Co., Ltd.	721,690	639,674

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

	For the year ended December 31,	
	2022	2021
Opti Cloud Technologies, Inc.	$(2,815)	$(2,125)
Action Star Technology Co., Ltd.	114,897	17,170

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

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

For the year ended December 31, 2022

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

For the year ended December 31, 2021

	Opti Cloud Technologies, Inc.	Action Star Technology Co., Ltd. (2021.4.12-2021.12.31)
Operating revenue	$-	$1,655,751
Profit/loss from continuing operation	(4,354)	83,647
Total comprehensive income for the period	(4,354)	83,647

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

As of December 31, 2022

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

As of December 31, 2021

	Opti Cloud Technologies, Inc.	Action Star Technology Co., Ltd.
Current assets	$23,819	$1,180,602
Non-current assets	5,296	385,220
Current liabilities	56	457,673
Non-current liabilities	-	100,308

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

For the year ended December 31, 2022

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

For the year ended December 31, 2021

	Opti Cloud Technologies, Inc.	Action Star Technology Co., Ltd. (2021.4.12-2021.12.31)
Operating activities	$(2,165)	$(10,696)
Investing activities	250	212,345
Financing activities	(489)	(239,027)
Net increase/(decrease) in cash and cash equivalents	(2,404)	(37,378)

7. RELATED PARTY TRANSACTIONS

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

Related parties and Relationship

Related parties	Relationship
Qisda Corporation	Parent company
Qisda Electronics Suzhou Co. Ltd	Associate
Action Star Enterprise Co., Ltd.	Associate
DFI Inc.	Associate
Global Intelligence Network Co., Ltd.	Associate
BenQ Materials Corp.	Associate

Related parties	Relationship
BenQ Asia Pacific Corp.	Associate
BenQ Healthcare Corporation	Associate
BenQ Corporation	Associate
Epic Cloud Co., Ltd.	Associate
Concord Medical Co., Ltd	Associate
QS Control Corp. Taichung Branch	Associate
Darly2 Venture, lnc.	Associate
Darly Venture Inc.	Associate
Yu, Su-Kuan	Vice chairman and general manager of the Company (Note)

(Note)Resigned on February 25, 2022

(2)Significant transactions with related parties

A. Sales

	For the year ended December 31,	
	2022	2021
Parent company	$9,370	$797
Associate	52,076	45,249
Total	$61,446	$46,046

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

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

B. Purchases

	For the year ended December 31,	
	2022	2021
Parent company	$-	$6,668

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

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

For the year ended December 31, 2021, the Company recognized other income of NT$ 5 thousand, the amount of materials purchased for subsidiary was NTS1,054 thousand, after deducting the cost of NT$1,049 thousand.

C. Accounts receivable - related parties

	As of December 31,	
	2022	2021
Parent company	$1,691	$214
Associate	9,630	26,885
Total	$11,321	$27,099

D. Other receivables – related parties

	As of December 31,	
	2022	2021
Parent company	$-	$346

E. Accounts payable - related parties

	As of December 31,	
	2022	2021
Parent company	$-	$698

F. Other payables - related parties

	As of December 31,	
	2022	2021
Parent company	$600	$700
Associate	179	1,075
Total	$770	$1,775

G. Operating expenses

		For the year ended December 31,	
	Account	2022	2021
Parent company	Inspection fee	$27	$7
Associate	Processing fee	2	-
Associate	Other expense	1,671	59
Associate	Miscellaneous	64	32
Associate	Maintenance fee	20	-
Associate	Employee welfare	52	-
Associate	Rent expense	2,785	-
Total		$4,621	$98

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

(a) Rent expense

	Object	Rental Period	Total Rent	Monthly rent and Payment
2022.1.1-2022.12.31				
The management of the Company	13F., No. 1351, Zhongzheng Rd., Taoyuan Dist., Taoyuan City	2017.08.01~ 2022.07.31	NT$658	NT$329 thousand per month and to be paid before the 5th of each month.
2021.1.1-2021.12.31				
The management of the Company	13F., No. 1351, Zhongzheng Rd., Taoyuan Dist., Taoyuan City	2017.08.01~ 2022.07.31	NT$3,946	NT$329 thousand per month and to be paid before the 5th of each month.

(b) Right-of-use assets

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

(c) Lease liabilities

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

(d) Interest expenses

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

I. For the year ended December 31, 2022 and 2021, the Group collected revenue from sample selling from related parties were NT$0 thousand and NT$299 thousand, respectively.

J. Purchase of property, plant and equipment

	For the year ended December 31,	
	2022	2021
Associate	$260	$1,571

K. Salaries and rewards to key management of the Company

	For the year ended December 31,	
	2022	2021
Short-term employee benefits	$31,389	$25,409
Post-employee benefits	993	880
Total	$32,382	$26,289

8. PLEDGED ASSETS

The following assets of the Group are pledged as collaterals:

Item	Carrying Amount As of 2022	Carrying Amount As of 2021	Purpose
Financial assets measured at amortized cost	$4,877	$4,796	Deposit of forward currency contract
Land	80,171	80,171	Long-term loans
Buildings	207,316	220,609	Long-term loans
Total	$292,364	$305,576	

9. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED CONTRACT COMMITMENTS

None.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT SUBSEQUENT EVENT

None.

12. OTHERS

(1) Categories of financial instruments

Financial assets

	As of December 31, 2022	As of December 31, 2021
Financial assets at fair value through profit or loss:		
Mandatorily measured at fair value through P/L	$4,591	$2,053
Financial assets at fair value through OCI	3,858	4,880
Financial assets measured at amortized cost (Note)	1,655,852	1,399,401
Total	$1,664,301	$1,406,334

Financial liabilities

	As of December 31,	
	2022	2021
Financial liabilities measured at amortized cost:		
Short-term loans	$-	$106,880
Payables (including related parties)	628,987	794,297
Long-term loans (including current portion with maturity less than 1 year)	249,896	301,236
Lease liabilities	31,528	55,530
Financial liabilities at fair value through profit or loss:		
Mandatorily measured at fair value through P/L	1,110	77
Total	$911,521	$1,258,020

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) Objectives and policies of financial risk management

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

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

(3) Market risk

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

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

Foreign currency risk

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

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

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

If NT dollars appreciates/depreciates against US dollars by 1%, net income (loss) for the year ended December 31, 2022 and 2021 would decrease/increase by NT$8,206 thousand and NT$6,099 thousand, respectively.

If NT dollars appreciates/depreciates against CNY dollars by 1%, net income (loss) for the year ended December 31, 2022 and 2021 would decrease/increase by NT$636 thousand and NT$1,912 thousand, respectively.

Interest rate risk

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

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

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as of the end of the reporting period and presumed to be held for one accounting year, including investments and loans with variable interest rates. If interest rate increases/decreases by 0.1%, the net income (loss) for the year ended December 31, 2022 and 2021 would decrease/increase by NT$95 thousand and NT$144 thousand, respectively.

Equity price risk

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

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

Please refer to Note 12(9) for sensitivity analysis information of other equity instruments or derivatives that are linked to such equity instruments whose fair value measurement is categorized under Level 1.

(4) Credit risk management

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

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

As of December 31, 2022 and 2021, receivables from the top ten customers were accounted for 85.93% and 81.92% of the Group's total accounts receivable, respectively. The concentration of credit risk is relatively insignificant for the remaining receivables.

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

(5) Liquidity risk management

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

Non-derivative financial instruments

	Less than 1 year	1 to 2 years	2 to 3 years	More than 3 years	Total
As of December 31, 2022					
Payables	$628,987	$-	$-	$-	$628,987
Lease liabilities	21,156	8,208	285	3,104	32,753
Loans	55,640	54,658	51,756	101,928	263,982
As of December 31, 2021					
Short-term loans	$107,019	$-	$-	$-	$107,019
Payables	794,297	-	-	-	794,297
Lease liabilities	26,028	20,729	7,919	3,222	57,898
Loans	54,710	54,071	53,433	151,148	313,362

(6) Movement schedule of liabilities arising from financing activities

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

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

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

	Short-term borrowings	Refundable deposits	Long-term borrowings	Leases liabilities	Total liabilities from financing activities
As of January 1, 2021	$42,525	$270	$-	$23,260	$66,055
Cash flows	(164,740)	(272)	181,496	(15,553)	931
Non-cash changes					
Business combinations	230,400	2	119,740	474	350,616
Acquisition	-	-	-	48,844	48,844
Other	(1,305)	-	-	(1,495)	(2,800)
As of December 31, 2021	$106,880	$-	$301,236	$55,530	$463,646

(7) Fair values of financial instruments

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

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

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

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

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

B. Fair value of financial instruments measured at amortized cost

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

C. Fair value measurement hierarchy for financial instruments

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

(8) Derivative financial instruments

The Group's derivative financial instruments include forward currency contracts and embedded derivatives. The related information for derivative financial instruments not qualified for hedge accounting and not yet settled as at December 31 2022 and 2021 is as follows:

Forward currency contracts

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

Items (by contract)	Notional Amount	Contract Period
As at December 31 2022		
Forward currency contract	Sell foreign currency USD 23,225	2022.09.29 ~ 2023.03.31
As at December 31 2021		
Forward currency contract	Sell foreign currency USD 19,250	2021.10.26 ~ 2022.03.15

(9) Fair value measurement hierarchy

A. Fair value measurement hierarchy

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

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

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

Level 3 – Unobservable inputs for the asset or liability

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

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

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

As of December 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Forward currency contract	$-	$4,591	$-	$4,591
Financial assets at fair value through other comprehensive income	$-	$-	$3,858	$3,858
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Forward currency contract	$-	$1,110	$-	$1,110

As of December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Forward currency contract	$-	$2,053	$-	$2,053
Financial assets at fair value through other comprehensive income	$-	$-	$4,880	$4,880
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Forward currency contract	$-	$77	$-	$77

Transfers between Level 1 and Level 2 during the period

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

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

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

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

Information on significant unobservable inputs to valuation

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

As of December 31, 2022

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
At fair value through OCI					
Stock	Market approach	Discount for lack of marketability	30%	The higher the discount for lack of marketability, the lower the fair value of the stocks	1% increase (decrease) in the discount for lack of marketability would result in decrease (increase) in the Group's equity by NT$37 thousand

As of December 31, 2021

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
At fair value through OCI					
Stock	Market approach	Discount for lack of marketability	30%	The higher the discount for lack of marketability, the lower the fair value of the stocks	1% increase (decrease) in the discount for lack of marketability would result in decrease (increase) in the Group's equity by NT$25 thousand

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

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

	As of December 31, 2022		
	Foreign Currencies	Exchange Rate	NTD
Financial assets			
Monetary items:			
USD	$34,197	30.73	$1,050,866
CNY	$18,436	4.4057	$81,224
Financial liabilities			
Monetary items:			
USD	$7,362	30.73	$226,220
CNY	$32,933	4.4057	$145,093

	As of December 31, 2021		
	Foreign Currencies	Exchange Rate	NTD
Financial assets			
Monetary items:			
USD	$35,373	27.68	$979,102
CNY	$16,702	4.3454	$72,576
Financial liabilities			
Monetary items:			
USD	$13,229	27.68	$366,182
CNY	$60,915	4.3454	$264,699

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

	For the year ended December 31,	
	2022	2021
USD	$19,861	$(11,025)
Other	335	(150)
Total	$20,196	$(11,175)

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

(11) Capital management

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

13. ADDITIONAL DISCLOSURES

(1) Information on significant transactions

A. Financing provided to others: None.

B. Endorsement/Guarantee provided to others: None.

C. Marketable securities held as of December 31, 2022 (excluding investments in subsidiaries, associates and joint ventures): Please refer to attachment 1.

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

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

F. Disposal of individual real estate with amount of at least NT$100 million or 20 percent of the paid-in capital for the year ended December 31, 2022: None.

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

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

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

J. Intercompany relationships and significant intercompany transactions for the year ended December 31, 2022: Please refer to attachment 5.

(2) Information on investees

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

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

(a) Financing provided to others: None.

(b) Endorsement/Guarantee provided to others: None.

(c) Marketable securities held as of December 31, 2022 (excluding investments in subsidiaries, associates and joint ventures): None.

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

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

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

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

(h) Receivables from related parties of at least NT$100 million or 20 percent of the paid-in capital as of December 31, 2022: Please refer to attachment 5.

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

(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, 2022	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2022	Profit/Loss of Investee	Percentage of Ownership (Direct or Indirect Investment	Share of Profit/Loss	Carrying Amount as of December 31, 2022	Accumulated Inward Remittance of Earnings as of December 31, 2022	Accumulated Outflow of Investment from Taiwan to Mainland China as of December 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment in China by Investment Commission, MOEA
					Outflow	Inflow									
Simula Technology (ShenZhen) Co., LTD.	Manufacture of electronic connector, socket and plastic hardware	$191,437 (Note 3)	Note 1	$141,375	$-	$-	$141,375	$(17,462) (Note 3)	100%	$(17,462) (Note 2)	$180,757 (Note 3)	$-	$257,755	$307,817	$1,495,635

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

Note 1: Indirect investment in Mainland China is through a holding company established in a third country.
Note 2: Investment income or loss was recognized based on the audited financial statements by the auditors.
Note 3: The amount of this attachment are expressed in New Taiwan Dollars.
Note 4: Transactions are eliminated upon preparation of consolidated financial statements

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

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

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

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

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

G. Transactions that have significant impact on profit or loss of current period or the financial position, such as services provided or rendered: Please refer to attachment 7.

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 7.

(4) Information on major shareholders:

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

14. OPERATING SEGMENT

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

(1) Geographical information

Revenues from external customers

	For the year ended December 31,	
	2022	2021
U.S.A.	$2,049,634	$1,253,681
China	577,240	586,682
Australia	376,811	144,774
Netherlands	357,102	297,309
Canada	227,299	92,596
U.K.	194,942	92,570
Hong Kong	171,991	191,387
Other countries	276,005	409,488
Total	$4,231,024	$3,068,487

Non-current assets

	As of December 31,	
	2022	2021
Taiwan	$1,130,591	$1,200,432
China	186,288	230,381
U.S.A.	4,499	6,828
Total	$1,321,378	$1,437,641

(3)Information about major customers

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

	For the year ended December 31,	
Name of customers	2022	2021
Customer A	$1,738,585	$1,014,961
Customer B	592,342	(Note)
Total	$2,330,927	$1,014,961

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

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

Simula Technology Inc.

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

As of December 31, 2022

Attachment 1

(In Thousands of New Taiwan Dollars)

Name of Held Company	Type and Name of Marketable Securities	Relationship with the Issuer	Financial Statement Account	As of December 31, 2022				Guarantee, Pledge or Other Restricted Conditions		
				Shares (Unit)	Carrying Amount	%	Fair Value	Shares	Carrying Amount	Note
Simula Technology Inc.	Stocks:									
	Optomedia Technology Inc.	-	Financial assets at fair value through other comprehensive income	264,864	$2,890	3.26%	$2,411	-	$-	-
Simula Technology Inc.	Taiwan Competition Co., LTD.	-	Financial assets at fair value through other comprehensive income	500,000	5,000	16.67%	1,447	-	$-	-
			Less: Unrealized gain (losses) on valuation of financial assets at fair value through other comprehensive income		(4,032)					
			Total		$3,858		$3,858			

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

Simula Technology Inc.

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

For the Year Ended December 31, 2022

Attachment 2

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/ Accounts Payable or Receivable		Note
			Purchase/ Sale	Amount	% to Total	Payment/ Collection Term	Unit Price	Payment/ Collection Term	Ending Balance	% to Total	
Simula Technology Inc.	Simula Technology (ShenZhen) Co., LTD.	Subsidiary	Purchase	$325,702	39.99%	Payment within 60 days from the end of delivery month	Specs of goods purchased are different from others. Cannot be reasonably compared.	Other vendors also enjoy payment within 30~120 days from the end of delivery month	$(6,164)	7.26%	
Simula Technology Inc.	Simula Company Limited	Subsidiary	Purchase	$384,386	47.19%	Payment within 60 days from the end of delivery month	Specs of goods purchased are different from others. Cannot be reasonably compared.	Other vendors also enjoy payment within 30~120 days from the end of delivery month	$(49,414)	58.17%	
Simula Technology Inc.	Simula Technology Corp.	Subsidiary	Sales	$119,471	10.65%	Payment within 60 days from the end of delivery month	Similar to those to third party customers.	Non relative parties are 30~120 days monthly closing.	$29	0.02%	

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

Simula Technology Inc.

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

As of December 31, 2022

Attachment 3

(In Thousands of Foreign Currency / New Taiwan Dollars)

Investor	Investee	Business Location	Main Business and Product	Original Investment Amount		Balance as of December 31, 2022			Net Income (Loss) of the Investee	Share of Income (Loss) of the Investee	Note
				As of December 31, 2022	As of December 31, 2021	Shares	%	Carrying Value			
	Stocks:										
Simula Technology Inc.	ASPIRE ASIA INC.	British Virgin Islands	Holding company	$286,764	$286,764	9,402,560	100%	$142,565	$(10,891)	$(10,737) Note 1	Subsidiary
Simula Technology Inc.	Simula Technology Corp.	USA	Sells in Northern America	$15,699	$15,699	500,000	100%	$42,177	$8,087	$8,087	Subsidiary
Simula Technology Inc.	Simula Company Limited	Hong Kong	Holding company	$187,625	$187,625	50,500,000	52.31%	$143,342	$(16,649)	$(8,710)	Subsidiary
Simula Technology Inc.	Action Star Technology Co., Ltd.	Taiwan	R&D & development manufacture and sale of USB docking station product	$983,858	$983,858	32,000,571	59.35%	$1,128,656	$333,344	$167,733 Note 2	Subsidiary
Simula Technology Inc.	Mcurich Inc.	Taiwan	Sales of electronic products	$15,029	$15,029	645,000	23.33%	$-	$(6,710)	$(947)	Subsidiary
ASPIRE ASIA INC.	ASPIRE ELECTRONICS CORP.	Samoan Islands	Holding company	$95,099	$95,099	2,187,690	95.10%	$12,130	$(3,104)	$(2,952)	Subsidiary
ASPIRE ASIA INC.	Simula Company limited	Hong Kong	Holding company	$181,726	$181,726	46,033,370	47.69%	$130,663	$(16,649)	$(7,939)	Subsidiary

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

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

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

Simula Technology Inc.

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

For the Year Ended December 31, 2022

Attachment 4

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/ Accounts Payable or Receivable		Note
			Purchase/ Sale	Amount	% to Total	Payment/ Collection Term	Unit Price	Payment/ Collection Term	Ending Balance	% to Total	
Simula Technology (ShenZhen) Co., LTD.	Simula Technology Inc.	Parent company	Sales	$325,702	39.08%	Payment within 60 days from the end of delivery month	Similar to those to third party customers.	Non relative parties are 30~120 days monthly closing.	$6,164	5.62%	
Simula Technology (ShenZhen) Co., LTD.	Simula Company limited	Parent company	Sales	$367,891	44.14%	Payment within 60 days from the end of delivery month	Similar to those to third party customers.	Non relative parties are 30~120 days monthly closing.	$51,561	47.00%	
Simula Company Limited	Simula Technology (ShenZhen) Co., LTD.	Subsidiary	Purchase	$367,891	100.00%	Payment within 60 days from the end of delivery month	No manufacturers to be compared with.	No manufacturers to be compared with.	$(51,561)	100.00%	
Simula Company Limited	Simula Technology Inc.	Parent company	Sales	$384,386	100.00%	Payment within 60 days from the end of delivery month	No customers to be compared with.	No customers to be compared with.	$49,414	100.00%	
Simula Technology Corp.	Simula Technology Inc.	Parent company	Purchase	$119,471	80.11%	Payment within 60 days from the end of delivery month	No manufacturers to be compared with.	Payment within 60 days from the end of delivery month	$(29)	1.06%	

English Translation of an Audit Report Originally Issued in Chinese

INDEPENDENT AUDITORS' REPORT

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

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

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

Revenue recognition

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

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

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

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

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

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

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

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

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

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

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

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern of the Company. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the parent-company-only financial statements, including the accompanying notes, and whether the parent-company-only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent-company-only financial statements. We are responsible for the direction, supervision and performance of the company audit. We remain solely responsible for our audit opinion.

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

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

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

/s/Chen, Kuo-Shuai

/s/Hong, Mao-Yi

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

<u>*Notice to Readers*</u>

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

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

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

Simula Technology Inc.

Parent-Company-Only Balance Sheets

As of December 31, 2022 and 2021

(Amounts Expressed in Thousands of New Taiwan Dollars)

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

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

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

Simula Technology Inc.

Parent-Company-Only Balance Sheets (Continued)

As of December 31, 2022 and 2021

(Amounts Expressed in Thousands of New Taiwan Dollars)

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

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

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

Simula Technology Inc.

Parent-Company-Only Statements of Comprehensive Income

For the Years Ended December 31, 2022 and 2021

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

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

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

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

Simula Technology Inc.

Parent-Company-Only Statements of Changes in Equity

For the Years Ended December 31, 2022 and 2021

(Amounts Expressed in Thousands of New Taiwan Dollars)

				Retained Earnings			Other Components of equity		
		Common Stock	Capital Surplus	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	Total Equity
Code	Items	3100	3200	3310	3320	3350	3410	3420	3XXX
A1	Balance as of January 1, 2021	$799,729	$570,361	$76,158	$26,375	$59,220	$(14,537)	$(13,868)	$1,503,438
	Appropriation and distribution of 2020 earnings								
B1	Legal reserve appropriated			5,922		(5,922)			-
B5	Cash dividends - common shares					(19,993)			(19,993)
	Other changes in capital surplus								
C7	Changes in equity of associates and joint ventures accounted for using equity method		1,350						1,350
C15	Cash dividends distributed from capital surplus		(19,993)						(19,993)
D1	Net income for 2021					111,216			111,216
D3	Other comprehensive income (loss) for 2021					(573)	980		407
D5	Total comprehensive income (loss)	-	-	-	-	110,643	980	-	111,623
Z1	Balance as of December 31, 2021	799,729	551,718	82,080	26,375	143,948	(13,557)	(13,868)	1,576,425
	Appropriation and distribution of 2021 earnings								
B1	Legal reserve			11,064		(11,064)			-
B3	Special reserve				1,050	(1,050)			-
B5	Cash dividends - common shares					(79,973)			(79,973)
D1	Net income for 2022					249,235			249,235
D3	Other comprehensive income (loss) for 2022					7,096	7,708	(1,022)	13,782
D5	Total comprehensive income (loss)	-	-	-	-	256,331	7,708	(1,022)	263,017
Q1	Disposal of equity instruments at fair value through other comprehensive income					(10,858)		10,858	-
Z1	Balance as of December 31, 2022	$799,729	$551,718	$93,144	$27,425	$297,334	$(5,849)	$(4,032)	$1,759,469

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

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

Simula Technology Inc.

Parent-Company-Only Statements of Cash Flows

For the Years Ended December 31, 2022 and 2021

(Amounts Expressed in Thousands of New Taiwan Dollars)

Code	Items	2022	2021
AAAA	Cash flows from operating activities:		
A00010	Profit before tax	$268,144	$133,793
A20000	Adjustments:		
A20010	Profit or loss not effecting cash flows:		
A20100	Depreciation (including right-of-use assets)	15,085	19,542
A20200	Amortization	1,172	1,010
A20300	Expected credit losses (gain on recovery)	-	200
A20400	Net loss (gain) of financial assets (liabilities) at fair value through profit or loss	(1,775)	890
A20900	Interest expense	2,821	2,496
A21200	Interest income	(386)	(431)
A22300	Share of profit or loss of subsidiaries, associates and joint ventures	(155,426)	(13,974)
A22500	Loss (gain) on disposal of property, plant and equipment	(16,205)	(74)
A22600	Property, plant and equipment transferred to expense	-	1,913
A29900	Loss (gain) on lease modification	(49)	-
A30000	Changes in operating assets and liabilities:		
A31130	Notes receivable	-	6
A31150	Accounts receivable	145,547	(80,664)
A31160	Accounts receivable - related parties	12,287	20,295
A31180	Other receivables	469	(1,517)
A31190	Other receivables - related parties	10,938	40,462
A31200	Inventories	(6,633)	1,137
A31220	Prepayments	3,414	1,740
A31240	Other current assets	286	2,634
A32125	Contract liabilities	(7,932)	(393)
A32150	Accounts payable	(25,808)	17,680
A32160	Accounts payable - related parties	(32,960)	(96,316)
A32180	Other payables	(11,760)	17,596
A32190	Other payables - related parties	(1,552)	166
A32240	Net defined benefit liability	14	(24)
A32230	Other current liabilities	16	(1,095)
A33000	Cash generated from (used in) operations	199,707	67,072
A33100	Interest received	386	431
A33100	Dividends received	48,001	-
A33300	Interest paid	(2,769)	(2,029)
A33500	Income tax paid	(22,397)	(13,368)
AAAA	Net cash provided by (used in) operating activities	222,928	52,106

Code	Items	2022	2021
BBBB	Cash flows from investing activities:		
B01800	Acquisition of investment accounted for under equity method	-	(983,858)
B02700	Acquisition of property, plant and equipment	(12,047)	(13,024)
B02800	Proceeds from disposal of property, plant and equipment	21,633	190
B04500	Acquisition of intangible assets	(669)	(1,158)
B03800	Decrease (increase) in refundable deposits	1,136	2
BBBB	Net cash provided by (used in) investing activities	10,053	(997,848)
CCCC	Cash flows from financing activities:		
C00100	Increase in short-term loans	-	64,355
C00200	Decrease in short-term loans	(106,880)	-
C01600	Increase in long-term borrowings	-	190,000
C01700	Repayment of long-term loans	(40,000)	-
C03000	Increase (decrease) in deposits received	-	(270)
C04020	Payments of lease liabilities	(4,011)	(7,469)
C04500	Cash dividends	(79,973)	(39,986)
CCCC	Net cash provided by (used in) financing activities	(230,864)	206,630
EEEE	Net Increase (decrease) in cash and cash equivalents	2,117	(739,112)
E00100	Cash and cash equivalents at beginning of period	242,773	981,885
E00200	Cash and cash equivalents at end of period	$244,890	$242,773

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

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

1. HISTORY AND ORGANIZATION

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

2. DATE AND PROCEDURE OF AUTHORIZATION FOR FINANCIAL STATEMENTS ISSUANCE

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

3. NEWLY ISSUED OR REVISED STANDARDS AND INTERPRETATIONS

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

The Company applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after January 1, 2022. The adoption of these new standards and amendments had no material impact on the Company.

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

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

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

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

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

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

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

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

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

(3) Standards or interpretations issued, revised or amended, by IASB which are not endorsed by FSC, and not yet adopted by the Company as at the end of the reporting period are listed below.

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

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

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

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

(B) IFRS 17 “Insurance Contracts”

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

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

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

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of compliance

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

(2) Basis of preparation

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

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

(3) Foreign currency transactions

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

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

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

(a) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.

(b) Foreign currency items within the scope of IFRS 9 Financial Instruments are accounted for based on the accounting policy for financial instrument.

(c) Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

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

(4) Translation of financial statements in foreign currency

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

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

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

(5) Current and non-current distinction

An asset is classified as current when:

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

All other assets are classified as non-current.

A liability is classified as current when:

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

All other liabilities are classified as non-current.

(6) Cash and cash equivalents

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

(7) Financial instruments

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

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

(A) Financial assets: Recognition and Measurement

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

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

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

Financial assets measured at amortized cost

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

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

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

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

(a) Purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.

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

Financial asset measured at fair value through other comprehensive income

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

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

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

(a) A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.

(b) When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.

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

(i) Purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.

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

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

Financial asset measured at fair value through profit or loss

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

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

(B) Impairment of financial assets

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

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

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

The loss allowance is measures as follows:

(a) At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Company measures the loss allowance for a financial asset at an amount equal to lifetime expected credit losses in the previous reporting period but determines at the current reporting date that condition is no longer met.

(b) At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.

(c) For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.

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

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

(C) Derecognition of financial assets

A financial asset is derecognized when:

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

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

(D) Financial liabilities and equity

Classification between liabilities or equity

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

Equity instruments

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

Financial liabilities

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

Financial liabilities at amortized cost

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

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

Derecognition of financial liabilities

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

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

(E) Offsetting of financial instruments

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

(8) Derivative instrument

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

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

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

(9) Fair value measurement

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

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

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

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

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

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

(10) Inventories

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

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

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

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

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

(11) Investments accounted for using the equity method

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

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

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

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

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

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

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

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

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

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

(12) Property, plant and equipment

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

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

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

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

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

(13) Leases

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

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

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

Company as a lessee

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

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

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

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

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

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

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

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

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

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

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

Company as a lessor

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

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

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

(14) Intangible assets

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

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

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

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

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

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

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

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

(15) Impairment of non-financial assets

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

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

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

(16) Revenue recognition

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

Sale of goods

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

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

(17) Post-employment benefits

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

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

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

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

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

(18) Income tax

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

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

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

Deferred income tax

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

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

(a) Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit (loss);

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

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

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

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

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

5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

(1) Estimates and assumptions

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

(a) Fair value of financial instruments

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

(b) Post-employment benefits

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

(c) Income tax

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

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

(d) Accounts receivables – estimation of impairment loss

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

(e) Inventory

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

6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

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

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

	As of December 31,	
	2022	2021
Mandatorily measured at fair value through profit or loss:		
Derivatives not designated as hedging instruments		
Forward currency contract	$-	$-
Valuation adjustment of financial assets as measured by fair value through profit or loss	2,361	512
Total	$2,361	$512
Current	$2,361	$512
Non-current	$-	$-

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

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

A. Accounts receivable, net

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

B. Account receivables were not pledged.

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

(4) Inventory

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

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

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

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

B. The inventories were not pledged.

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

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

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

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

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

(6) Investments accounted for under the equity method

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

A. Investments in subsidiaries

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

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

B. Investments in associates:

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

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

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

(7) Property, plant and equipment

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

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

Property, plant and equipment were not pledged.

(8) Intangible assets

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

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

Amounts of amortization recognized for intangible assets are as follows:

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

(9) Short-term loans

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

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

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

	As of December 31,	
	2022	2021
Mandatorily measured at fair value through profit or loss:		
Derivatives not designated as hedging instruments		
Forward currency contract	$-	$-
Valuation adjustment of financial liabilities as measured by fair value through profit or loss	102	28
Total	$102	$28
Current	$102	$28
Non-current	$-	$-

(11) Other payables

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

(12) Long-term loans

Details of long-term loans were as follows:

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

Debtor	2021.12.31	Interest rate	Repayment
Taiwan Business Bank Credit loan	$190,000	Variable interest rate +0.41%	Effective July 5, 2021 to July 5, 2026. Repayable quarterly NT$10,000 thousand.
Less: current portion	(40,000)		
Total	$150,000		

Long-term loans were not pledged.

(13) Post-employment benefits

Defined contribution plan

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

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

Defined benefits plan

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

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

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

Pension costs recognized in profit or loss are as follows:

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

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

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

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

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

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

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

Sensitivity analysis

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

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

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

(14) Equity

A. Common stock

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

B. Capital surplus

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

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

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

C. Appropriation of earnings and dividend policies

(a) Legal reserve

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

(b) Special reserve

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

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

As of December 31, 2022 and 2021, the Company first-time adoption of T-IFRS NT$26,375 thousand, respectively.

(c) Earning distribution and dividend policies

(1) Earning distribution

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

a. Payment of all taxes and dues;
b. Offsetting prior years' operation losses;
c. Set aside 10% of the remaining amount after deducting items (a) and (b) as legal reserve;
d. Set aside or reverse special reserve in accordance with law and regulations; and
e. The distribution of the remaining portion, if any, will be recommended by the Board of Directors and resolved in the shareholders' meeting.

(2)Dividend policies

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

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

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

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

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

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

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

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

(15) Sales

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

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

A. Disaggregation of revenue

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

B. Contract balances

(a) Contract liabilities – current

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

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

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

C. Assets recognized from costs to fulfil a contract

None.

(16) Expected credit losses (gains)

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

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

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

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

December 31, 2022	Not past due	Past due					
	(Note)	<=30 days	31-90 days	91-120 days	121-270 days	>=271 days	Total
Gross carrying amount	$145,294	$6,485	$10,063	$5,992	$212	$-	$168,046
Loss ratio	-%	-%	-%	-%	100%	-%	
Lifetime expected credit losses	-	-	-	(126)	(212)	-	(338)
Carrying amount of accounts receivable	$145,294	$6,485	$10,063	$5,866	$-	$-	$167,708

December 31, 2021	Not past due	Past due					
	(Note)	<=30 days	31-90 days	91-120 days	121-270 days	>=271 days	Total
Gross carrying amount	$319,350	$6,156	$571	$3	$-	$-	$326,080
Loss ratio	-%	5%	35%	100%	-%	-%	
Lifetime expected credit losses	-	(336)	(199)	(3)	-	-	(538)
Carrying amount of accounts receivable	$319,350	$5,820	$372	$-	$-	$-	$325,542

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

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

(17) Leases

Company as a lessee

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

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

A. Amounts recognized in the balance sheet

a. Right-of-use assets

	As of December 31,	
	2022	2021
Buildings	$216	$4,933
Transportation equipment	-	240
Total	$216	$5,173

b. Lease liabilities

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

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

B. Amounts recognized in the income statement

Right-of-use assets

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

C. Income and costs relating to leasing activities

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

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

D. Cash outflow relating to leasing activities

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

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

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

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

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

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

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

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

Note 3：According to the resolution, not lower than 5% of profit of the current year is distributable as employees' compensation and no higher than 3% of profit of the current year is distributable as remuneration to directors and supervisors. However, the Company's accumulated losses shall have been covered. The aforementioned employees' compensation will be distributed in shares or cash. The employees who fulfill specific requirements may be granted such compensation.

The Company's shareholders meeting held on August 18, 2021 resolved an amendment on the ration of employees' compensation. According to the resolution, 5%~20% of profit of the current year is distributable as employees' compensation and no higher than 1% of profit of the current year is distributable as remuneration to directors and supervisors. However, the Company's accumulated losses shall have been covered. The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

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

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

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

(19) Non-operating incomes and expenses

A. Other incomes

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

B. Other gains and losses

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

C. Finance costs

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

(20) Components of other comprehensive income (OCI)

For the year ended December 31, 2022

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

For the year ended December 31, 2021

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

(21) Income tax

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

Income tax expense (benefit) recognized in profit or loss

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

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

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

Deferred tax assets (liabilities) relate to the following.

For the year ended December 31, 2022

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

	Beginning balance as of January 1, 2022	Deferred tax income (expense) recognized in profit or loss	Ending balance as of December 31, 2022
Reflected in balance sheet as follows:			
Deferred tax assets	$4,229		$2,813
Deferred tax liabilities	$(97)		$(452)

For the year ended December 31, 2021

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

	Beginning balance as of January 1, 2021	Deferred tax income (expense) recognized in profit or loss	Ending balance as of December 31, 2021
Reflected in balance sheet as follows:			
Deferred tax assets	$4,822		$4,229
Deferred tax liabilities	$(275)		$(97)

A. Unrecognized deferred tax assets

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

B. The assessment of income tax return

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

(22) Earnings per share

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

A. Basic earnings per share

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

B. Diluted earnings per share

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

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

7. RELATED PARTY TRANSACTIONS

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

Related parties and Relationship

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

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

(Note)Resigned on February 25, 2022

2.Sales

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

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

3.Purchases

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

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

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

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

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

4.Accounts receivable - related parties

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

5.Other receivables – related parties

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

6.Accounts payable - related parties

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

7.Other payables - related parties

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

8.Operating expenses

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

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

(a) Rent expense

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

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

(b) Right-of-use assets

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

(c) Lease liabilities

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

(d) Interest expenses

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

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

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

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

13.Purchase of property, plant and equipment

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

14.Salaries and rewards to key management of the Company

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

8. PLEDGED ASSETS

None.

9. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED CONTRACT COMMITMENTS

None.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT SUBSEQUENT EVENT

None.

12. OTHERS

(1) Categories of financial instruments

Financial assets

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

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

Financial liabilities

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

(2) Objectives and policies of financial risk management

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

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

(3) Market risk

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

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

Foreign currency risk

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

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

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

If NT dollars appreciates/depreciates against US dollars by 1%, the net income (loss) for the years ended December 31, 2022 and 2021 would decrease/increase by NT$1,726 thousand and NT$2,213 thousand, respectively.

Interest rate risk

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

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as of the end of the reporting period and presumed to be held for one accounting year, including investments and loans with variable interest rates. If interest rate increases/decreases by 0.1%, the net income (loss) for the years ended December 31, 2022 and 2021 would decrease/increase by NT$95 thousand and NT$54 thousand, respectively.

Equity price risk

The fair value of the Company's listed and unlisted equity securities and conversion rights of the Euro-convertible bonds issued are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Company's listed and unlisted equity securities are classified under financial assets measured at fair value through profit or loss and financial assets measured at fair value through other comprehensive income, while conversion rights of the Euro-convertible bonds issued are classified as financial liabilities at fair value through profit or loss as it does not satisfy the definition of an equity component. The Company manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Company's senior management on a regular basis. The Company's Board of Directors reviews and approves all equity investment decisions.

Please refer to Note 12(9) for sensitivity analysis information of other equity instruments or derivatives that are linked to such equity instruments whose fair value measurement is categorized under Level 1.

(4) Credit risk management

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

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

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

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

(5) Liquidity risk management

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

Non-derivative financial instruments

	Less than 1 year	1 to 2 years	2 to 3 years	More than 3 years	Total
As of December 31, 2022					
Payables	$159,477	$-	$-	$-	$159,477
Lease liabilities	228	-	-	-	228
Loans	42,352	41,604	40,854	30,149	154,959
As of December 31, 2021					
Short-term loans	$107,019	$-	$-	$-	$107,019
Payables	230,830	-	-	-	230,830
Lease liabilities	5,079	318	30	-	5,427

(6) Movement schedule of liabilities arising from financing activities

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

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

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

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

(7) Fair values of financial instruments

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

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

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

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

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

B. Fair value of financial instruments measured at amortized cost

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

C. Fair value measurement hierarchy for financial instruments

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

(8) Derivative financial instruments

The Company's derivative financial instruments include forward currency contracts and embedded derivatives. The related information for derivative financial instruments not qualified for hedge accounting and not yet settled as at December 31 2022 and 2021 is as follows:

Forward currency contracts

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

Items (by contract)	Notional Amount	Contract Period
As of December 31 2022		
Forward currency contract	Sell foreign currency USD 5,025	2022.09.29 ~ 2023.03.31
As of December 31 2021		
Forward currency contract	Sell foreign currency USD 6,900	2021.10.26 ~ 2022.04.15

(9) Fair value measurement hierarchy

A. Fair value measurement hierarchy

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

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

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

Level 3 – Unobservable inputs for the asset or liability

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

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

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

As of December 31, 2022

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

As of December 31, 2021

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

Transfers between Level 1 and Level 2 during the period

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

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

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

Information on significant unobservable inputs to valuation

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

As of December 31, 2022

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
At fair value through OCI					
Stock	Market approach	Discount for lack of marketability	30%	The higher the discount for lack of marketability, the lower the fair value of the stocks	1% increase (decrease) in the discount for lack of marketability would result in decrease (increase) in the Group's equity by NT$37 thousand

As of December 31, 2021

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
At fair value through OCI					
Stock	Market approach	Discount for lack of marketability	30%	The higher the discount for lack of marketability, the lower the fair value of the stocks	1% increase (decrease) in the discount for lack of marketability would result in decrease (increase) in the Group's equity by NT$25 thousand

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

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

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

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

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

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

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

(11) Capital management

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

13. ADDITIONAL DISCLOSURES

(1) Information on significant transactions

A. Financing provided to others: None.

B. Endorsement/Guarantee provided to others: None.

C. Marketable securities held as of December 31, 2022 (excluding investments in subsidiaries, associates and joint ventures): Please refer to attachment 1.

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

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

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

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

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

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

(2) Information on investees

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

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

(a) Financing provided to others: None.

(b) Endorsement/Guarantee provided to others: None.

(c) Marketable securities held as of December 31, 2022 (excluding investments in subsidiaries, associates and joint ventures): None.

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

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

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

(g) Related party transactions with purchase or sales amount of at least NT$100 million or 20 percent of the paid-in capital for the year ended December 31, 202: Please refer to attachment 4.

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

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

(3) Information on investments in Mainland China:

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

(In Thousands of New Taiwan Dollars)

Name of Investee in China	Main Business	Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2022	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2022	Profit/Loss of Investee	Percentage of Ownership (Direct or Indirect Investment	Share of Profit/Loss	Carrying Amount as of December 31, 2022	Accumulated Inward Remittance of Earnings as of December 31, 2022	Accumulated Outflow of Investment from Taiwan to Mainland China as of December 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment in China by Investment Commission, MOEA
					Outflow	Inflow									
Simula Technology (ShenZhen) Co., LTD.	Manufacture of electronic connector, socket and plastic hardware	$191,437 (Note 3)	Note 1	$141,375	$-	$-	$141,375	$(17,462) (Note 3)	100%	$(17,462) (Note 2)	$180,757 (Note 3)	$-	$257,755	$307,817	$1,495,635

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

Note 1: Indirect investment in Mainland China is through a holding company established in a third country.
Note 2: Investment income or loss was recognized based on the audited financial statements by the auditors.
Note 3: The amount of this attachment are expressed in New Taiwan Dollars.

B. Purchase and accounts payable with the related parties: Please refer to attachment 2.

C. Sales and receivables with the related parties: None.

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

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

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

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

a. For the year ended December 31, 2022, the Company was entrusted by Simula Technology (ShenZhen) Co., LTD. to provide labor services, and the amount of technical service income collected was NT$22,607 thousand and recognized other receivable of NT$4,171 thousand as of December 31, 2022.

b. For the year ended December 31, 2022, the Company recognized other income of NT$ 6,795 thousand, the amount of materials purchased for subsidiary was NTS 109,011 thousand, after deducting the cost of NT$102,216 thousand and recognized other receivable of NT$31,833 thousand as of December 31, 2022.

(4) Information on major shareholders:

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

14. OPERATING SEGMENT INFORMATION

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

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

Simula Technology Inc.

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

As of December 31, 2022

Attachment 1

(In Thousands of New Taiwan Dollars)

Name of Held Company	Type and Name of Marketable Securities	Relationship with the Issuer	Financial Statement Account	As of December 31, 2022				Guarantee, Pledge or Other Restricted Conditions		
				Shares (Unit)	Carrying Amount	%	Fair Value	Shares	Carrying Amount	Note
Simula Technology Inc.	Stocks:									
	Optomedia Technology Inc.	-	Financial assets at fair value through other comprehensive income	264,864	$2,890	3.26%	$2,411	-	$-	-
Simula Technology Inc.	Taiwan Competition Co., LTD.	-	Financial assets at fair value through other comprehensive income	500,000	5,000	16.67%	1,447	-	$-	-
			Less: Unrealized gain (losses) on valuation of financial assets at fair value through other comprehensive income		(4,032)					
			Total		$3,858		$3,858			

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

Simula Technology Inc.

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

For the Year Ended December 31, 2022

Attachment 2

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/ Accounts Payable or Receivable		Note
			Purchase/ Sale	Amount	% to Total	Payment/ Collection Term	Unit Price	Payment/ Collection Term	Ending Balance	% to Total	
Simula Technology Inc.	Simula Technology (ShenZhen) Co., LTD.	Subsidiary	Purchase	$325,702	39.99%	Payment within 60 days from the end of delivery month	Specs of goods purchased are different from others. Cannot be reasonably compared.	Other vendors also enjoy payment within 30~120 days from the end of delivery month	$(6,164)	7.26%	
Simula Technology Inc.	Simula Company Limited	Subsidiary	Purchase	$384,386	47.19%	Payment within 60 days from the end of delivery month	Specs of goods purchased are different from others. Cannot be reasonably compared.	Other vendors also enjoy payment within 30~120 days from the end of delivery month	$(49,414)	58.17%	
Simula Technology Inc.	Simula Technology Corp.	Subsidiary	Sales	$119,471	10.65%	Payment within 60 days from the end of delivery month	Similar to those to third party customers.	Non relative parties are 30~120 days monthly closing.	$29	0.02%	

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

Simula Technology Inc.

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

As of December 31, 2022

Attachment 3

(In Thousands of Foreign Currency / New Taiwan Dollars)

Investor	Investee	Business Location	Main Business and Product	Original Investment Amount		Balance as of December 31, 2022			Net Income (Loss) of the Investee	Share of Income (Loss) of the Investee	Note
				As of December 31, 2022	As of December 31, 2021	Shares	%	Carrying Value			
	Stocks:										
Simula Technology Inc.	ASPIRE ASIA INC.	British Virgin Islands	Holding company	$286,764	$286,764	9,402,560	100%	$142,565	$(10,891)	$(10,737) Note 1	Subsidiary
Simula Technology Inc.	Simula Technology Corp.	USA	Sells in Northern America	$15,699	$15,699	500,000	100%	$42,177	$8,087	$8,087	Subsidiary
Simula Technology Inc.	Simula Company Limited	Hong Kong	Holding company	$187,625	$187,625	50,500,000	52.31%	$143,342	$(16,649)	$(8,710)	Subsidiary
Simula Technology Inc.	Action Star Technology Co., Ltd.	Taiwan	R&D & development manufacture and sale of USB docking station product	$983,858	$983,858	32,000,571	59.35%	$1,128,656	$333,344	$167,733 Note 2	Subsidiary
Simula Technology Inc.	Mcurich Inc.	Taiwan	Sales of electronic products	$15,029	$15,029	645,000	23.33%	$-	$(6,710)	$(947)	Subsidiary
ASPIRE ASIA INC.	ASPIRE ELECTRONICS CORP.	Samoan Islands	Holding company	$95,099	$95,099	2,187,690	95.10%	$12,130	$(3,104)	$(2,952)	Subsidiary
ASPIRE ASIA INC.	Simula Company limited	Hong Kong	Holding company	$181,726	$181,726	46,033,370	47.69%	$130,663	$(16,649)	$(7,939)	Subsidiary

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

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

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

Simula Technology Inc.

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

For the Year Ended December 31, 2022

Attachment 4

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/ Accounts Payable or Receivable		Note
			Purchase/ Sale	Amount	% to Total	Payment/ Collection Term	Unit Price	Payment/ Collection Term	Ending Balance	% to Total	
Simula Technology (ShenZhen) Co., LTD.	Simula Technology Inc.	Parent company	Sales	$325,702	39.08%	Payment within 60 days from the end of delivery month	Similar to those to third party customers.	Non relative parties are 30~120 days monthly closing.	$6,164	5.62%	
Simula Technology (ShenZhen) Co., LTD.	Simula Company limited	Parent company	Sales	$367,891	44.14%	Payment within 60 days from the end of delivery month	Similar to those to third party customers.	Non relative parties are 30~120 days monthly closing.	$51,561	47.00%	
Simula Company Limited	Simula Technology (ShenZhen) Co., LTD.	Subsidiary	Purchase	$367,891	100.00%	Payment within 60 days from the end of delivery month	No manufacturers to be compared with.	No manufacturers to be compared with.	$(51,561)	100.00%	
Simula Company Limited	Simula Technology Inc.	Parent company	Sales	$384,386	100.00%	Payment within 60 days from the end of delivery month	No customers to be compared with.	No customers to be compared with.	$49,414	100.00%	
Simula Technology Corp.	Simula Technology Inc.	Parent company	Purchase	$119,471	80.11%	Payment within 60 days from the end of delivery month	No manufacturers to be compared with.	Payment within 60 days from the end of delivery month	$(29)	1.06%	

SIMULA TECHNOLOGY INC.

Chairman: Huang, Han-Chou