

CUB ELECPARTS INC.
Parent Company Only Financial Statements
With Independent Auditors' Report
For the Years Ended December 31, 2021 and 2020

Address: No.6, Lane 546, Sec. 6, Zhanglu Rd., Fuhsin Township, Changhua County
Telephone: (04)7782010

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Independent Auditors' Report

To the Board of Directors of CUB ELECPARTS INC.:

Opinion

We have audited the financial statements of CUB ELECPARTS INC. ("the Company"), which comprise the balance sheets as of December 31, 2021 and 2020, the statements of comprehensive income, changes in equity and cash flows for the years then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in 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 Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

1. Revenue recognition

Please refer to note 4(m) "Revenue recognition" for the accounting policy on revenue recognition; note 6(t) "Revenues from contracts with customers" for revenue recognition of contract.

Description of key audit matter:

Revenue is the key performance indicator to evaluate the performance by the investors and management. Since the revenue is recognized based on each sale order and contract terms to be identified, for expanding the sales market, the management is devoted to developing a new distributor; therefore, the test for revenue recognition is one of the important assessment items performed by the accountants for the purpose of auditing the financial statements of the Company.

How the matter was addressed in our audit:

The principal audit procedures for the above key audit matters by the accountant include testing the controls surrounding revenue recognition; Analyzing there is any significant abnormality in a change in customers between the current year and the prior year; sampling the top ten customers, and reviewing the contracts and sales orders to evaluate the influence on revenue recognition and assess the accounting treatment of related contracts is applied appropriately; performing a sample test on sales transactions that took place before and after the balance sheet date, reviewing the relevant documents, and assessing the accuracy of the timing of revenue recognition.

2. Assessment of accounts receivable impairment

Please refer to Note 4(f) “Financial Instruments” for accounting policy of assessment of accounts receivable impairment, Note 5(a) for accounting assumption, judgments and estimation uncertainty of assessment of accounts receivable impairment, and Note 6(e) for the disclosure of assessment of notes and accounts receivable.

Description of key audit matter:

The Company's accounts receivable are mainly from automobile component customers and are concentrated on certain customers. The impairment loss of accounts receivable assessment is based on management's subjective judgment. Thus, the assessment of accounts receivable impairment is one most important evaluations in performing our audit procedures.

How the matter was addressed in our audit:

The principal audit procedures for the above key audit matters by the accountant include analyzing the aging of accounts receivable; sampling and reviewing the relevant documents as well as calculating the accuracy of the aging of accounts receivable; understanding and evaluating the management's consideration relating to overdue receivables, considering the receipt of cash after the year end, and understanding the possibility of remaining receivables collection. In addition, the reasonableness of the provision for impairment losses is understood and assessed based on the customer's historical receipt status, industrial economic condition, and the concentration of the credit risk.

3. Assessment of impairment of investments (Goodwill) accounted for using equity method

Please refer to Note 4(k) “intangible assets” for the accounting policies. Note 5(b) for accounting assumptions, judgments and estimation uncertainty of assessment of impairment of investments accounted for using equity method and Note (6) for details.

Description of key audit matter:

The assessment of impairment of investments accounted for using equity method is based on the estimation of the future cash flow of the investee's operation to determine the recoverable amount. We list Equity method investments as one of our key audit matters because it is significant uncertainty and contains the significant subjective judgment of the management.

How the matter was addressed in our audit:

The principal audit procedures for the above key audit matters by the accountant include: assessing whether the cash-generating unit and its related tested assets that the management has identified to impair show possible signs of impairment and further understanding and testing the evaluation models and key assumptions such as future cash flow projections, use period and a weighted average cost of capital that the management use in the impairment test, and assessing the accuracy of previous management forecasts; and carrying out sensitivity analysis of results. In addition to the above assessment process, reviewing and assessing the reasonability of assumptions through the report of the assessment of impairment loss of goodwill provided by the evaluation expert; evaluating the qualifications and independence of the evaluator, and assessing whether the accounting policies for goodwill impairment test and other relevant information have been appropriately disclosed.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, 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 members of the Audit Committee) are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Parent-company-only Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 auditing standards generally accepted in 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 financial statements.

As part of an audit in accordance with auditing standards generally accepted in 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 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 Company's internal control.
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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 auditors' 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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.

The engagement partners on the audit resulting in this independent auditors' report are Cheng-Hsueh, Chen and Tsu-Hsin, Chang.

KPMG

Taipei, Taiwan (Republic of China)
March 8, 2022

Notes to Readers

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

The independent auditors' audit report and the accompanying parent company only financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' audit report and parent company only financial statements, the Chinese version shall prevail.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
CUB ELECPARTS INC.

Balance Sheets

December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2021		December 31, 2020				December 31, 2021		December 31, 2020	
Assets		Amount	%	Amount	%	Liabilities and Equity		Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (Note 6(a))	\$ 901,669	13	732,605	13	2100	Short-term borrowings (Note 6(k))	\$ 1,980,000	28	1,290,000	22
1150	Notes receivable, net (Note (6)(b))	5,979	-	738	-	2130	Current contract liabilities (Note 6(t))	41,351	-	35,480	1
1170	Accounts receivable, net(Note (6)(b))	924,357	13	645,906	11	2170	Accounts payable	291,462	4	234,010	4
1180	Accounts receivable due from related parties, net(Notes 6(b), 7)	31,011	-	84,670	1	2180	Accounts payable to related parties (Note 7)	35,162	-	12,072	-
1200	Other receivables, net (Note 6(c))	16,078	-	14,435	-	2200	Other payables	123,533	2	134,912	2
1210	Other receivables due from related parties, net (Notes 6(c) and 7)	5,972	-	296,427	5	2220	Other payables to related parties (Note 7)	23,685	-	8,364	-
1310	Inventories, manufacturing business, net (Note 6(d))	684,923	10	557,555	10	2280	Current lease liabilities (Note 6(n))	882	-	874	-
1470	Other current assets (Note 6(j))	148,567	2	152,880	2	2230	Current tax liabilities (Note 7)	119,066	2	32,651	1
		<u>2,718,556</u>	<u>38</u>	<u>2,485,216</u>	<u>42</u>	2300	Other current liabilities (Note 6(l))	3,822	-	13,677	-
Non-current assets:						2320	Long-term borrowings, current portion (Notes 6(m) and 8)	115,833	2	-	-
1550	Investments accounted for using equity method, net (Notes 6(e) and (f))	3,240,256	45	2,110,100	37			<u>2,734,796</u>	<u>38</u>	<u>1,762,040</u>	<u>30</u>
1600	Property, plant and equipment (Notes 6(g) and 8)	1,059,700	15	1,068,481	18	Non-Current liabilities:					
1755	Right-of-use assets (Note 6(h))	2,825	-	3,717	-	2541	Long-term borrowings (Notes 6(m) and 8)	902,500	13	1,000,000	17
1780	Intangible assets (Note 6(i))	49,345	1	40,320	1	2570	Deferred tax liabilities (Note 6(p))	3,966	-	2,050	-
1840	Deferred tax assets (Note 6(p))	10,337	-	2,653	-	2640	Defined benefit liability (Note 6(o))	6,792	-	8,601	-
1980	Other non-current financial assets (Note 8)	29	-	55,429	1	2580	Non-current lease liabilities (Note 6(n))	1,983	-	2,865	-
1990	Other non-current assets (Note 6(j))	94,888	1	66,540	1	2645	Guarantee deposits received	137	-	143	-
		<u>4,457,380</u>	<u>62</u>	<u>3,347,240</u>	<u>58</u>			<u>915,378</u>	<u>13</u>	<u>1,013,659</u>	<u>17</u>
						Total liabilities		<u>3,650,174</u>	<u>51</u>	<u>2,775,699</u>	<u>47</u>
						Equity (Note 6(q)):					
						3100	Ordinary shares	1,219,166	17	1,219,166	21
						3200	Capital surplus	666,220	9	559,889	10
						3300	Retained earnings	1,687,724	24	1,316,898	23
						3400	Other equity	(47,348)	(1)	(39,196)	(1)
							Total equity	<u>3,525,762</u>	<u>49</u>	<u>3,056,757</u>	<u>53</u>
Total assets		<u>\$ 7,175,936</u>	<u>100</u>	<u>5,832,456</u>	<u>100</u>	Total liabilities and equity		<u>\$ 7,175,936</u>	<u>100</u>	<u>5,832,456</u>	<u>100</u>

See accompanying notes to parent company only financial statements.

CUB ELECPARTS INC.
Statements of Comprehensive Income
For the years ended December 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)

	2021		2020	
	Amount	%	Amount	%
4000 Operating revenue (Notes 6(t) and 7)	\$ 2,640,062	100	1,804,953	100
5000 Operating costs (Notes 6(d), (u), and 7)	<u>1,540,754</u>	<u>58</u>	<u>1,120,239</u>	<u>62</u>
Gross profit	<u>1,099,308</u>	<u>42</u>	<u>684,714</u>	<u>38</u>
Operating expenses (Note 6(o), (r), (u), and 7):				
6100 Selling expenses	125,808	5	49,358	3
6200 Administrative expenses	118,526	4	96,934	5
6300 Research and development expenses	182,244	7	189,986	10
6450 Expected credit losses (reversal gains) (Note 6(b))	<u>35,069</u>	<u>1</u>	<u>(461)</u>	<u>-</u>
	<u>461,647</u>	<u>17</u>	<u>335,817</u>	<u>18</u>
Net operating income	<u>637,661</u>	<u>25</u>	<u>348,897</u>	<u>20</u>
Non-operating income and expenses (Note 6(v)):				
7100 Interest income (Note 7)	3,397	-	4,243	-
7010 Other income (Note 7)	47,322	2	18,485	1
7020 Other gains and losses	(30,787)	(1)	(83,251)	(5)
7050 Finance costs (Note 6(n))	(22,602)	(1)	(17,036)	(1)
7070 Share of profit (loss) of associates and joint ventures accounted for using equity method	<u>(4,629)</u>	<u>-</u>	<u>11,554</u>	<u>1</u>
	<u>(7,299)</u>	<u>-</u>	<u>(66,005)</u>	<u>(4)</u>
7900 Profit (loss) from continuing operations before tax	630,362	25	282,892	16
7950 Less: Income tax expenses (Note 6(p))	<u>114,434</u>	<u>4</u>	<u>38,358</u>	<u>2</u>
Profit (loss)	<u>515,928</u>	<u>21</u>	<u>244,534</u>	<u>14</u>
8300 Other comprehensive income:				
8310 Components of other comprehensive income that will not be reclassified to profit or loss				
8311 Gains (losses) on remeasurements of defined benefit plans	1,432	-	(1,154)	-
8330 Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	<u>(234)</u>	<u>-</u>	<u>179</u>	<u>-</u>
8341 Other components of other comprehensive income that will not be reclassified to profit or loss	-	-	571	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>1,198</u>	<u>-</u>	<u>(404)</u>	<u>-</u>
8360 Components of other comprehensive income (loss) that will be reclassified to profit or loss				
8361 Exchange differences on translation of foreign financial statements	(8,152)	-	11,800	1
8399 Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Components of other comprehensive income that will be reclassified to profit or loss	<u>(8,152)</u>	<u>-</u>	<u>11,800</u>	<u>1</u>
Other comprehensive income (after tax)	<u>(6,954)</u>	<u>-</u>	<u>11,396</u>	<u>1</u>
8500 Total comprehensive income	<u>\$ 508,974</u>	<u>21</u>	<u>255,930</u>	<u>15</u>
Earnings per share (in dollars) (Note 6(s)):				
Basic earnings per share	<u>\$ 4.23</u>		<u>2.03</u>	
Diluted earnings per share	<u>\$ 4.23</u>		<u>2.03</u>	

See accompanying notes to parent company only financial statements.

CUB ELECPARTS INC.
Statements of Changes in Equity
For the years ended December 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)

	Retained earnings						Total other equity interest				
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Total	Treasury shares	Total equity
Balance at January 1, 2020	\$ 1,228,212	951,999	696,328	30,310	1,272,738	1,999,376	(50,996)	(14,461)	(65,457)	-	4,114,130
Profit for the year	-	-	-	-	244,534	244,534	-	-	-	-	244,534
Other comprehensive income for the year	-	-	-	-	(975)	(975)	11,800	571	12,371	-	11,396
Total comprehensive income for the year	-	-	-	-	243,559	243,559	11,800	571	12,371	-	255,930
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	97,510	-	(97,510)	-	-	-	-	-	-
Special reserve	-	-	-	35,147	(35,147)	-	-	-	-	-	-
Stock dividends of ordinary share	24,564	-	-	-	(24,564)	(24,564)	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(835,184)	(835,184)	-	-	-	-	(835,184)
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	(431,160)	(431,160)
Retirement of treasury share	(33,610)	(397,550)	-	-	-	-	-	-	-	431,160	-
Other changes in capital surplus:											
Expenses of employee stock option	-	4,861	-	-	-	-	-	-	-	-	4,861
Changes in net equity of subsidiaries accounted for using equity method	-	579	-	-	(52,399)	(52,399)	-	-	-	-	(51,820)
Disposal of financial assets at fair value through other comprehensive income	-	-	-	-	(13,890)	(13,890)	-	13,890	13,890	-	-
Balance at December 31, 2020	<u>1,219,166</u>	<u>559,889</u>	<u>793,838</u>	<u>65,457</u>	<u>457,603</u>	<u>1,316,898</u>	<u>(39,196)</u>	<u>-</u>	<u>(39,196)</u>	<u>-</u>	<u>3,056,757</u>
Balance at January 1, 2021	<u>1,219,166</u>	<u>559,889</u>	<u>793,838</u>	<u>65,457</u>	<u>457,603</u>	<u>1,316,898</u>	<u>(39,196)</u>	<u>-</u>	<u>(39,196)</u>	<u>-</u>	<u>3,056,757</u>
Profit for the year	-	-	-	-	515,928	515,928	-	-	-	-	515,928
Other comprehensive income for the year	-	-	-	-	1,198	1,198	(8,152)	-	(8,152)	-	(6,954)
Total comprehensive income for the year	-	-	-	-	517,126	517,126	(8,152)	-	(8,152)	-	508,974
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	17,727	-	(17,727)	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(26,261)	26,261	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(146,300)	(146,300)	-	-	-	-	(146,300)
Other changes in capital surplus:											
Expenses of share option	-	30,033	-	-	-	-	-	-	-	-	30,033
Changes in net equity of subsidiaries accounted for using equity method	-	752	-	-	-	-	-	-	-	-	752
The difference in net equity resulting from the subscription of new shares not in proportion	-	75,546	-	-	-	-	-	-	-	-	75,546
Balance at December 31, 2021	<u>\$ 1,219,166</u>	<u>666,220</u>	<u>811,565</u>	<u>39,196</u>	<u>836,963</u>	<u>1,687,724</u>	<u>(47,348)</u>	<u>-</u>	<u>(47,348)</u>	<u>-</u>	<u>3,525,762</u>

See accompanying notes to parent company only financial statements.

CUB ELECPARTS INC.

Statements of Cash Flows

For the years ended December 31, 2021 and 2020

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

	2021	2020
Cash flows from (used in) operating activities:		
Profit before tax	\$ 630,362	282,892
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	96,690	88,086
Amortization expense	13,515	9,884
Expected credit losses (Reversal gains)	35,069	(461)
Interest expense	22,602	17,036
Interest income	(3,397)	(4,243)
Share-based payments	30,033	4,861
Write-down, disposal, and obsolescence losses of inventory	20,506	12,401
Share of profit (loss) of subsidiaries, associates and joint ventures accounted for using equity method	4,629	(11,554)
Loss (gain) on disposal of property, plant and equipment	340	149
Gains on disposals of intangible assets	(233)	-
Adjustments to reconcile profit (loss)	219,754	116,159
Changes in operating assets and liabilities:		
Net changes in operating assets:		
(Increase) decrease in notes receivable	(5,241)	217
(Increase) decrease in accounts receivable (including related parties)	(259,861)	469,954
Decrease (increase) in other receivables (including related parties)	8,812	(2,094)
Increase in inventories	(147,874)	(88,146)
Decrease (increase) in other current assets	4,313	(15,429)
Net changes in operating assets	(399,851)	364,502
Net changes in operating liabilities:		
Increase in contract liabilities	5,871	10,111
Increase in accounts payable (including related parties)	80,542	10,890
Increase (decrease) in other payables (including related parties)	27,087	(16,519)
(Decrease) increase in other current liabilities	(9,855)	11,680
Decrease in defined benefit liabilities	(377)	(361)
Net changes in operating liabilities	103,268	15,801
Total changes in operating assets and liabilities	(296,583)	380,303
Adjustments:	(76,829)	496,462
Cash inflows generated from operations	553,533	779,354
Interest received	3,397	4,243
Interest paid	(22,602)	(17,036)
Income taxes paid	(33,787)	(112,444)
Net cash flows from operating activities	500,541	654,117
Cash flows from (used in) investing activities:		
Acquisition of investments accounted for using equity method	(1,067,919)	(440,980)
Dividends received	1,046	2,485
Acquisition of property, plant and equipment	(77,119)	(71,632)
Proceeds from disposal of property, plant and equipment	1,001	7,767
Increase in prepayments for plants and equipments	(58,870)	(42,126)
Decrease in restricted assets	55,400	-
Acquisition of intangible assets	(26,408)	(15,512)
Proceeds from disposal of intangible assets	239	-
Decrease (increase) in receivables of loans from related parties	280,000	(200,000)
Net cash flows used in investing activities	(892,630)	(759,998)
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	8,410,000	9,546,500
Decrease in short-term borrowings	(7,720,000)	(9,306,500)
Proceeds in long-term borrowings	(781,667)	1,480,000
Repayments of long-term borrowings	800,000	(560,000)
Repayments of lease liabilities	(874)	(722)
Cash dividends paid	(146,300)	(835,184)
Decrease in guarantee deposits received	(6)	-
Payments to acquire treasury shares	-	(431,160)
Net cash inflows (outflows) from financing activities	561,153	(107,066)
Net increase (decrease) in cash and cash equivalents	169,064	(212,947)
Cash and cash equivalents at beginning of period	732,605	945,552
Cash and cash equivalents at end of period	\$ 901,669	732,605

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
CUB ELECPARTS INC.

Notes to the Financial Statements

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

CUB ELECPARTS INC. (the “Company”). was incorporated on January 9, 1989 as a company limited by shares and registered under the Ministry of Economic Affairs, R.O.C. The address of the Company's registered office is No. 33-6, Ln. 546, Sec. 6, Zhonggu Rd., Fuxing Township, Changhua County, Taiwan. The major business activities of the Company are processing and trading of various automobile parts and motor switches.

The Company's common share has been officially listed and traded on Taipei Exchange starting from March 25, 2009 and traded on the Taiwan Stock Exchange since November 19, 2010.

(2) Approval date and procedures of the financial statements:

The parent company only financial statements were authorized for issuance by the Board of Directors on March 8, 2022.

(3) New standards, amendments and interpretations adopted:

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. which have already been adopted.

The Company has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2021:

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform—Phase 2”
- Amendments to IFRS 16 “Covid-19-Related Rent Concessions beyond June 30, 2022”

- (b) The impact of IFRS issued by the FSC but not yet effective

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2022, would not have a significant impact on its financial statements:

- Amendments to IAS 16 “Property, Plant and Equipment—Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018—2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

(Continued)

CUB ELECPARTS INC.
Notes to the Financial Statements

- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Company, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	January 1, 2023
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	The amendments narrowed the scope of the recognition exemption so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.	January 1, 2023

The Company is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and financial performance. The results thereof will be disclosed when the Company completes its evaluation.

The Company expect that the adoption of the following new standards and amendments issued by IASB but not yet endorsed by the FSC would not have any material impact on its financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”

(4) Summary of significant accounting policies:

The significant accounting policies presented in the non-consolidated financial statements are summarized below. Except for the explanation of Note 3, the following accounting policies were applied consistently throughout the periods presented in the financial statements.

(Continued)

CUB ELECPARTS INC.
Notes to the Financial Statements

(a) Statement of compliance

The parent-company-only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as the Regulations) and the International Financial Reporting Standard.

(b) Basis of preparation

(i) Basis of measurement

The financial statements have been prepared on the historical cost basis, except for the following material items in the statement of financial position:

- 1) Financial instruments at fair value through profit or loss are measured at fair value;
- 2) Financial assets at fair value through other comprehensive income are measured at fair value;
- 3) The defined benefit liabilities (assets) are measured at fair value of the plan assets less the present value of the defined benefit obligation.

(ii) Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which the entity operate. The parent company only financial statements are presented in New Taiwan dollars, which is the Company's functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

(c) Foreign currencies

(i) Foreign currency transaction

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. At the end of each subsequent reporting period (hereinafter referred to as the reporting date), monetary items denominated in foreign currencies are retranslated into the functional currencies using the exchange rate at that date.

Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising from retranslation are recognized in profit or loss, except for the translation differences of the following, which are recognized in other comprehensive income:

- 1) Investments in equity instruments designated at fair value through other comprehensive income;

(Continued)

CUB ELECPARTS INC.
Notes to the Financial Statements

- 2) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- 3) qualifying cash flow hedges to the extent the hedge are effective.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, joint control, or significant influence is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes of any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Company disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

(d) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as noncurrent.

- (i) It is expected to settle in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting date; or

(Continued)

CUB ELECPARTS INC.
Notes to the Financial Statements

- (iv) 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 counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(e) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents is short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(f) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is an accounts receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. An accounts receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI)-equity investment; or FVTPL.

The Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL :

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(Continued)

CUB ELECPARTS INC.
Notes to the Financial Statements

These assets are subsequently measured at amortized cost, which is the initial recognition amount deduct the cumulative amortization using the effective interest method and adjusted for any loss allowance. Interest income, foreign exchange gains and losses, and impairment loss, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL :

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

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument by instrument basis.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income derived from equity investments is recognized on the date that the Company's right to receive payment is established, which in the case of quoted securities is normally the exdividend date.

3) Financial assets measured at fair value through profit or loss

All financial assets not classified as measured at amortized cost or at FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Company may irrevocably designates a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

4) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and accounts receivable, other receivable, guarantee deposit paid and other financial assets), and contract assets.

The Company measures loss allowances at an amount equal to lifetime expected credit loss ("ECL"), except for the following which are measured as 12-month ECL:

(Continued)

CUB ELECPARTS INC.
Notes to the Financial Statements

- Debt securities that are determined to have low credit risk at the reporting date ; and
- Other debt securities and bank balances for which the credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivable and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment, as well as forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when the financial asset is more than 1 year past due or the debtor is unlikely to pay its credit obligations to the Company in full.

The time deposits held by the Company was determined as low credit risk since the trading and performing parties are the financial institutions above the investment grade.

Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12-month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

ECLs are probability-weighted estimate of credit losses over the expected life of financial assets. Credit losses are measured as the present value of all cash shortfalls, i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive. ECL are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. An evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer ;

(Continued)

CUB ELECPARTS INC.
Notes to the Financial Statements

- a breach of contract such as a default or being more than 1 year past due ;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider ;
- it is probable that the borrower will enter bankruptcy or other financial reorganization ; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of assets. For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

The gross carrying amount of a financial asset is written off either partially or in full to the extent that there is no realistic prospect of recovery. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

5) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

When the Company enters into transactions whereby it transfers assets but retains either all or substantially all of the risks and rewards of the assets, the transferred assets are not derecognized from statement of balance sheet.

ii) Financial liabilities and equity instrument

1) Classification of debt or equity

Debt and equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

(Continued)

CUB ELECPARTS INC.
Notes to the Financial Statements

3) Treasury shares

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in capital surplus or retained earnings (if the capital surplus is not sufficient to be written down).

4) Compound financial instruments

Compound financial instruments issued by the Company comprise convertible bonds denominated in NTD that can be converted to ordinary shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

The liability component of compound financial instruments is initially recognized at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognized at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured.

Interest related to the financial liability is recognized in profit or loss, and included in non-operating income and expenses.

5) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

(Continued)

CUB ELECPARTS INC.
Notes to the Financial Statements

6) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged, canceled or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

The difference between the carrying amount of a financial liability derecognized and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

7) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(iii) Derivative financial instruments

The Company holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated under 'other equity — gains (losses) on hedging instruments', limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognized hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognized in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. Furthermore, if the Company expects that some or all of the loss accumulated in other equity will not be recovered in the future, that amount is immediately reclassified to profit or loss.

(Continued)

CUB ELECPARTS INC.
Notes to the Financial Statements

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. The discontinuation is accounted for prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in other equity remains in equity until, for a hedge of a transaction resulting in the recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss. If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in other equity are immediately reclassified to profit or loss.

(g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated based on the weighted average method and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to the location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value represents the estimated selling price in the ordinary course of business, less the necessary selling expenses.

(h) Investment in subsidiaries

The subsidiaries in which the Company holds controlling interest are accounted for under equity method in the parent company only financial statements. Under equity method, the net income, other comprehensive income and equity in the parent company only financial statement are the same as those attributable to the owners of parent in the consolidated financial statements.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(i) Property, Plant and Equipment

(i) Recognition and measurement

Property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with the expenditure will flow to the Company.

(Continued)

CUB ELECPARTS INC.
Notes to the Financial Statements

(iii) Depreciation

Depreciation is calculated on the cost of an asset, less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

- 1) Buildings: 5~50 years
- 2) Machinery and equipment: 2~10 years
- 3) Transportation equipment: 5~10 years.
- 4) Mold and other equipment 3~10 years
- 5) The significant components and related useful lives of buildings and structures are as follow:

<u>Components</u>	<u>Useful Lives</u>
Buildings and structures	
Main buildings	50 years
Pipeline and fire protection	
Engineering	10~15 years
Parking sheds	15 years
Construction equipment	10 years
Others	5years

Depreciation methods, useful lives, and residual values are reviewed at each annual reporting date and, if necessary, adjusted as appropriate. Any changes therein are accounted for as changes in accounting estimates.

(j) Lease

At inception of a contract, the Company assesses whether a 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.

(i) As a lease

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

(Continued)

CUB ELECPARTS INC.
Notes to the Financial Statements

The right-of-use asset is subsequently depreciated using the straight-line method 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. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- 1) fixed payments, including in-substance fixed payments;
- 2) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- 3) amounts expected to be paid under a residual value guarantee; and
- 4) payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is measured when:

- 1) there is a change in future lease payments arising from the change in an index or rate; or
- 2) there is a change in the Company's estimate of the amount expected to be paid under a residual value guarantee; or
- 3) there is a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- 4) there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- 5) there are any lease modifications.

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss.

The Company presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

(Continued)

CUB ELECPARTS INC.
Notes to the Financial Statements

If an arrangement contains lease and non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of staff dormitory that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

From January 1, 2021, when the basis for determining future lease payments changes as required by interest rate benchmark reform, the Company will remeasure the lease liability by discounting the revised lease payments using the revised discount rate that reflects the change to an alternative benchmark interest rate.

(ii) As a lessor

When the Company acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Company applies IFRS15 to allocate the consideration in the contract.

The Company recognizes a finance lease receivable at an amount equal to its net investment in the lease. Initial direct costs incurred in negotiating and arranging an operating lease is added to the net investment of the leased asset. The interest income is recognized over the lease term based on a pattern reflecting a constant periodic rate of return on the net investment in the lease. The Company recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'.

(k) Intangible assets

(i) Recognition and measurement

Goodwill arising from the acquisition of subsidiaries is measured at cost, less accumulated impairment losses, which are included in investments accounted for using equity method.

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditure is capitalized only if the expenditure can be measured reliably, the

(Continued)

CUB ELECPARTS INC.
Notes to the Financial Statements

product or process is technically and commercially feasible, future economic benefits are probable and the Company intends to, and has sufficient resources to, complete the development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost, less accumulated amortization and any accumulated impairment losses.

Other intangible assets, including development costs, patents and trademarks, that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

The estimated useful lives of property, plant and equipment for the current and comparative years are as follows:

- | | | |
|----|-------------------------|---------------|
| 1) | Computer software, cost | 2~8 years |
| 2) | Patents | 90~229 months |
| 3) | Trademarks | 75~159 months |

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjust if appropriate.

(l) Impairment of non-financial assets

The Company assesses at the end of each reporting date whether there is any indication that the carrying amounts of non-financial assets (other than inventories and deferred tax assets) may be impaired. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or cash generating units (CGUs). Goodwill arising from a business combination is allocated to cash-generating units ("CGUs") or groups of CGUs that are expected to benefit from the synergies of the combination.

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CUB ELECPARTS INC.
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The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other non-financial assets, an impairment loss is reversed only to the extent that the asset's carrying amount that would have been determined (net of depreciation or amortization) had no impairment loss been recognized for the assets in prior years.

(m) Revenue recognition

(i) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Company's main types of revenue are explained below.

1) Sale of goods

The Company manufactures and sells automobile parts, motor switches, and related components to automobile manufacturers. Revenue is recognized when the control over a product has been transferred to the customer. Being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

The Company often offers volume discounts to its customers based on aggregate sales of automobile and motor switch components over a 12 month period. 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 the discounts, using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur.

A receivable is recognized when the goods are delivered as this is the point in time that the Company has a right to an amount of consideration that is unconditional.

(Continued)

CUB ELECPARTS INC.
Notes to the Financial Statements

2) Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

(ii) Contract costs

1) Incremental costs of obtaining a contract

The Company recognizes as an asset the incremental costs of obtaining a contract with a customer if the Company expects to recover those costs. The incremental costs of obtaining a contract are those costs that the Company incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Costs to obtain a contract that would have been incurred, regardless of whether the contract was obtained, shall be recognized as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

The Company applies the practical expedient to recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity otherwise would have recognized is one year or less.

2) Costs to fulfil a contract

If the costs incurred in fulfilling a contract with a customer are not within the scope of another Standard (for example, IAS 2 Inventories, IAS 16 Property, Plant and Equipment or IAS 38 Intangible Assets), the Company recognizes an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria: the costs relate directly to a contract or to an anticipated contract that the Company can specifically identify; the costs generate or enhance resources of the Company that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and the costs are expected to be recovered.

General and administrative costs, costs of wasted materials, labor or other resources to fulfill the contract that were not reflected in the price of the contract, costs that relate to satisfied performance obligations (or partially satisfied performance obligations), and costs for which the Company cannot distinguish whether the costs relate to unsatisfied performance obligations or to satisfied performance obligations (or partially satisfied performance obligations), the Company recognizes these costs as expenses when incurred.

(n) Employee benefits

(i) Defined contribution plans

Obligations for contributions to the defined contribution plans are expensed as related services are provided.

(Continued)

CUB ELECPARTS INC.
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(ii) Defined benefit plans

The Company's net obligation in respect of the defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs

(iii) Short-term employee benefits

Short-term employee benefit obligations are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(o) Share-based payment transaction

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the resting period of the awards. The compensation cost is adjusted to reflect the number of awards given to employees for which the performance and non-market conditions are expected to be met, such that the amount ultimately recognized shall be based on the number of equity instruments that eventually have vested.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions, and there is no true-up for differences between expected and actual outcomes.

The Company's grant date of a share-based payment award is the date which the Company informs its employee of the exercise price and number of exercised shares.

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CUB ELECPARTS INC.
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(p) Income taxes

Income taxes comprise both current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are not recognized for the following exceptions:

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - 1) the same taxable entity; or
 - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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CUB ELECPARTS INC.
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(q) Business combination

The Company accounts for business combinations using the acquisition method. The goodwill arising from an acquisition is measured as the excess of (i) the consideration transferred (which is generally measured at fair value) and (ii) the amount of non-controlling interest in the acquiree, both over the identifiable net assets acquired at the acquisition date. If the amount calculated above is a deficit balance, the Company recognized that amount as a gain on a bargain purchase in profit or loss immediately after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed.

All the transaction costs incurred for the business combination are recognized immediately as the Company's expenses when incurred, except for the issuance of debt or equity instruments.

For each business combination, the Company measures any non-controlling equity interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets, if the non-controlling interests are present ownership interests and entitle their holders to a proportionate share of the Company's net assets in the event of liquidation. Other non-controlling interest are measured at their acquisition date fair values, unless another measurement basis is required by IFRSs endorsed by F.S.C.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the Company shall retrospectively adjust the provisional amounts recognized at the acquisition date, or recognize additional assets or liabilities to reflect new information obtained about facts and circumstances that existed as of the acquisition date. The measurement period shall not exceed one year from the acquisition date.

(r) Earnings per Share

The basic and diluted EPS attributable to shareholders of the Company are disclosed in the consolidated financial statements. Basic earnings per share is calculated as the profit attributable to the ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potential dilutive ordinary shares. Dilutive potential ordinary shares comprise accrued employee remuneration.

(s) Operating segments

The Company has disclosed information on operating segments in the consolidated financial statements, therefore, such information is not disclosed in the parent-company-only financial statements.

(Continued)

CUB ELECPARTS INC.
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(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

The preparation of the financial statements in conformity with the Regulations and the IFRSs endorsed by the FSC requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates

The management continues to monitor the accounting estimations and assumptions. The management recognizes any changes in the accounting estimations during the period and the impact of those changes in accounting estimates in the following period.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows. Those assumptions and estimation have been updated to reflect the impact of COVID-19 pandemic:

(a) The loss allowance of accounts receivable

The Company has estimated the loss allowance of trade receivable that is based on the risk of a default occurring and the rate of expected credit loss. The Company has considered historical experience, current economic conditions and forward-looking information at the reporting date to determine the assumptions to be used in calculating the impairments and the selected inputs. The relevant assumptions and input values, please refer to note 6(b).

(b) Assessment of impairment of investments (goodwill) accounted for using equity method

The assessment of impairment of investments accounted for using equity method requires the Company to make a subjective judgment to determine the identified CGUs, allocate the goodwill to relevant CGUs and estimate the recoverable amount of relevant CGUs. Investments accounted for using equity method (note 6(e))

The Company evaluates its assets and liabilities using the observable market inputs. The different inputs of levels of fair value hierarchy in determination of fair value are as follows:

Level 1: quoted prices (unadjusted) in active markets for identifiable assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the assets or liability that are not based on observable market data (unobservable inputs).

If there is any movement of financial instruments measured at fair value between Level 1, Level 2, and Level 3, the Company recognizes the movement at the reporting date.

For the assumption used in fair value measurement, please refer to note 6(w) of the financial instruments.

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CUB ELECPARTS INC.
Notes to the Financial Statements

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2021	December 31, 2020
Cash and cash on hand	\$ 190	238
Demand deposits	901,479	732,367
	\$ 901,669	732,605

Please refer to note 6(w) for the interest rate risk and the fair value sensitivity analysis of the financial assets and liabilities of the Company.

(b) Notes receivable and accounts receivable

	2021	2020
Notes receivable from operating activities	\$ 5,979	738
Accounts receivable—measured at amortized cost	959,426	645,906
Accounts receivable due from related parties—measured at amortized cost	31,011	84,670
Less: loss allowance	(35,069)	-
	\$ 961,347	731,314

The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, notes and accounts receivable have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including the macroeconomic and related industrial information.

	Balance on December 31, 2021		
	Book value of accounts and notes receivable	Weighted- average loss rate	Loss allowance provision
Current	\$ 829,208	- %	-
1 to 30 days past due	71,608	- %	-
31 to 60 days past due	57,581	- %	-
61 to 90 days past due	1,316	- %	-
More than 91 days past due	36,703	95.55 %	35,069
Total	\$ 996,416		35,069

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CUB ELECPARTS INC.
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	Balance on December 31, 2020		
	Book value of accounts and notes receivable	Weighted- average loss rate	Loss allowance provision
Current	\$ 687,838	- %	-
1 to 30 days past due	18,371	- %	-
31 to 60 days past due	5,622	- %	-
61 to 90 days past due	1,571	- %	-
More than 91 days past due	17,912	- %	-
Total	<u><u>\$ 731,314</u></u>		<u><u>-</u></u>

The movements in the allowance for notes and accounts receivables were as follows:

	2021	2020
Beginning balance	\$ -	461
Impairment losses recognized	35,069	-
Amounts written off	-	(461)
	<u><u>\$ 35,069</u></u>	<u><u>-</u></u>

None of notes receivable and accounts receivable held by the Company were pledged, collateralized or discounted as of December 31, 2021 and 2020.

Please refer to Note 6(w) for other credit risk.

(c) Other receivables

	December 31, 2021	December 31, 2020
Other receivables - others	\$ 16,078	14,435
Other receivables - loan to subsidiaries	-	280,000
Other payables - related parties	5,972	16,427
Less: loss allowance	-	-
	<u><u>\$ 22,050</u></u>	<u><u>310,862</u></u>

Please refer to Note 6(w) for other credit risk.

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CUB ELECPARTS INC.
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(d) Inventories

	<u>2021</u>	<u>2020</u>
Raw materials	\$ 422,711	318,472
Work in progress	138,066	142,126
Finished goods	118,875	92,060
Merchandise	<u>5,271</u>	<u>4,897</u>
	<u><u>\$ 684,923</u></u>	<u><u>557,555</u></u>

The details of inventory-related losses (gains) are as follows:

	<u>For the Year Ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Write-down and obsolescence losses of inventories	\$ 3,352	10,055
Loss on disposal of inventory	17,154	2,346
Gain on physical inventory	<u>(774)</u>	<u>(193)</u>
Operating costs	<u><u>\$ 19,732</u></u>	<u><u>12,208</u></u>

None of the inventories held by the Company was pledged collateral as of December 31, 2021 and 2020.

(e) Investments accounted for using equity method

Investments accounted for using the equity method at the reporting date were as follows:

	<u>2021</u>	<u>2020</u>
Subsidiaries	<u><u>\$ 3,240,256</u></u>	<u><u>2,110,100</u></u>

(i) Subsidiaries

Please refer to the consolidated financial statements for the year ended December 31, 2021.

(ii) Collateral

As of December 31, 2021 and 2020, the investments accounted for using equity method were not pledged as collateral.

(iii) Impairment loss

The Company conducted impairment tests on goodwill included in some investments accounted for using equity method as of December 31, 2021 and 2020. After assessment, no provision for impairment loss were accrued. Please refer to note 6(k) on the consolidated financial statements.

(f) Acquisition of subsidiaries and non-controlling interests

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The Company acquired 59.63% of shares in 3S System Technology Co., Ltd. and obtained control over the company on April 29, 2021. 3S System sells and manufactures video surveillance systems, communication engineering, and computer software.

The Company obtained control of the 3S System to acquire Artificial intelligence image recognition technology for accelerating the development of the multiple intelligences surrounding the safety monitoring system and enhance the momentum of its future operations.

From the acquisition date to December 31, 2021, 3S System contributed revenue and a net loss of \$106,662 thousand and (\$31,560) thousand, respectively. If the acquisition had taken place on January 1, 2021, management estimated that the consolidated revenue and net loss for the years ended December 31, 2021 would have been \$166,565 thousand and (\$51,958) thousand, respectively. In determining these amounts, the management has assumed that the fair value adjustments determined provisionally, that arose on the acquisition date would have been the same if the acquisition had occurred on January 1, 2021.

The acquisition date fair value of major class of consideration transferred was as follows:

(i) Consideration transferred

The Company acquired 59.63% of shares in 3S System, which amounted to \$411,554 thousand, and the consideration transferred is cash.

(ii) Identifiable assets acquired and liabilities assumed

The following table summarized the fair value of identifiable assets acquired and liabilities assumed recognized at the acquisition date:

	April 29, 2021
Property, plant and equipment (Note 6(g))	\$ 120,228
Right-of-use assets(note 6(h))	2,988
Intangible assets (note 6(i))	198,740
Inventories	114,812
Notes and accounts receivable and other receivables	78,181
Cash and cash equivalents	355,575
Prepayments	56,716
Other current assets	12,229
Other non-current assets	2,849
Long-term and short-term borrowings	(9,520)
Contract liabilities	(3,365)
Accounts payable and other payables	(345,793)
Lease liabilities	(3,007)
Other current liabilities	(57,724)
Fair value of net identifiable assets on April 29, 2021	522,909
Percentage	59.63%
Fair value of net assets attributable to owners of parent on April 29, 2021	<u><u>\$ 311,793</u></u>

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CUB ELECPARTS INC.
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The total contract amount of the accounts receivable was \$78,181 thousand, and the expected uncollectible amount at the date of acquisition was \$0.

The fair value of financial assets and liabilities were decided in accordance with the temporary based as follows:

The fair value of the property, plant, and equipment and intangible assets (including patents, computer software, and trademark rights) have been determined provisionally at \$120,228 thousand and \$198,740 thousand, respectively. These assets are subject to the final valuation.

The Company will continue to review the aforesaid matters during the measurement period. If there is any information discovered within one year from the acquisition date about facts and circumstances that existed at the acquisition date which leads to an adjustment to the above provision amounts, or any additional provisions as at the acquisition date, the acquisition accounting will be revised.

(iii) Goodwill

Goodwill arising from the acquisition has been recognized as follows:

Consideration transferred	\$ 411,554
Add: Non-controlling interests (measured at the share of the acquirer's identifiable net assets in each acquisition)	211,116
Less: Fair value of net identifiable assets	<u>(522,909)</u>
Goodwill	<u><u>\$ 99,761</u></u>

The Company recognized \$99,761 thousand of goodwill at the acquisition date included in the carrying amount of the investments accounted for using equity method.

Goodwill arises primarily from the profitabilities of the multiple intelligences surrounding monitoring system of 3S System Technology Co., Ltd., which is expected to benefit from the synergies of the integration between the Company and 3S System Technology Co., Ltd. There is no tax impact expected on the goodwill recognition.

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(g) Property, plant and equipment

The cost and depreciation of the property, plant and equipment for the years ended December 31, 2021 and 2020, were as follows:

					molding and other equipment	Unfinished construction and equipment under acceptance	Total
	Land	Buildings and Construction	Machinery and equipment	Transportation equipment			
Costs							
Balance on January 1, 2021	\$ 289,739	707,343	327,859	8,427	419,208	-	1,752,576
Addition	-	2,522	7,346	-	33,490	10,616	53,974
Disposal	-	-	(498)	(2,327)	(524)	-	(3,349)
Reclassification	-	-	7,009	-	23,156	527	30,692
Balance on December 31, 2021	<u>\$ 289,739</u>	<u>709,865</u>	<u>341,716</u>	<u>6,100</u>	<u>475,330</u>	<u>11,143</u>	<u>1,833,893</u>
Balance on January 1, 2020	\$ 289,739	675,713	322,133	8,319	394,004	-	1,689,908
Addition	-	24,286	11,041	3,242	25,603	-	64,172
Disposal	-	-	(9,325)	(3,134)	(1,454)	-	(13,913)
Reclassification	-	7,344	4,010	-	1,055	-	12,409
Balance at December 31, 2020	<u>\$ 289,739</u>	<u>707,343</u>	<u>327,859</u>	<u>8,427</u>	<u>419,208</u>	<u>-</u>	<u>1,752,576</u>
Depreciation:							
Balance on January 1, 2021	\$ -	154,238	167,253	3,965	358,639	-	684,095
Depreciation for the year	-	25,589	31,916	971	37,322	-	95,798
Disposal	-	-	(498)	(998)	(512)	-	(2,008)
Reclassifications	-	(432)	-	-	(3,260)	-	(3,692)
Balance on December 31, 2021	<u>\$ -</u>	<u>179,395</u>	<u>198,671</u>	<u>3,938</u>	<u>392,189</u>	<u>-</u>	<u>774,193</u>
Balance on January 1, 2020	\$ -	131,548	137,958	5,584	327,229	-	602,319
Depreciation for the year	-	22,259	31,648	1,009	32,426	-	87,342
Disposal	-	-	(2,353)	(2,628)	(1,016)	-	(5,997)
Reclassifications	-	431	-	-	-	-	431
Balance at December 31, 2020	<u>\$ -</u>	<u>154,238</u>	<u>167,253</u>	<u>3,965</u>	<u>358,639</u>	<u>-</u>	<u>684,095</u>
Carrying amounts:							
Balance on December 31, 2021	<u>\$ 289,739</u>	<u>530,470</u>	<u>143,045</u>	<u>2,162</u>	<u>83,141</u>	<u>11,143</u>	<u>1,059,700</u>
Balance on December 31, 2020	<u>\$ 289,739</u>	<u>553,105</u>	<u>160,606</u>	<u>4,462</u>	<u>60,569</u>	<u>-</u>	<u>1,068,481</u>
Balance on January 1, 2020	<u>\$ 289,739</u>	<u>544,165</u>	<u>184,175</u>	<u>2,735</u>	<u>66,775</u>	<u>-</u>	<u>1,087,589</u>

Please refer to note 8 for the property, plant and equipment pledged to secure bank loans as of December 31, 2021 and 2020.

In the Board of Directors meeting on March 14, 2011, the Company acquired land for future
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expansion at a total price of \$63,549 thousand from the Chairman of the Company, Yu, San-Chuan, and his spouse, Yu Huang, Shu-Yuan, which originally leased by the Company and adjacent to the Company's factory. The real estate has not yet transferred the account in the name of the Company because it is agricultural land. The real estate had temporarily registered under shareholder with trust. The security procedures have been completed, and pledged the trust assets to the Company.

(h) Right-of-use assets

The cost and depreciation of the office equipment leased by the Company were present as follows:

	<u>Office equipment</u>
Cost:	
Balance on December 31, 2021 (Same as balance on January 1, 2021)	\$ <u><u>4,461</u></u>
Balance on January 1, 2020	\$ -
Additions	<u>4,461</u>
Balance at December 31, 2020	\$ <u><u>4,461</u></u>
Depreciation :	
Balance on January 1, 2021	\$ 744
Depreciation for the year	<u>892</u>
Balance on December 31, 2021	\$ <u><u>1,636</u></u>
Balance on January 1, 2020	\$ -
Depreciation for the year	<u>744</u>
Balance at December 31, 2020	\$ <u><u>744</u></u>
Carrying amounts:	
Balance on January 1, 2021	\$ <u><u>3,717</u></u>
Balance on December 31, 2021	\$ <u><u>2,825</u></u>

(i) Intangible assets

The cost, amortization and impairment of the intangible assets of the Company for the years ended December 31, 2021 and 2020, were as follows:

	<u>Patents</u>	<u>Computer software</u>	<u>Trademarks</u>	<u>Total</u>
Cost :				
Balance on January 1, 2021	\$ 9,879	69,069	1,905	80,853
Addition	2,466	23,824	118	26,408
Decrease	-	-	(9)	(9)
Reclassification	-	(9,150)	-	(9,150)
Balance on December 31, 2021	\$ <u><u>12,345</u></u>	<u><u>83,743</u></u>	<u><u>2,014</u></u>	<u><u>98,102</u></u>

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CUB ELECPARTS INC.
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	<u>Patents</u>	<u>Computer software</u>	<u>Trademarks</u>	<u>Total</u>
Balance on January 1, 2020	\$ 8,931	54,145	1,872	64,948
Addition	588	14,924	-	15,512
Reclassification	360	-	33	393
Balance at December 31, 2020	<u>\$ 9,879</u>	<u>69,069</u>	<u>1,905</u>	<u>80,853</u>
Amortization:				
Balance on January 1, 2021	\$ 2,337	37,218	978	40,533
Amortization for the year	612	12,686	217	13,515
Decrease	-	-	(3)	(3)
Reclassification	-	(5,288)	-	(5,288)
Balance on December 31, 2021	<u>\$ 2,949</u>	<u>44,616</u>	<u>1,192</u>	<u>48,757</u>
Balance on January 1, 2020	\$ 1,770	28,116	763	30,649
Amortization for the year	567	9,102	215	9,884
Balance at December 31, 2020	<u>\$ 2,337</u>	<u>37,218</u>	<u>978</u>	<u>40,533</u>
Carrying amounts:				
Balance on December 31, 2021	<u>\$ 9,396</u>	<u>39,127</u>	<u>822</u>	<u>49,345</u>
Balance on December 31, 2020	<u>\$ 7,542</u>	<u>31,851</u>	<u>927</u>	<u>40,320</u>
Balance on January 1, 2020	<u>\$ 7,161</u>	<u>26,029</u>	<u>1,109</u>	<u>34,299</u>

(i) Amortization

The amortization expenses of intangible assets were recognized in the following line items of the statements of comprehensive income:

	For the Year Ended December 31,	
	<u>2021</u>	<u>2020</u>
Operating costs	\$ 591	606
Operating expenses	12,924	9,278
	<u>\$ 13,515</u>	<u>9,884</u>

(ii) Collateral

None of the inventories held by the Company was pledged collateral as of December 31, 2021 and 2020.

(j) Other current assets and other non-current assets

The other current assets and other non-current assets of the Company were as follows:

	<u>2021</u>	<u>2020</u>
Prepayments	\$ 69,974	64,863
Other deferred charges	76,195	86,434
Other current assets	2,398	1,583
Prepayments for equipment	94,888	66,540
	<u>\$ 243,455</u>	<u>219,420</u>

(Continued)

CUB ELECPARTS INC.
Notes to the Financial Statements

(k) Short-term borrowings

Details of short-term borrowings were as follows:

	December 31, 2021	December 31, 2020
Credit loans	\$ <u>1,980,000</u>	<u>1,290,000</u>
Unused short-term credit lines	\$ <u>620,000</u>	<u>810,000</u>
Range of interest rates	<u>0.8%~0.88%</u>	<u>0.81%~0.92%</u>

The Company did not provide any assets as collateral for its short-term borrowings.

(l) Other current liabilities

The other current liabilities of the Company were as follows:

	December 31, 2021	December 31, 2020
Receipts under custody	\$ 3,567	2,020
Grants	-	11,620
Others	<u>255</u>	<u>37</u>
	<u>\$ 3,822</u>	<u>13,677</u>

(m) Long-term borrowings

The details were as follows:

	Currency	Rate	Maturity year	Amount
Unsecured bank loans	TWD	1.036%~1.1%	2024.6.15 ~2025.8.5	\$ 348,333
Secured bank loans	TWD	0.983%	2025.8.5	670,000
Less: current portion				<u>(115,833)</u>
Total				<u>\$ 902,500</u>
Unused credit lines				<u>\$ -</u>

	December 31, 2020			
	Currency	Rate	Maturity year	Amount
Unsecured bank loans	TWD	0.937%~1.05%	2022.6.4	\$ 200,000
Secured bank loans	TWD	0.859%~1.036%	2025.8.3	\$ 800,000
Less: current portion				<u>-</u>
Total				<u>\$ 1,000,000</u>
Unused credit lines				<u>\$ -</u>

For the collateral for bank loans, please refer to note 8.

(Continued)

CUB ELECPARTS INC.
Notes to the Financial Statements

(n) Lease liabilities

The carrying amounts of lease liabilities were as follows:

	<u>2021</u>	<u>2020</u>
Current	\$ <u>882</u>	<u>874</u>
Non-current	\$ <u>1,983</u>	<u>2,865</u>

For the maturities analysis, please refer to Note 6(w).

The amounts recognized in profit or loss were as follows:

	<u>For the Year Ended December 31,</u> <u>2021</u>	<u>2020</u>
Interest on lease liabilities	\$ <u>30</u>	<u>31</u>
Expenses relating to short-term leases	\$ <u>1,062</u>	<u>378</u>

The amounts recognized in the statement of cash flows for the Company was as follows:

	<u>For the Year Ended December 31,</u> <u>2021</u>	<u>2020</u>
Total cash outflow for leases	\$ <u>1,966</u>	<u>1,131</u>

The Company leases office equipment, with lease terms of five years. In some cases, the Company guarantees the residual value of the leased assets at the end of the contract term.

The Company also leases computer equipment with contract terms of one to three years. These leases are short-term and leases of low value items. The Company has elected not to recognize right-of-use assets and lease liabilities for these leases.

(o) Employee benefits

(i) Defined benefit plans

The reconciliation of the present value of the defined benefit obligations and fair value of plan assets was as follows:

	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
Present value of the defined benefit obligations	\$ 16,915	18,520
Fair value of plan assets	<u>(10,123)</u>	<u>(9,919)</u>
Net defined benefit liabilities	\$ <u>6,792</u>	<u>8,601</u>

(Continued)

CUB ELECPARTS INC.
Notes to the Financial Statements

The Company's employee benefit liabilities were as follows:

	December 31, 2021	December 31, 2020
Compensated absences (recognized as other payables) \$	<u>633</u>	<u>633</u>

The Company makes defined benefit plan contributions to the pension fund account at Bank of Taiwan, which provides pensions for employees upon retirement. Under the Labor Standards Act, each employee's retirement payment is calculated based on years of service and the average salary for the six months prior to retirement.

1) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Company's labor pension reserve account balance at Bank of Taiwan amounted to \$10,123 thousand at the reporting date. Please refer to the related information published on the website of the Labor Pension Supervisory Committee concerning the utilization of the labor pension fund, related yield rate and its allocation.

2) Movements in present value of defined benefit obligations

The movements in the present value of the defined benefit obligations for the years ended December 31, 2021 and 2020 were as follows:

	For the Year Ended December 31, 2021	2020
Defined benefit obligations at January 1	\$ 18,520	18,015
Current service costs and interest cost	178	240
Remeasurement loss (gain):		
— Return on plan assets (excluding current interest expense)	(1,349)	171
— Actuarial loss (gain) arising from demographic assumptions	304	424
— Actuarial loss (gain) arising from financial assumptions	(261)	868
Benefits paid	(477)	(1,198)
Defined benefit obligations at December 31	<u>\$ 16,915</u>	<u>18,520</u>

(Continued)

CUB ELECPARTS INC.
Notes to the Financial Statements

3) Movements in the fair value of the plan assets

The movements in the fair value of the defined benefit plan assets for the years ended December 31, 2021 and 2020 were as follows:

	For the Year Ended December 31,	
	2021	2020
Fair value of plan assets at January 1	\$ 9,919	10,207
Interest income	52	91
Remeasurements of the net defined benefit liabilities- return on plan assets (excluding interest income)	126	309
Contributions paid by the employer	503	510
Benefits paid	(477)	(1,198)
Fair value of plan assets at December 31	<u><u>\$ 10,123</u></u>	<u><u>9,919</u></u>

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the years ended December 31, 2021 and 2020, were as follows:

	For the Year Ended December 31,	
	2021	2020
Current service cost	\$ 86	83
Net interest of net liabilities for defined benefit obligations	40	66
	<u><u>\$ 126</u></u>	<u><u>149</u></u>
Administrative expenses	<u><u>\$ 126</u></u>	<u><u>149</u></u>

5) Remeasurement of the net defined benefit liabilities recognized in other comprehensive income

The Company's net defined benefit liability recognized in other comprehensive income for the years ended December 31, 2021 and 2020, are as follows:

	For the Year Ended December 31,	
	2021	2020
Accumulated amount at January 1	\$ 12,064	10,910
Recognized during the period	(1,432)	1,154
Accumulated amount at December 31	<u><u>\$ 10,632</u></u>	<u><u>12,064</u></u>

(Continued)

CUB ELECPARTS INC.
Notes to the Financial Statements

6) Actuarial assumptions

The following are the principal actuarial assumptions at the end of the reporting period:

	For the Year Ended December 31,	
	2021	2020
Discount Rate	0.6 %	0.5 %
Future salary increase rate	2 %	2 %

The expected allocation payment to be made by the Company to the defined benefit plans for the one-year period after the reporting date is \$497 thousand.

The weighted average lifetime of the defined benefits plans is 12.2 years.

7) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation for 2021 and 2020 shall be as follows:

	Influences of defined benefit obligations	
	Increased 0.25%	Decreased 0.25%
December 31, 2021		
Discount Rate	\$ (511)	534
Future salary increase rate	518	(499)
December 31, 2020		
Discount Rat	\$ (592)	619
Future salary increase rate	600	(577)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. In practical, the relevant actuarial assumptions are correlated to each other. The approach to develop the sensitivity analysis as above is the same approach to recognize the net defined benefit liability in the balance sheet.

There is no change in the method and assumptions used in the preparation of the sensitivity analysis for 2021 and 2020.

(ii) Defined contribution plans

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Company contributes a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligations.

The cost of the pension contributions to the Bureau of Labor Insurance for the years ended December 31, 2021 and 2020 amounted to \$12,123 thousand and \$13,158 thousand,

(Continued)

CUB ELECPARTS INC.
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respectively.

(p) Income taxes

(i) Income tax expenses

- 1) The components of income tax expense for the years ended December 31, 2021 and 2020, were as follows:

	For the Year Ended December 31,	
	2021	2020
Current tax expense		
Current period	\$ 120,126	33,723
Adjustment for prior years	76	(2,323)
	<u>120,202</u>	<u>31,400</u>
Deferred tax income		
Origination and reversal of temporary differences	(5,768)	6,958
	<u>\$ 114,434</u>	<u>38,358</u>

No income tax expense was recognized directly in equity for 2021 and 2020.

The reconciliation of income tax expense and income before income tax was as follows:

	For the Year Ended December 31,	
	2021	2020
Profit excluding income tax	\$ 630,362	282,892
Income tax using the Company's domestic tax rate	\$ 126,072	56,578
Change in unrecognized temporary differences	926	(2,311)
Non-deductible expenses	30	68
Investment tax credit	(13,434)	(14,341)
Adjustments for over provisions of prior years' income tax expense	76	(2,323)
Foreign income taxes paid	764	687
	<u>\$ 114,434</u>	<u>38,358</u>

(ii) Deferred income tax assets and liabilities

1) Unrecognized deferred tax liabilities

As of December 31, 2021 and 2020, the temporary differences associated with investments in subsidiaries were not recognized as deferred income tax liabilities as the Company has the ability to control the reversal of these temporary differences which are not expected to reverse in the foreseeable future. Details are as follows:

	December 31,	December 31,
	2021	2020
Aggregate amount of temporary differences related to investments in subsidiaries	\$ <u>518,392</u>	<u>523,021</u>

(Continued)

CUB ELECPARTS INC.
Notes to the Financial Statements

Amount of unrecognized deferred income tax liabilities	\$ <u><u>103,678</u></u>	<u><u>104,604</u></u>
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2) Unrecognized deferred tax liabilities

The movements in deferred tax assets and liabilities for the years ended December 31, 2021 and 2020 were as follows:

Deferred Tax Assets:

	Unrealized exchange loss	Unrealized exchange loss	Bad debt losses	Others	Total
Balance on January 1, 2021	\$ 2,524	-	-	129	2,653
(Debit) Credit on income statement	<u>670</u>	<u>-</u>	<u>7,014</u>	<u>-</u>	<u>7,684</u>
Balance on December 31, 2021	<u><u>\$ 3,194</u></u>	<u><u>-</u></u>	<u><u>7,014</u></u>	<u><u>129</u></u>	<u><u>10,337</u></u>
Balance on January 1, 2020	\$ 513	7,540	-	129	8,182
(Debit) Credit on income statement	<u>2,011</u>	<u>(7,540)</u>	<u>-</u>	<u>-</u>	<u>(5,529)</u>
Balance on December 31, 2020	<u><u>\$ 2,524</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>129</u></u>	<u><u>2,653</u></u>

Deferred tax liabilities :

	Undiscounted interest	Others	Total
Balance on January 1, 2021	\$ 1,357	693	2,050
Debit (credit) on income statement	<u>1,841</u>	<u>75</u>	<u>1,916</u>
Balance on December 31, 2021	<u><u>\$ 3,198</u></u>	<u><u>768</u></u>	<u><u>3,966</u></u>
Balance on January 1, 2020	\$ -	621	621
Debit (credit) on income statement	<u>1,357</u>	<u>72</u>	<u>1,429</u>
Balance on December 31, 2020	<u><u>\$ 1,357</u></u>	<u><u>693</u></u>	<u><u>2,050</u></u>

3) Assessment of tax

The Company's income tax returns for the years through 2018 have been examined and approved by the R.O.C. income tax authorities.

(q) Capital and reserves

As of December 31, 2021 and 2020, the Company's government registered total authorized capital both amounted to \$2,000,000 thousand divided into 200,000 thousand shares of stock with \$10 per share. The outstanding shares of common stock both amounted to \$1,219,166 thousand with \$10 per share.

(Continued)

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The reconciliation of shares outstanding for 2021 and 2020 was as follows:

(in thousands of shares)

	Ordinary Shares	
	For the Year Ended December 31,	
	2021	2020
Balance on January 1	121,917	122,821
Retained earnings transferred to capital	-	2,457
Retirement of treasury share	-	(3,361)
Balance on December 31	<u>121,917</u>	<u>121,917</u>
(i) Issuance of ordinary shares		

In the Board of Directors meeting on May 15, 2020, the Company had the capital increase from retained earnings of \$24,564 thousand, which issued 2,457 thousand shares with a par value of \$10 per share. The Financial Supervisory Commission approved the application for a capital increase, and the effective date of the capital increase was July 15, 2020. The registration procedure has been completed.

(ii) Capital surplus

The components of capital surplus were as follows:

	December 31, 2021	December 31, 2020
Additional paid-in capital	\$ 17,151	17,151
Premium of convertible corporate bonds	530,658	530,658
Gain on disposal of assets	1,468	1,468
Employee stock options	35,646	4,861
Employee stock options (Expired)	502	502
Share option –convertible bonds issued	18	18
Changes in net equity of subsidiaries are recognized by equity method	80,777	5,231
	<u>\$ 666,220</u>	<u>559,889</u>

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. Pursuant to the ROC Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the total sum of capital surplus capitalized per annum shall not exceed 10 percent of the paid-in capital.

The Company retired \$33,610 thousand of treasury shares on July, 2020. Due to the cost of purchasing treasury shares being higher than the principal amount, the difference is written off proportionately at additional paid-in capital, and the conversion of convertible bonds amounted

(Continued)

CUB ELECPARTS INC.
Notes to the Financial Statements

to \$12,447 thousand and \$385,103 thousand, respectively.

(iii) Retained earnings

The Company's article of incorporation stipulated that annual earning shall be appropriated as follows:

- (A) defray tax due in accordance with the law.
- (B) offset prior years' operating losses.
- (C) of the remaining balance, 10% to be appropriated as legal reserve;
- (D) set aside special reserve or reverse special reserve previously provided
- (E) After deducting the balance from the items mentioned above, the Board of Directors shall adopt the proposal of a dividend for the residual balance and the previous year's undistributed earnings to be submitted for approval during the shareholders' meeting. Dividends may be distributed by stock or cash dividends.

The Company is in a growth phase. Based on capital expenditure, business expansion needs, and financial planning for sustainable development, the Company's dividend policy will allocate retained earnings to shareholders through stock and cash dividends in accordance with the Company's future capital expenditure budget and capital requirements. The cash dividend ratio of such dividends shall not be less than 5% of the total dividend of the shareholders.

1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

In accordance with Rule issued by the FSC, a portion of current period earnings and undistributed prior period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should equal the current period total net reduction of shareholders' equity. Similarly, a portion of undistributed prior period earnings shall be reclassified as a special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to shareholders' equity pertaining to prior periods. A special reserve is made available for earning distribution only after the deduction of the related shareholders' equity has been reversed. The balance of special reserve amounted to \$39,196 thousand and \$65,457 thousand as of December 31, 2021 and 2020, respectively.

(Continued)

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3) Earnings distribution

On August 30, 2021 and May 15, 2020, the appropriation of the earnings for 2020 and 2019 was resolved in the general meeting of shareholders. The amounts of dividends distributed to owners were as follows:

	For the Year Ended December 31, 2020		For the Year Ended December 31, 2019	
	Amount per share	Amount	Amount per share	Amount
Dividends distributed to ordinary shareholders:				
Cash	\$ 1.2	146,300	6.8	835,184
Shares	-	-	0.2	24,564
	\$ 1.2	146,300	7.0	859,748

On March 8, 2022, the Company's Board of Directors resolved to appropriate the 2021 earnings, respectively, as follows:

	December 31, 2021	
	Amount per share	Amount
Dividends distributed to ordinary shareholders:		
Cash	\$ 1.0	121,917
Stock	1.0	121,916
	\$ 2.0	243,833

(iv) Treasury shares

In the Board of Directors meeting on March 24, 2020, the Company is expected to repurchase 5,000 thousand treasury shares for transferring shares to the employees. However, in the Board of Directors meeting on June 17, 2020, the Company changed the purpose of the repurchase to protect the Company's credit and shareholders' interests.

In accordance with the requirements of Securities and Exchange Act, treasury shares held by the Company should not be pledged, and do not hold any shareholder rights before their transfer. The Company retired 3,361 thousand treasury shares and set the effective date of capital reduction on July 13, 2020. The related process for registration had been completed.

Unit: Thousand shares

For the year ended December 31, 2020

Item	Shares	Addition	Decrease	Shares
To protect the Company's credit and shareholders' rights and interests	-	3,361	3,361	-

(Continued)

CUB ELECPARTS INC.
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(v) Other equity

	Exchange differences on translation of foreign financial statements	Unrealized gain (loss) on financial assets measured at fair value through other comprehensive income	Total
Balance on January 1, 2021	\$ (39,196)	-	(39,196)
Exchange differences on translation of net assets of foreign operations	(8,152)	-	(8,152)
Balance on December 31, 2021	<u>\$ (47,348)</u>	<u>-</u>	<u>(47,348)</u>
Balance on January 1, 2020	\$ (50,996)	(14,461)	(65,457)
Exchange differences on translation of net assets of foreign operations	11,800	-	11,800
Unrealized gains from financial assets measured at fair value through other comprehensive income	-	571	571
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	13,890	13,890
Balance at December 31, 2020	<u>\$ (39,196)</u>	<u>-</u>	<u>(39,196)</u>

(r) Share-based payments

On November 9, 2021 and October 23, 2020, the shareholders' meeting approved a resolution to issue 800,000 and 2,000,000 new restricted employee shares to full-time regular employees of the Company and domestic and foreign subsidiaries. The above transaction had been approved by the Financial Supervisory Commission.

As of December 31, 2021, share-based payment transactions of the Company are as follows:

	Employee stock options	Employee stock options
Grant date	2020.11.5	2020.11.24
Number of options granted	1,918,000 shares	82,000 shares
Contract term	4 years	4 years
Recipients	Limited to the full-time employees of the Company and the domestic and foreign subsidiaries	Limited to the full-time employees of the Company and the domestic and foreign subsidiaries
Vesting conditions	2~3 years of service	2~3 years of service

(Continued)

CUB ELECPARTS INC.
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	<u>Employee stock options</u>	
Grant date	2021.11.9	
Number of options granted	800,000 shares	
Contract term	4 years	
Recipients	Limited to the full-time employees of the Company and the domestic and foreign subsidiaries	
Vesting conditions	2~3 years of service	
(i) Measurable parameter of fair value at grant date		
The Company adopted the Black-Scholes model to evaluate the fair value of the stock option at the grant date. The assumptions adopted in this valuation model were as follows:		
	<u>2020.11.5</u>	<u>2020.11.24</u>
	<u>Employee stock options</u>	<u>Employee stock options</u>
Fair value at the grant date	\$53.15~\$54.75	\$66.24~\$68.15
Share price at the grant date	\$165 per share	\$203.5 per share
Exercise price	\$165 per share	\$203.5 per share
Expected volatility	47.66%~45.47%	48.19%~45.92%
The expected life of the option (years)	3~3.5 years	3~3.5 years
Expected dividend	(note)	(note)
The risk-free rate	0.19%~0.20%	0.19%~0.20%
	<u>2021.11.9</u>	
	<u>Employee stock options</u>	
Fair value at the grant date	\$60.06~\$65.59	
Share price at the grant date	\$184.5 per share	
Exercise price	\$184.5 per share	
Expected volatility	47.87%~48.62%	
The expected life of the option (years)	3~3.5 years	
Expected dividend	(note)	
The risk-free rate	0.39%~0.41%	

(Note): The share option price is adjusted according to dividends (anti-dilution price adjustment), and the dividend rate is not expected to be included in the calculation.

(Continued)

CUB ELECPARTS INC.
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(ii) Related information of employee stock option plans

The details of these employee stock option plans were as follows:

	For the Year Ended December 31, 2021		For the Year Ended December 31, 2020	
	Number of options (shares)	Weighted average exercise price (yuan)	Number of options (shares)	Weighted average exercise price (yuan)
Outstanding at January 1	2,000,000	166.58	-	-
Number of options granted during the year	800,000	184.5	2,000,000	166.58
Outstanding at December 31	2,800,000	171.70	2,000,000	166.58
Exercisable at December 31	-	-	-	-

As of December 31, 2021 and 2020 the weighted-average remaining contractual life for outstanding option awards were 3.19 and 3.92 years, respectively. In addition, the share-based payments amounted to \$30,033 thousand and \$4,861 thousand, respectively.

(s) Earnings per share

For the years ended December 31, 2021 and 2020, the Company's earnings per share were calculated as follows:

	For the Year Ended December 31,	
	2021	2020
Basic earnings per share		
Profit attributable to ordinary shareholders of the Company\$	515,928	244,534
(basic)		
Weighted-average number of ordinary shares outstanding	121,917	120,473
	\$ 4.23	2.03
Diluted earnings per share		
Profit attributable to ordinary equity holders of the Company (after adjusting the effect of dilutive potential ordinary share)	\$ 515,928	244,534
Weighted-average number of ordinary shares outstanding	121,917	120,473
Effect of dilutive potential ordinary shares		
Effect of employee share bonus	75	94
Weighted average number of ordinary shares outstanding (diluted)	121,992	120,567
	\$ 4.23	2.03

(Continued)

CUB ELECPARTS INC.
Notes to the Financial Statements

(t) Revenue from contracts with customer

(i) Disaggregation of revenue

	For the Year Ended December 31,	
	2021	2020
Primary geographical markets		
China	\$ 41,717	61,165
Taiwan	327,410	262,219
United States	1,758,976	1,065,650
Germany	244,365	241,611
Other countries	267,594	174,308
	\$ 2,640,062	1,804,953
Major products/service lines:		
Automobile motor switch	\$ 1,365,074	943,804
Automobile safety components and systems	1,170,045	645,458
Others	104,943	215,691
	\$ 2,640,062	1,804,953

(ii) Contract balances

	2021	2020
Contract liabilities—advance sales receipts	\$ 15,076	9,203
Contract liabilities—advance molding receipts	26,275	26,277
	\$ 41,351	35,480

Please refer to Note 6(b) for the disclosure of accounts receivable and the impairment.

For 2021 and 2021, the opening balance of contract liabilities recognized as revenue amounted to \$8,650 thousand and \$10,805 thousand, respectively.

(u) Employee compensation and directors' and supervisors' remuneration

In accordance with the articles of incorporation, the Company should contribute between 2%~8% of the profit as employee compensation and between 1%~5% as directors' and supervisors' remuneration when there is profit for the year. Employee remuneration shall be distributed when the Company has a profit, whether the dividend is distributed to shareholders. Employees or shareholders who are entitled to receive the abovementioned employee compensation include the employees of the subsidiaries of the Company who meet certain specific requirements.

(Continued)

CUB ELECPARTS INC.
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For the years ended December 31, 2021 and 2020, the amounts of employees' bonuses were estimated at \$12,997 thousand and \$5,833 thousand respectively. The amounts remuneration to directors and supervisors were estimated at \$6,499 thousand and \$2,916 thousand respectively. The estimation basis shall be calculated as the amounts of net income before tax deducted employees', directors' and supervisors' bonuses, multiplied distributed percentage of employees' bonuses, directors' and supervisors' remuneration based on the Corporation's articles of incorporation. These bonuses and remuneration were expensed under operating costs or expenses for the years ended December 31, 2021 and 2020.

These remunerations were expensed under operating costs or operating expenses during 2021 and 2020. There is no discrepancy under the circumstances of actual distribution. The information is available on the Market Observation Post System website.

(v) Non-operating income and expenses

(i) Interest income

The details of interest income for 2021 and 2020 were as follows:

	For the Year Ended December 31,	
	2021	2020
Interest income from bank deposits	\$ 2,036	2,601
Other interest income	1,361	1,642
	\$ 3,397	4,243

(ii) Other income

The details of other income for 2021 and 2020 were as follows:

	For the Year Ended December 31,	
	2021	2020
Other income - other	\$ 47,322	18,485

(iii) Other gains and losses

The details of other gains and losses were as follows:

	For the Year Ended December 31,	
	2021	2020
Foreign exchange loss	\$ (30,680)	(83,102)
Losses on disposals of property, plant and equipment	(340)	(149)
Gains on disposals of intangible assets	233	-
	\$ (30,787)	(83,251)

(Continued)

CUB ELECPARTS INC.
Notes to the Financial Statements

(iv) Finance costs

The details of finance costs for 2021 and 2020 were as follows:

	For the Year Ended December	
	31,	
	2021	2020
Interest on bank loans	\$ 22,572	17,005
Interest on lease liabilities	30	31
	\$ 22,602	17,036

(w) Financial instruments

(i) Credit risk

1) The maximum exposure to credit risk

As of December 31, 2021 and 2020, the Company's maximum credit risk exposure resulting from uncollectability of accounts receivable from transaction parties and financial losses from offering financial guarantee was as follows:

- The carrying amount of financial assets recognized in the consolidated balance sheet; and
- The amounts of financial guarantees provided by the Company were \$724,912 thousand and \$1,186,632 thousand respectively.

2) Concentration of credit risk

The majority of the Company's customers are mostly those in the automotive part industry. To reduce accounts receivable credit risk, the Company continuously assesses its customers' financial condition. If it is necessary, the Company will ask for guarantees or warranties. The Company still regularly assesses the likelihood of collectability of accounts receivable and sets aside allowance for losses (bad debts), based on the result of management's evaluation of the overall amounts of bad debts. As of December 31, 2021 and 2020, the Company's major customers consisted of three customers which accounted for 54%, of accounts receivable so that management believes the concentration of credit risk.

3) Credit risks of receivables and debt securities

For details on credit risk of notes and accounts receivable, please refer to note 6(b).

Other financial assets carried at amortized costs included other receivables.

There was no loss allowance on December 31, 2021 and 2020.

(Continued)

CUB ELECPARTS INC.
Notes to the Financial Statements

(ii) Liquidity risk

The following are the contractual maturities of financial liabilities, including the estimated interest payments and excluding the impact of netting agreements.

	Carrying amount	Contractual cash flows	Withing 6 months	6~12 months	1~2 years	2~5 years	Over 5 years
December 31, 2021							
Non-derivative financial liabilities							
Non-interest bearing liabilities	\$ 473,842	473,842	473,842	-	-	-	-
Floating rate instruments	2,998,333	3,015,769	1,240,896	862,674	231,562	680,637	-
Current and non-current lease liabilities	2,865	2,907	452	452	904	1,099	-
	<u>\$ 3,475,040</u>	<u>3,492,518</u>	<u>1,715,190</u>	<u>863,126</u>	<u>232,466</u>	<u>681,736</u>	<u>-</u>
December 31, 2020							
Non-interest bearing liabilities	\$ 389,358	389,358	389,358	-	-	-	-
Floating rate instruments	2,290,000	2,331,429	1,292,289	-	202,670	836,470	-
Current and non-current lease liabilities	3,739	3,811	452	452	904	2,003	-
	<u>\$ 2,683,097</u>	<u>2,724,598</u>	<u>1,682,099</u>	<u>452</u>	<u>203,574</u>	<u>838,473</u>	<u>-</u>

The Company does not expect that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

(iii) Currency risks

1) Exposure to currency risk

The Company's significant exposure to foreign currency risk was as follows:

December 31, 2021				December 31, 2020			
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD	
<u>Financial assets</u>							
<u>Monetary items</u>							
USD	USD	\$ 59,465	27.68	1,645,991	41,994	28.48	1,195,989
EUR	EUR	1,710	31.32	53,557	1,458	35.0	51,059
CNY	RMB	20,495	4.344	89,030	18,316	4.377	80,169
<u>Financial liabilities</u>							
<u>Monetary items</u>							
USD	USD	5,279	27.68	146,122	2,085	28.48	59,381

2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, other receivables, borrowings, accounts payable and other payables that are denominated in foreign currency. A strengthening (weakening) of 1% of the NTD against the USD, the EUR, and the CNY December 31, 2021 and 2020, would have increased or decreased the profit before tax by \$13,140 thousand and \$10,143 thousand, respectively. The analysis assumes that all other variables remain constant and was performed on the same basis for both periods.

(Continued)

CUB ELECPARTS INC.
Notes to the Financial Statements

2) Sensitivity analysis

Foreign exchange gains and losses on monetary items

As the Company deal in diverse foreign currencies, gains and losses on foreign exchange were summarized as a single amount. The aggregate of realized and unrealized foreign exchange gains (losses) for the years ended December 31, 2021 and 2020 were \$(30,680) and \$(83,102), respectively.

(iv) interest rate analysis

Please refer to the notes on liquidity risk management and interest rate exposure of the Company's financial assets and liabilities.

The following sensitivity analysis is based on the risk exposure to the interest rates risk of derivative and non-derivative financial instruments on the reporting date. Regarding liabilities with variable interest rates, the analysis is based on the assumption that the amount of liabilities outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 1% when reporting to management internally, which also represents the Company management's assessment of the reasonably possible interest rate change.

If the interest rate increases or decreases by 1% the Company's net income will decrease /increase by \$23,987 thousand and \$18,320 thousand for the years ended December 31, 2021 and 2020, respectively, assuming all other variable factors remain constant. This is mainly due to the Company's variable rate bank borrowings.

(v) Fair value of financial instruments

1) Types and fair value of financial instruments

The fair value of financial assets and liabilities at fair value through profit or loss are measured on a recurring basis.

The carrying amount and fair value of the Company's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity investments that has no quoted prices in the active markets and whose fair value cannot be reliably measured, disclosure of fair value information is not required:

	December 31, 2021				
	Fair value				
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 901,669	-	-	-	-
Notes and accounts receivable and other receivables(including receivables due from related parties)	983,397	-	-	-	-
Other non-current financial assets	29	-	-	-	-
	<u>\$ 1,885,095</u>				

(Continued)

CUB ELECPARTS INC.
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		December 31, 2021				
		Carrying amount	Fair value			
			Level 1	Level 2	Level 3	Total
Financial liabilities:						
Financial liabilities measured at amortized cost						
Short-term borrowings	\$ 1,980,000	-	-	-	-	
Accounts payable and other payables(including payables to related parties)	473,842	-	-	-	-	
Current and non-current lease liabilities	2,865	-	-	-	-	
Long-term borrowings (including current portion)	<u>1,018,333</u>	-	-	-	-	
	<u>\$ 3,475,040</u>					
		December 31, 2020				
		Carring amount	Fair value			
			Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost						
Cash and cash equivalents	\$ 732,605	-	-	-	-	
Notes and accounts receivable and other receivables(including receivables due from related parties)	1,030,739	-	-	-	-	
Other non-current financial assets	<u>55,429</u>	-	-	-	-	
	<u>\$ 1,818,773</u>					
Financial liabilities:						
Financial liabilities measured at amortized cost:						
Short-term borrowings	\$ 1,290,000	-	-	-	-	
Accounts payable and other payables(including payables to related parties)	389,358	-	-	-	-	
Current and non-current lease liabilities	3,739	-	-	-	-	
long-term borrowings	<u>1,000,000</u>	-	-	-	-	
	<u>\$ 2,683,097</u>					

2) Fair value valuation technique of financial instruments not measured at fair value

The Company's valuation techniques and assumptions used for financial instruments not measured at fair value are as follows:

2.1) Financial assets measured at amortized cost

If the quoted prices in active markets are available, the market price is established as the fair value. However, if quoted prices in active markets are not available, the estimated valuation or prices used by competitors are adopted.

2.2) Financial assets measured at amortized cost (debt investment that has no active markets) and financial liabilities measured at amortized cost.

If there is quoted price generated by transactions, the recent transaction price and quoted price data is used as the basis for fair value measurement. If there is no quoted market price available, the fair value is determined by using valuation techniques and calculated as the present value of the estimated cash flows.

(Continued)

CUB ELECPARTS INC.
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- 3) Fair value valuation technique of financial instruments measured at fair value

Measurement of the fair value of derivative instruments is based on the valuation techniques that are generally accepted by the market participants. For instance, discount method or option pricing models.

- 4) Transfers between Level 1 and Level 2

There was no transfer between the levels for the years ended December 31, 2021 and 2020.

(x) Financial risk management

(i) Overview

By using financial instruments, the Company was exposed to risks as below:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

The following likewise discusses the Company's exposure information, objectives, policies and processes for measuring and managing the above mentioned risks for more quantitative disclosures, please refer to the respective notes in the accompanying parent-company-only financial statements.

(ii) Framework of risk management

The Company's finance management department provides business services for the overall internal department. It sets the objectives, policies and processes for managing the risk and the methods used to measure the risk arising from both the domestic and international financial market operations. The Company minimizes the risk exposure through derivative financial instruments. The Board of Directors regulated the use of derivative financial instruments in accordance with the Company's policy about risks arising from financial instruments such as currency risk, interest rate risk, credit risk, the use of derivative and non-derivative financial instruments and the investments of excess liquidity. The internal auditors of the Company continue with the review of the amount of the risk exposure in accordance with the Company's policies and the risk management policies and procedures. The Company has no transactions in financial instruments (including derivative financial instruments) for the purpose of speculation.

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and financial assets in debt securities.

(Continued)

CUB ELECPARTS INC.
Notes to the Financial Statements

1) Accounts receivable and other receivables

The policy adopted by the Company to deal only with reputable parties and, where necessary, obtain collateral to mitigate the risk of financial losses arising from default. The Company only deals with the investment grade enterprises. Such information is provided by an independent rating agency; if such information is not available, the Company will rate the major customers using other publicly available financial information and mutual transaction records. The Company continuously monitors credit risk and credit ratings of the counterparty, and distributes the total amount of the transaction to eligible customers of each credit rating. Credit risk exposure is controlled through the credit limit of the counterparty that is reviewed and approved annually by the Risk Management Committee.

The Company did not have any collateral or other credit enhancements to avoid credit risk of financial assets.

2) Investments

The credit risks exposure in the bank deposits, investments with fixed income, and other financial instruments were measured and monitored by the Company's finance department. As the Company dealt with the banks and other external parties with good credit standing and financial institutions, corporate organization and government agencies which were graded above investment level, management believed that the Company did not have any compliance issues, and therefore, there was no significant credit risk.

3) Guarantees

The Company policy provides only financial security to fully owned subsidiaries. Please refer to Notes 7 for details of the subsidiaries' endorsements and guarantees provided by the Company as of December 31, 2021 and 2020.

(iv) Liquidity risk

The Company manages and maintains sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Company's management supervises the banking facilities and ensures in compliance with the terms of the loan agreements.

Bank borrowing is an essential liquidity source for the Company. As of December 31, 2021 and 2020, the Company unused credit line were amounted to \$620,000 thousand and \$810,000 thousand, respectively.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Company income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the return.

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CUB ELECPARTS INC.
Notes to the Financial Statements

The Company buys and sells derivatives in order to reduce market risks. All these transactions are made in accordance with the risk management policy.

1) Foreign currency risk

The Company's exposure to the risk of fluctuation in foreign currency exchange rates relates primarily to the Company's sales and purchases that are denominated in a currency different from the functional currencies of the Company. The respective functional currencies of the Company's entities are primarily the NTD and USD. The currencies used in these transactions are the TWD, USD, EUR, and CNY.

2) Interest rate risk

The Company's long-term and short-term loans from factoring of trade receivables bear floating interest rates. The changes in effective rate along with the fluctuation of the market interest rate influence the Company's future cash flow. The Company decreases the interest rate risk through negotiating with banks aperiodically.

(y) Capital management

The Company sets objectives for managing capital to safeguard the capacity to continue to operate, to continue to provide a return to its shareholders, to maintain the interests of other related parties, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust its capital structure, the Company may adjust the dividend payment to its shareholders, reduce the capital for redistribution to shareholders, issue new shares, or sell its assets to settle any liabilities.

The Company and other entities in the same industry use the debt-to-equity ratio to manage its capital. This ratio is using the total net debt divided by the total capital. The net debt from the balance sheet is the total liabilities less cash and cash equivalents. The total capital and equity include share capital, capital surplus, retained earnings, and other equity plus net debt.

The Company's capital management strategy is consistent with the prior year, and the gearing ratio is maintained within 50% so as to ensure financing at reasonable cost. The Company's debt-to-equity ratios at the end of the reporting periods were as follows:

	December 31, 2021	December 31, 2020
Total liabilities	\$ 3,650,174	2,775,699
Less: Cash and cash equivalents	<u>(901,669)</u>	<u>(732,605)</u>
Net liabilities (assets)	2,748,505	2,043,094
Total equity	<u>3,525,762</u>	<u>3,056,757</u>
Total equity	<u>\$ 6,274,267</u>	<u>5,099,851</u>
Debt-to-equity ratio	<u>43.81%</u>	<u>40.06%</u>

(Continued)

CUB ELECPARTS INC.
Notes to the Financial Statements

(z) Investing and financing activities not affecting cash flows

The reconciliation of liabilities arising from financing activities was as follows:

	January 1, 2021	Cash flows	<u>Non-Cash changes</u> Increase (decrease) for the period	December 31, 2021
Short-term borrowings	\$ 1,290,000	690,000	-	1,980,000
Current and non-current lease liabilities	3,739	(874)	-	2,865
Long-term borrowings (including current portion)	<u>1,000,000</u>	<u>18,333</u>	<u>-</u>	<u>1,018,333</u>
Total liabilities from financing activities	<u>\$ 2,293,739</u>	<u>707,459</u>	<u>-</u>	<u>3,001,198</u>

	January 1, 2020	Cash flows	<u>Non-Cash changes</u> Increase (decrease) for the period	December 31, 2021
Short-term borrowings	\$ 1,050,000	240,000	-	1,290,000
Current and non-current lease liabilities	-	(722)	4,461	3,739
long-term borrowings	<u>80,000</u>	<u>920,000</u>	<u>-</u>	<u>1,000,000</u>
Total liabilities from financing activities	<u>\$ 1,130,000</u>	<u>1,159,278</u>	<u>4,461</u>	<u>2,293,739</u>

(7) Related-party transactions:

(aa) Names and relationship with related parties

The following are subsidiaries and the entities that have had transactions with the Company during the periods covered in the financial statements.

<u>Name of related party</u>	<u>Relationship with the Company</u>
DEPO AUTO PARTS IND. CO., LTD. (DEPO)	The chairman of the company is the director of the Company
Jiu Feng Co., LTD. (Jiu Feng)	The chairman of the Company is in close relationship with the chairman of the Company
HUNG YII AUTO PARTS CO., LTD. (HUNG YII)	The chairman of the Company is in close relationship with the chairman of the Company
Hu Lane Associate Inc. (Hu Lane)	The chairman of the company is the director of the Company
Silver Cub Inc.	Subsidiary of the Company
Golden Cub Inc.	Subsidiary of the Company
Shanghai Wabiao Auto Parts Manufacturing Co., Ltd. (CUB Shanghai)	Subsidiary of the Company
Royal Cub Inc.	Subsidiary of the Company
Ever Cub Inc.	Subsidiary of the Company
ITM Engine Components, Inc. (ITM)	Subsidiary of the Company
ITM AUTOPARTS INTERNATIONAL INC	Subsidiary of the Company

(Continued)

CUB ELECPARTS INC.
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<u>Name of related party</u>	<u>Relationship with the Company</u>
HARBINGER TECHNOLOGY CORP. (HARBINGER TECHNOLOGY)	Subsidiary of the Company
RISUN EXPANSE CORP. (RISUN)	Subsidiary of the Company
CUBTEK INC. (CUBTEK)	Subsidiary of the Company
Globe Cub Inc.	Subsidiary of the Company
Glory Cub Inc.	Subsidiary of the Company
CUBTEK (SHANGHAI) INC. (CUBTEK SHANGHAI)	Subsidiary of the Company
3S System Technology Co., Ltd. (3S System)	Subsidiary of the Company
3S POCKETNET TECHNOLOGY INC. (3S POCKETNET)	The chairman of the company is the director of the Company's subsidiary - 3S System
Anhui Shangshi Pocket Electrical Engineering Co., Ltd. (Anhui Shangshi))	The director of the company is the director of the Company's subsidiary - 3S System
(ab) Significant transactions with related parties	
(i) Sale revenue	

The amounts of significant sales to related parties were as follows:

	<u>For the Year Ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Subsidiaries		
CUB Shanghai	\$ 19,736	25,312
CUBTEK	90,424	36,295
HARBINGER TECHNOLOGY	<u>2,579</u>	<u>79,173</u>
	<u>\$ 112,739</u>	<u>140,780</u>

There were no significant differences in the selling price, trading terms, credit terms between aforementioned related parties and regular customers.

(Continued)

CUB ELECPARTS INC.
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(ii) Purchases

The amounts of significant purchase and process outsourcing between the Company and related parties were as follows:

	For the Year Ended December 31,	
	2021	2020
Subsidiaries		
CUB Shanghai	192,139	154,840
CUBTEK	5	5
HARBINGER TECHNOLOGY	-	39
Other related parties	59,772	48,513
	\$ 251,916	203,397

The price and trading terms of purchase and process outsourcing between the Company and related parties have no difference from non-related parties, except some specific products have no non-related party to compare with.

(iii) Receivables from related parties

The receivables due from related parties were as follows:

Account title	Relationship	December 31, 2021	December 31, 2020
Accounts receivable	Subsidiaries		
	CUB Shanghai	\$ 5,018	8,437
	CUBTEK	25,993	28,503
	HARBINGER TECHNOLOGY	-	47,719
	ITM AUTOPARTS INTERNATIONAL	-	11
		\$ 31,011	84,670
Other receivables	Subsidiaries		
	CUB Shanghai	\$ 1,444	10,024
	CUBTEK	4,432	6,123
	HARBINGER TECHNOLOGY	96	269
	ITM AUTOPARTS INTERNATIONAL	-	11
		\$ 5,972	16,427

(Continued)

CUB ELECPARTS INC.
Notes to the Financial Statements

(iv) Payables to Related Parties

The payables to related parties were as follows:

<u>Account</u>	<u>Relationship</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Accounts payable	Subsidiaries		
	CUB Shanghai	\$ 28,186	2,959
	CUBTEK	-	3,779
	Other related parties	<u>6,976</u>	<u>5,334</u>
		<u>35,162</u>	<u>12,072</u>
Other payables	Subsidiaries		
	CUBTEK	23,198	2,589
	ITM	344	-
	CUB Shanghai	143	23
	Other related parties-DEPO	<u>-</u>	<u>5,752</u>
		<u>23,685</u>	<u>8,364</u>
		<u><u>\$ 58,847</u></u>	<u><u>20,436</u></u>

(v) Transactions of property, plant and equipment

The purchases price of property, plant and equipment purchased from related parties were as follows:

<u>Subsidiaries</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
CUB Shanghai	\$ 13,304	-
CUBTEK	1,259	-
3S System	168	-
Other related parties-DEPO	<u>18,260</u>	<u>-</u>
	<u><u>\$ 32,991</u></u>	<u><u>-</u></u>

The Company purchased molding equipment, other equipments and machineries from its related parties at a total price of \$32,991 thousand for the year ended December 31, 2021. As of December 31, 2021, the amount has yet paid to the related parties is \$109 thousand.

(vi) Loans to related parties:

The actual usage of the loans to related parties were as follows:

<u>Subsidiary-HARBINGER TECHNOLOGY</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	<u>\$ -</u>	<u><u>280,000</u></u>

(Continued)

CUB ELECPARTS INC.
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The interest rate is determined based on the average rate of the borrowings plus 0.5% entered into with financial institutions during the year. The loans were borrowed without collaterals. After assessment, no provisions for impairment loss (bad debt) expenses were accrued. As of December 31, 2020, the receivable has yet received amounting to \$280,000 thousand, which recognized as other receivables due from related parties.

As of December 31, 2021 and 2020, the interest income received from aforementioned transactions amounted to \$1,361 thousand and \$1,642 thousand, respectively.

(vii) Endorsements and Guarantees

As of December 31, 2021 and 2020, the details of the Company provided a guarantee to subsidiaries for the bank loans were as follows:

	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
Subsidiaries		
HARBINGER TECHNOLOGY	\$ 550,000	575,000
CUBTEK	-	500,000
ITM	24,912	25,632
CUBTEK SHANGHAI	-	86,000
3S System	<u>150,000</u>	<u>-</u>
	<u>\$ 724,912</u>	<u>1,186,632</u>

(viii) Other related party transactions

	<u>For the Year Ended December 31,</u> <u>2021</u>	<u>2021</u>
Subsidiary-Other operating revenue		
CUBTEK	\$ 13,750	12,835
HARBINGER TECHNOLOGY	-	7,545
CUB Shanghai	<u>6</u>	<u>543</u>
	<u>\$ 13,756</u>	<u>20,923</u>
Subsidiary-Miscellaneous income		
CUB Shanghai	\$ 5,534	5,200
CUBTEK	<u>2,930</u>	<u>7,003</u>
	<u>\$ 8,464</u>	<u>12,203</u>
Subsidiary-Other expenses		
CUBTEK	<u>\$ 39,414</u>	<u>1,930</u>

(ac) Key management personnel transactions

(Continued)

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Key management personnel compensation includes:

	For the Year Ended December 31,	
	2021	2020
Short-term employee benefits	\$ 13,248	11,026
Post-employment benefits	108	216
Termination benefits	-	-
Other long-term employee benefits	-	-
Share-based payment	-	-
	\$ 13,356	11,242

(8) Pledged assets:

The carrying amounts of pledged assets were as follows:

Item	Pledge to secure	December 31, 2021	December 31, 2020
Land	Collateral for long-term loans and credit lines	\$ 289,739	289,739
Buildings and Construction	Collateral for long-term loans and credit lines	507,653	527,248
Other non-current financial assets	Guarantee deposit for litigation	-	55,400
		\$ 797,392	872,387

(9) Significant contingent liabilities and unrecognized commitments:

The Company's unrecognized contractual commitments are as follows:

	December 31, 2021	December 31, 2020
Acquisition of property, plant and equipment	\$ 30,783	11,788

(10) Losses Due to Major Disasters:None

(11) Subsequent Events:

In the Board of Directors meeting on February 21, 2022, the Company subscribed proportionately 13,532 thousand shares of 3S System Technology Co., Ltd., and another 10,626 thousand shares subscribed as a specified person with a par value of \$22 per share at the total price of \$531,478 thousand.

(Continued)

CUB ELECPARTS INC.
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(12) Other:

A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

By function By item	For the Year Ended December 31, 2021			For the Year Ended December 31, 2020		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salary	120,598	196,967	317,565	93,836	174,848	268,684
Labor and health insurance	9,827	17,136	26,963	8,752	16,688	25,440
Pension	3,917	8,332	12,249	3,865	9,442	13,307
Remuneration of directors	-	6,639	6,639	-	3,076	3,076
Other employee benefits expense	2,690	1,813	4,503	2,081	1,917	3,998
Depreciation	74,577	22,113	96,690	64,892	23,194	88,086
Amortization	591	12,924	13,515	606	9,278	9,884

The information about number of employees and employee benefit expenses for the years ended December 31, 2021 and 2020 was as follows:

	For the Year Ended December 31,	
	2021	2020
Number of employees	<u>438</u>	<u>457</u>
Number of directors not serving as staff	<u>7</u>	<u>7</u>
Average employee benefits expense	<u>\$ 838</u>	<u>692</u>
Average salary expense	<u>\$ 737</u>	<u>597</u>
Average adjustment to salary	<u>21.78%</u>	<u>6.99%</u>
Remuneration to supervisors	<u>-</u>	<u>-</u>

The Company's salary and remuneration policy information (including directors, managers and employees) is as follows:

- (i) The remuneration of the Directors and the supervisors included traveling expenses, operating practice expenses, and earnings distribution in accordance with the article of incorporation, which is authorized by the Board of Directors and accessed through the directors' and supervisors' participation in the Company's operations and the value of contribution and the peer industry level. The standard distribution of directors and supervisors is based on the article of incorporation and assessment of the Board of Directors' performance. The assessment results of self and peer evaluation within the Board of Directors are submitted to the Salary and Compensation Committee and the Board of Directors for approval and reported to the Shareholders' Meeting.

(Continued)

CUB ELECPARTS INC.
Notes to the Financial Statements

- (ii) The remuneration of the Company's general manager and deputy general manager includes salary and employee compensation. The salary level is based on contributions to the Company and refers to the same industry level. Employees who are entitled to receive the employee compensation in shares (treasury shares or new shares) or cash include the employees of affiliated companies who meet certain conditions, such as rank and performance. Such employee compensations were approved by the Board of Directors and reported to the shareholders' meeting.
- (iii) The employee compensation policy is determined based on the individual's ability, contribution to the Company, performance, competitiveness, and consideration of the Company's future operational risks.

(13) Other disclosures:

- (a) Information on significant transactions:

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Company for the year ended December 31, 2020:

- (i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
0	the Company	HARBINGER TECHNOLOGY	Other receivables	Yes	280,000	-	-	1.2%	Operating purpose	-		-		-	352,576 (note)	1,410,305 (note)
1	CUB Shanghai	CUBTEK SHANGHAI	Other receivables	Yes	45,930	-	-	4.85%	Operating purpose	-		-		-	103,311 (note)	413,245 (note)

Note: Limits are calculated as:

- (i) Pursuant to the Company's procedure of loans to other parties, for the Company loans to those having business transactions, the amount of each fund financing shall not exceed the amount of business transaction. The amount of business transaction is the higher amount of the total purchase from or sales to.
- (ii) Pursuant to the Company's procedure of loans to other parties, the companies who have 50% of shares held by the Company and need short-term financing for business, the maximum amount of financings shall not exceed 10% of the net worth of the lending company. The short-term represents a year, except the company's operating cycle is longer than a year.
- (iii) Pursuant to the Company's procedure of loans to other parties, the maximum amount of lending purposes shall not exceed 40% of the Company's net worth.

(Continued)

CUB ELECPARTS INC.

Notes to the Financial Statements

(ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	the Company	ITM Engine Components, Inc.	2	705,152	25,682	24,912	17,438	-	0.71 %	1,762,881	Y		
0	the Company	HARBINGER TECHNOLOGY	1.2	705,152	575,000	550,000	430,675	-	15.60 %	1,762,881	Y		
0	the Company	3S System	1.2	705,152	150,000	150,000	-	-	4.25 %	1,762,881	Y		

Note 1: The amount of the guarantees and endorsements for a single company shall not exceed 20% of the Company's current net value.

Note 2: The total amount of the guarantees and endorsements provided by the Company shall not exceed 50% of the Company's current net value.

Note 3: The relationship between the endorser/guarantor and the guaranteed party:

1. Having business relationship.
2. The Company which directly or indirectly holds more than 50% of the subsidiary

(iii) Securities held as of December 31, 2021 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
CUBTEK	Chimei Motor Electronics Co., Ltd.	None	Non-current financial assets at fair value through profit or loss	2,800	53,505	14.74 %	53,505	

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal	Shares	Amount
the Company	Stocks - HARBINGER TECHNOLOGY	Equity method investments	HARBINGER TECHNOLOGY	Subsidiary of the Company	25,445	927,841	19,089	572,658	-	-	-	-	44,534	1,500,499
the Company	Stocks - 3S System	Equity method investments	Natural person	Subsidiary of the Company	-	-	18,707	411,554	-	-	-	-	18,707	411,554

(v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:None

(vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:None

(Continued)

CUB ELECPARTS INC.

Notes to the Financial Statements

- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$300 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
the Company	CUB Shanghai	Indirect subsidiary	Purchase	192,139	15.29%	Net 6 days	-	Same as normal customers	(28,186)	11.43%	Note
CUB Shanghai	the Company	Indirect subsidiary	Sale	(192,139)	29.03%	Net 6 days	-	Same as normal customers	28,186	16.06%	Note

- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:None

- (ix) Trading in derivative instruments:None

- (b) Information on investees:

The following is the information on investees for the years ended December 31, 2021 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

Name of investor	Net income (loss) Name	Region	Main businesses and products	Original projection Amount		Balance as of December 31, 2021			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2021	December 31, 2020	Shares (thousands)	Percentage of ownership	Carrying value			
the Company	Silver Cub Inc.	Anguilla	Investment holding	233,066 (USD7,110)	233,066 (USD7,110)	7,110	100%	913,780	43,601	43,601	Subsidiary
Silver Cub Inc.	Golden Cub Inc.	Seychelles	Investment holding	USD7,110	USD7,110	7,110	100%	USD33,017	USD1,557	USD1,557	Subsidiaries
the Company	Royal Cub Inc.	Seychelles	Investment holding	56,175 (USD1,919)	56,175 (USD1,919)	1,919	70%	47,126	782	547	Subsidiary
Royal Cub Inc.	Ever Cub Inc.	Seychelles	Investment holding	USD2,741	USD2,741	2,741	100%	USD2,432	USD28	USD28	Subsidiaries
Ever Cub Inc.	ITM Engine Components, Inc.	Carson, U.S.A	Sales of automotive parts	USD2,807	USD2,807	2,458	100%	USD2,432	USD28	USD28	Subsidiaries
the Company	ITM AUTOPARTS INTERNATIONAL	Taiwan	International trade	10,500	10,500	1,050	70%	8,423	1	1	Subsidiary
the Company	HARBINGER TECHNOLOGY	Taiwan	Communications electronics and the government projects	1,500,499	927,841	44,534	76.72%	1,447,414	(56,902)	(41,195)	Subsidiary
HARBINGER TECHNOLOGY	RISUN	Taiwan	Restrained Telecom Radio Frequency Equipments and Materials Import	5,000	5,000	500	100%	5,375	(151)	(151)	Subsidiary
the Company	CUBTEK	Taiwan	Motor Vehicles and Parts Manufacturing	596,907	513,200	40,595	44.61%	430,395	14,541	11,236	Subsidiary
CUBTEK	Chimei Motor Electronics	Taiwan	Sales of automotive parts	84,000	84,000	2,800	14.74%	-	(14,921)	(3,693)	Note
CUBTEK	Globe Cub Inc.	Anguilla	Investment holding	176,330 (USD 6,200)	36,436 (USD 1,200)	6,200	100%	224,283	46,081	46,081	Subsidiary
Globe Cub Inc.	Glory Cub Inc.	Seychelles	Investment holding	USD 6,200	USD 1,200	6,200	100%	USD 8,929	USD 1,646	USD 1,646	Subsidiaries
the Company	3S System	Taiwan	Investment holding	411,554	-	18,707	59.63%	393,118	(51,958)	(18,819)	Subsidiary

Note : Starting from August 2021, transferred to financial assets measured at fair value through profit or loss.

(Continued)

CUB ELECPARTS INC.
Notes to the Financial Statements

(c) Major shareholders:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2020	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2021	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
CUB Shanghai	Manufacturing, processing and selling of automobile parts and motor switches	233,066 (USD7,110)	Indirectly owned by the company	233,066 (USD7,110)	-	-	233,066 (USD7,110)	43,601	100.00%	43,601 (note)	913,780	-
CUBTEK SHANGHAI	Motor Vehicles and Parts Manufacturing	176,330 (USD6,200)	Indirectly owned by the company	36,436 (USD1,200)	139,984 (USD5,000)	-	176,330 (USD6,200)	46,081	44.61%	20,557 (note)	100,053	-

Note: The above inter-company transactions have been eliminated when preparing the consolidated financial statements.

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
NTD\$409,396 (USD\$13,310)	NTD\$409,396 (USD\$13,310)	2,115,457

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China for the year ended December 31, 2021, are disclosed in "Information on significant transactions".

(iv) Major Shareholders:

Shareholder's name	Shareholding	Shares	Percentage
Jun Chang Investment Co., Ltd.		14,549,645	11.93 %
Jun Rui Investment Co., Ltd.		13,750,638	11.27 %
Yu, Yu-Tao		9,406,727	7.71 %
Yu, San-Chuan		8,053,631	6.60 %
Yu, Yu-Shih		8,105,009	6.64 %
Huang, Shu-Yuan		6,569,783	5.38 %

(14) First-time adoption of International Financial Reporting Standards have been applied:

Please refer to the consolidated financial statements for the year ended December 31, 2021.

(Continued)

CUB ELECPARTS INC.**Statement of Cash and Cash Equivalents****December 31, 2021****(Expressed in thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Description</u>	<u>Exchange rate</u>	<u>Amount</u>
Cash	Cash		\$ 190
Bank deposits	Demand deposits		78,652
	Foreign demand deposit — USD24,639,007.38	27.68	682,008
	— EUR1,653,572.06	31.32	51,790
	— CNY20,494,754.33	4.344	89,029
			<u>\$ 901,669</u>

CUB ELECPARTS INC.**Statement of Notes and Accounts Receivable****December 31, 2021****(Expressed in thousands of New Taiwan Dollars)**

<u>Customer Name</u>	<u>Description</u>	<u>Amount</u>
Notes receivable due from non-related party		
Shiiyu Co.	Operation	\$ 2,301
YONGJU ENTERPRISES CO., LTD.	"	419
ASIASONIC INTERNATIONAL INDUSTRIAL CO., LTD.	"	2,989
Others (Note)	"	<u>270</u>
		5,979
Less: Impairment loss allowance		<u>-</u>
		<u>5,979</u>
Accounts receivable due from non-related parties		
Group 31 Incorporated	Operation	251,584
Standard Motor Products, Inc.	"	129,671
Rader Technik Service Gmbh	"	157,233
AUTOZONE PARTS INC.	"	48,935
MITO Corporation	"	82,698
KECH VIKING INTERNATIONAL LTD.	"	48,787
Others (Note)	"	<u>240,518</u>
		<u>959,426</u>
Less: Impairment loss allowance		<u>(35,069)</u>
		<u>924,357</u>
Accounts receivable due from related parties		
CUBTEK		25,993
CUB Shanghai		<u>5,018</u>
		<u>31,011</u>
		<u><u>\$ 961,347</u></u>

Note: The amounts which do not exceed 5% or more of the balance in this account are not shown separately.

CUB ELECPARTS INC.**Statement of Inventories****December 31, 2021****(Expressed in thousands of New Taiwan Dollars)**

Item	金額		Notes
	Costs	Market price	
Raw materials	\$ 422,711	422,711	Net realizable value
Work in proces	138,066	138,066	"
Finished goods	118,875	179,308	"
Merchandise	5,271	5,818	"
	\$ 684,923	745,903	

Statement of other receivables and other

Item	Description	Amount
Other receivables	Income tax refund receivable	\$ 13,996
	Other receivables	2,082
		16,078
Other receivables due from related parties	Management service fees and commissions	5,972
Other current assets	Prepaid expenses	41,531
	Other deferred charges	76,195
	Prepayments to suppliers	28,443
	Others (Note)	2,398
		148,567
		\$ 170,617

Note: The amounts which do not exceed 5% or more of the account balance are not shown separately.

CUB ELECPARTS INC.

Statement of changes in investments under equity method

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Name of investee in Mainland China	Beginning balance		Addition		Decrease		Equity method investments Gains (Losses)	Exchange differences on translation of foreign financial statements Exchange difference on foreign plans	Remeasurement of defined benefit plan Measurement	Others	Note: Accumulated translation is included.			Market value or net assets value		Guarantee for bank financing projects Collateral
	Shares	Amount	Shares	Amount	Share s	Amount					Shares	Percentage	Amount	Unit price	Total contract price	
Silver Cub Inc.	-	876,752	-	-	-	-	43,601	(6,573)	-	-	7,110	100	913,780	128.54	913,917	None
Royal Cub Inc.	-	47,932	-	-	-	-	547	(1,353)	-	-	1,919	70	47,126	24.56	47,126	"
ITM AUTOPARTS INTERNATIONAL	-	9,468	-	-	-	1,046	1	-	-	-	1,050	70	8,423	14.19	10,432	"
HARBINGER TECHNOLOGY	-	942,657	19,089	572,658	-	-	(41,195)	-	(234)	(26,472)	44,534	76.72	1,447,414	24.00	1,070,874	"
CUBTEK	-	233,291	4,185	83,707	-	-	11,236	(226)	-	102,387	40,595	44.61	430,395	90.50	3,673,848	"
3S System	-	-	18,707	411,554	-	-	(18,819)	-	-	383	18,707	59.63	393,118	14.46	270,592	"
		<u>\$2,110,100</u>		<u>1,067,919</u>		<u>1,046</u>	<u>(4,629)</u>	<u>(8,152)</u>	<u>(234)</u>	<u>76,298</u>			<u>3,240,256</u>		<u>5,986,789</u>	

CUB ELECPARTS INC.**Statement of changes of property, plant and
equipment****For the year ended December 31, 2021****(Expressed in thousands of New Taiwan Dollars)**

Please refer to Note 6(g) for the information of property, plant and equipment.

Statement of intangible assets

Please refer to Note 6(i) for the information of intangible assets.

Statement of Short-term Borrowings

Item	Description	Ending balance	Term of contract	Range of interest Rate	Loan commitment	Collateral
Bank of Taiwan	Credit loans	\$ 600,000	2021.6.15~2022.6.15	0.81%	800,000	None
Taishin International Bank	Credit loans	300,000	2021.4.7~2022.4.7	0.83%	300,000	None
E.SUN Commercial Bank	Credit loans	200,000	2021.2.23~2022.3.3	0.83%	200,000	None
Taipei Fubon Bank	Credit loans	300,000	2021.8.5~2022.8.5	0.84%	300,000	None
Cathay United Bank	Credit loans	200,000	2021.8.11~2022.8.11	0.89%	200,000	None
CTBC Bank	Credit loans	180,000	2021.10.29~2022.10.29	0.88%	200,000	None
Far Eastern International Bank	Credit loans	<u>200,000</u>	2021.5.4~2022.5.4	0.80%	<u>200,000</u>	None
		<u>\$ 1,980,000</u>			<u>2,200,000</u>	

CUB ELECPARTS INC.

Statement of Notes and Accounts Payable

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Customer Name	Description	Amount
Accounts payable to non-related parties		
Weikeng Industrial Co., Ltd.	Operation	\$ 85,021
LUHAI HOLDING CORP.	"	17,610
Others (Note)	"	<u>188,831</u>
		<u>291,462</u>
Accounts payable to related parties		
CUB Shanghai	Operation	28,186
Others (Note)	"	<u>6,976</u>
		<u>35,162</u>
		<u>\$ 326,624</u>

Statement of other payables and other current liabilities

Item	Description	Amount
Other payables	Salary and bonus	\$ 55,281
	Payable on machinery and equipment	9,587
	Remuneration of employees, directors, and supervisors	19,496
	Others (Note)	<u>39,169</u>
		<u>123,533</u>
Other payables (including related parties)	Processing fee and other expenses	23,576
	Payable on machinery and equipment	<u>109</u>
		<u>23,685</u>
Other current liabilities	Temporary credits	255
	Receipts under custody	<u>3,567</u>
		<u>3,822</u>
		<u>\$ 151,040</u>

Note: The amounts which do not exceed 5% or more of the account balance are not shown separately.

CUB ELECPARTS INC.

Statement of long-term borrowings
(including current portion)

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Creditor	Description	Amount		Term of contract	Interest rate	Collateral
		Less than one year Current portion	More than a year Maturity			
Taipei Fubon Bank	Secured borrowings	\$ -	670,000	2020.8.3 ~ 2025.8.5	0.983%	Land and building
Taipei Fubon Bank	Credit loans	32,500	86,667	2020.8.3 ~ 2025.8.5	1.036%	None
Bank of Taiwan	Credit loans	83,333	145,833	2021.6.15 ~ 2024.6.10	1.1%	None
		<u>\$ 115,833</u>	<u>902,500</u>			

Statement of Operating revenue

Item	Unit	Quantity	Amount
Sales revenue(Net)			
Automobile motor switch	1,000pcs	4,230	\$ 1,365,074
Automobile safety components and systems	"	3,414	1,170,045
Others			<u>104,943</u>
			<u>\$ 2,640,062</u>

CUB ELECPARTS INC.
Statement of Operating Costs
December 31, 2021
(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Raw materials, January 1	\$ 325,761
Add: Purchase of raw materials	983,953
Transfer in of finished goods	1,135,814
Gain on physical inventory	676
Less: Raw materials, December 31	(425,374)
Sale	(46,603)
Others	(21,550)
Consumption of raw materials for the period	1,952,677
Direct labor	71,928
Manufacturing overhead	313,655
Manufacturing cost	2,338,260
Work in process, January 1	145,490
Less: Work in process, December 31	(138,066)
Costs of finished goods	2,345,684
Finished goods, January 1	94,025
Add: Purchase for the period	11,240
Gain on physical inventory	31
Less: Finished goods, December 31	(132,182)
Transfer to raw materials, work in progress, and merchandise	(1,141,343)
Others	(3,423)
Cost of goods sold from manufacturing	1,174,032
Merchandise inventory, January 1	4,897
Add: Purchase	261,695
Transfer in of finished goods	5,529
Gain on physical inventory	67
Others	3
Less: Merchandise inventory, December 31	(5,271)
Cost of goods sold from purchasing	266,920
Gain on physical inventory	(774)
Disposal of inventory	17,154
Other operating costs	33,467
Cost of raw materials sold	46,603
Write-down of inventories	3,352
	99,802
	\$ 1,540,754

CUB ELECPARTS INC.
Statement of Selling Expenses
December 31, 2021
(Expressed in thousands of New Taiwan Dollars)

Item	Selling expenses	Administrative expenses	Research and development expenses
Salary and wages expense	\$ 25,669	61,781	124,349
Service expense	38,284	7,659	1,051
Insurance expenses	2,512	4,371	11,139
Import/export expenses	29,696	-	7
Advertisement expense	11,720	108	138
Depreciation expense	540	13,628	7,945
Amortization expense	556	7,633	4,735
Other expenses (Note)	<u>16,831</u>	<u>23,346</u>	<u>32,880</u>
	<u>\$ 125,808</u>	<u>118,526</u>	<u>182,244</u>

Note: The amounts which do not exceed 5% or more of the account balance are not shown separately.

Statement of non-operating income and expenses

Please refer to Note 6(v) for the information of non-operating income and expenses in the parent company only financial statements.