

CUB ELECPARTS INC. AND SUBSIDIARIES**Consolidated Financial Statements****With Independent Auditors' Report
For the Years Ended December 31, 2021 and 2020**

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The independent auditors' report and the accompanying consolidated 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' report and consolidated financial statements, the Chinese version shall prevail.

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Representation Letter

The entities that are required to be included in the combined financial statements of CUB ELECPARTS INC. as of and for the year ended December 31, 2021 under the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard No. 10, “Consolidated Financial Statements” endorsed by the Financial Supervisory Commission of the Republic of China. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, CUB ELECPARTS INC. and its subsidiaries do not prepare a separate set of combined financial statements.

Hereby declare

Company name: CUB ELECPARTS INC.

Chairman: YU,SAN-CHUAN

Date: March 8, 2022

Independent Auditors' Report

To the Board of Directors of CUB ELECPARTS INC.:

Opinion

We have audited the consolidated financial statements of CUB ELECPARTS INC. and its subsidiaries (“the Group”), which comprise the consolidated statement of financial position as of December 31, 2021 and 2020, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), Interpretations developed by the International Financial Reporting Interpretations Committee (“IFRIC”) or the former Standing Interpretations Committee (“SIC”) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group 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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Based on our judgment, the key audit matters that should be disclosed in this report are as follows:

1. Revenue recognition

Please refer to note 4(p) “Revenue recognition” for the accounting policy on revenue recognition; note 5(c) for details on accounting judgment and major sources of the estimation uncertainty; note 6(y) “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 and because the Group is devoted to developing a new distributor, the timing and amount of revenue recognition have a significant impact on the financial statement. 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 Group.

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(g) “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(d) for the disclosure of assessment of accounts receivable.

Description of key audit matter:

The Group's accounts receivable are mainly automobile component customers and are concentrated on certain specific customers. The impairment loss of accounts receivable assessment is based on management's subjective judgment. Thus, the assessment of accounts receivable impairment is one of the 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 goodwill impairment

Please refer to Note 4(n) “Impairment of non-financial assets” for accounting policies, Note 5(b) for accounting assumptions, judgments and estimation uncertainty of assessment of goodwill impairment, and Note 6(m) for the intangible assets.

Description of key audit matter:

The Group's goodwill arising from the acquisition is significant. The assessment process of goodwill impairment requires identifying the cash-generating unit and the estimation of the future cash flow of the operation to determine the recoverable amount. We list the assessment 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.

Other Matter

CUB ELECPARTS INC. has additionally prepared its parent company only financial statements as of and for the years ended December 31, 2021 and 2020, on which we have issued an unmodified audit opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the IFRS, IAS, IFRIC, SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group 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 Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group'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 Group'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 consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated 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 consolidated 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 consolidated financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' report and the accompanying consolidated 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' report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
CUB ELECPARTS INC. AND SUBSIDIARIES

Consolidated 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 revenues (Note 6(y))	\$ 4,080,435	100	3,340,199	100
5000	Operating costs (Notes 6(e), (m), (t), (z), and 7)	<u>2,409,425</u>	<u>59</u>	<u>2,067,788</u>	<u>62</u>
	Gross profit	<u>1,671,010</u>	<u>41</u>	<u>1,272,411</u>	<u>38</u>
	Operating expenses (Notes 6(m), (t), and (z))				
6100	Selling expenses	286,243	7	254,612	8
6200	Administrative expenses	250,860	6	213,009	6
6300	Research and development expenses	506,176	12	417,454	12
6450	Impairment loss determined in accordance with IFRS 9 (Note 6(d))	<u>35,069</u>	<u>1</u>	<u>968</u>	<u>-</u>
		<u>1,078,348</u>	<u>26</u>	<u>886,043</u>	<u>26</u>
	Operating income	<u>592,662</u>	<u>15</u>	<u>386,368</u>	<u>12</u>
	Non-operating income and expenses: (Note 6(aa))				
7100	Interest income	4,460	-	8,556	-
7010	Other income	60,652	1	22,309	1
7020	Other gains and losses	(39,498)	(1)	(91,121)	(3)
7050	Finance costs (note 6(r))	(32,076)	(1)	(24,379)	(1)
7060	Share of profit (loss) of associates and joint ventures accounted for using equity method (Note 6(g))	<u>(3,693)</u>	<u>-</u>	<u>(9,230)</u>	<u>-</u>
		<u>(10,155)</u>	<u>(1)</u>	<u>(93,865)</u>	<u>(3)</u>
7900	Profit before income tax	<u>582,507</u>	<u>14</u>	<u>292,503</u>	<u>9</u>
7950	Income tax expenses (Note 6(u))	<u>94,819</u>	<u>3</u>	<u>42,332</u>	<u>1</u>
	Net profit	<u>487,688</u>	<u>11</u>	<u>250,171</u>	<u>8</u>
8300	Other comprehensive income:				
8310	Items that will not be reclassified subsequently to profit or loss				
8311	Gains (losses) on remeasurements of defined benefit plans (Note 6(t))	1,127	-	(894)	-
8316	Unrealized losses from investments in equity instruments measured at fair value through other comprehensive income	-	-	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>1,127</u>	<u>-</u>	<u>(323)</u>	<u>-</u>
8360	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences on translation of foreign financial statements	(8,328)	-	11,304	-
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>
		<u>(8,328)</u>	<u>-</u>	<u>11,304</u>	<u>-</u>
8300	Other comprehensive income	<u>(7,201)</u>	<u>-</u>	<u>10,981</u>	<u>-</u>
8500	Total comprehensive income	<u>\$ 480,487</u>	<u>11</u>	<u>261,152</u>	<u>8</u>
	Profit attributable to:				
8610	Owners of the parent	\$ 515,928	12	244,534	8
8620	Non-controlling interests	<u>(28,240)</u>	<u>(1)</u>	<u>5,637</u>	<u>-</u>
		<u>\$ 487,688</u>	<u>11</u>	<u>250,171</u>	<u>8</u>
	Comprehensive income attributable to:				
8710	Owners of the parent	\$ 508,974	12	255,930	8
8720	Non-controlling interests	<u>(28,487)</u>	<u>(1)</u>	<u>5,222</u>	<u>-</u>
		<u>\$ 480,487</u>	<u>11</u>	<u>261,152</u>	<u>8</u>
	Earnings per share (NT dollar) (note 6(t))				
9750	Basic earnings per share	\$	<u>4.23</u>		<u>2.03</u>
9850	Diluted earnings per share	\$	<u>4.23</u>		<u>2.03</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
CUB ELECPARTS INC. AND SUBSIDIARIES
Consolidated Statements of Changes in Equity
For the years ended December 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent												
	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	Non-controlling interests	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	415,975	4,530,105
Profit for the year	-	-	-	-	244,534	244,534	-	-	-	-	244,534	5,637	250,171
Other comprehensive income for the year	-	-	-	-	(975)	(975)	11,800	571	12,371	-	11,396	(415)	10,981
Total comprehensive income for the year	-	-	-	-	243,559	243,559	11,800	571	12,371	-	255,930	5,222	261,152
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 preference share	-	-	-	-	(835,184)	(835,184)	-	-	-	-	(835,184)	(1,065)	(836,249)
Changes in ownership interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	(431,160)	(431,160)	-	(431,160)
Retirement of treasury share	(33,610)	(397,550)	-	-	-	-	-	-	-	431,160	-	-	-
Other changes in capital surplus:													
Expenses of share option	-	4,861	-	-	-	-	-	-	-	-	4,861	-	4,861
Changes in equity of associates and subsidiaries accounted for using equity method	-	579	-	-	(52,399)	(52,399)	-	-	-	-	(51,820)	439	(51,381)
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	-	-	-	(13,890)	(13,890)	-	13,890	13,890	-	-	-	-
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	91,420	-	91,420
Balance at December 31, 2020	\$ 1,219,166	559,889	793,838	65,457	457,603	1,316,898	(39,196)	-	(39,196)	-	3,056,757	511,991	3,568,748
Balance at January 1, 2021	\$ 1,219,166	559,889	793,838	65,457	457,603	1,316,898	(39,196)	-	(39,196)	-	3,056,757	511,991	3,568,748
Profit for the year	-	-	-	-	515,928	515,928	-	-	-	-	515,928	(28,240)	487,688
Other comprehensive income for the year	-	-	-	-	1,198	1,198	(8,152)	-	(8,152)	-	(6,954)	(247)	(7,201)
Total comprehensive income for the year	-	-	-	-	517,126	517,126	(8,152)	-	(8,152)	-	508,974	(28,487)	480,487
Appropriation and distribution of retained earnings:													
Legal reserve	-	-	17,727	-	(17,727)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	(26,261)	26,261	-	-	-	-	-	-	-	-
Cash dividends of ordinary shares	-	-	-	-	(146,300)	(146,300)	-	-	-	-	(146,300)	(448)	(146,748)
Other changes in capital surplus:													
Expenses of share option	-	30,785	-	-	-	-	-	-	-	-	30,785	-	30,785
The difference in net equity resulting from the subscription of new shares not in proportion	-	75,546	-	-	-	-	-	-	-	-	75,546	(75,546)	-
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	727,751	-	727,751
Balance at December 31, 2021	\$ 1,219,166	666,220	811,565	39,196	836,963	1,687,724	(47,348)	-	(47,348)	-	3,525,762	1,135,261	4,661,023

See accompanying notes to consolidated financial statements.

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

CUB ELECPARTS INC. AND SUBSIDIARIES**Consolidated Statements of Cash Flows****For the years ended December 31, 2021 and 2020****(Expressed in Thousands of New Taiwan Dollars)**

	<u>2021</u>	<u>2020</u>
Cash flows from (used in) operating activities:		
Profit (loss) before tax	\$ 582,507	292,503
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	192,409	161,697
Amortization expense	43,723	25,699
Impairment loss determined in accordance with IFRS 9	35,069	968
Interest expense	32,076	24,379
Interest income	(4,460)	(8,556)
Share-based payments	30,785	4,861
The losses of inventory write-down, disposal, and obsolescence	33,162	16,743
Share of loss of associates and joint ventures accounted for using equity method	3,693	9,230
Losses on disposals of property, plant and equipment	(471)	170
Gains on disposals of intangible assets	(233)	-
Gains on disposals of investments	(1,707)	-
Gain on lease modifications	(6)	-
Total adjustment	<u>364,040</u>	<u>235,191</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease (increase) in contract assets	186,756	(97,567)
Increase in notes receivable	(64,527)	(60,610)
(Increase) decrease in accounts receivable (including related parties)	(275,882)	31,893
Decrease (increase) in other receivables (including related parties)	36,183	(2,099)
Increase in inventories	(279,636)	(85,329)
Decrease (increase) in other current assets	258,132	(234,129)
Net changes in operating assets	<u>(138,974)</u>	<u>(447,841)</u>
Changes in operating liabilities:		
Increase in contract liabilities	139,875	14,449
Increase in notes payable	109	-
Decrease (increase) in accounts payable (including related parties)	(47,399)	210,945
(Decrease) increase in other payables (including related parties)	(5,426)	47,338
Increase in provisions	3,370	21,602
(Decrease) increase in other current liabilities	(67,686)	14,351
Decrease in defined benefit liabilities	(1,644)	(480)
Net changes in operating liabilities	<u>21,199</u>	<u>308,205</u>
Total changes in operating assets and liabilities	<u>(117,775)</u>	<u>(139,636)</u>
Total adjustments	<u>246,265</u>	<u>95,555</u>
Cash inflows generated from operations	828,772	388,058
Interest received	5,266	9,679
Interest paid	(32,336)	(24,143)
Income taxes paid	(67,471)	(119,065)
Net cash flows from operating activities	<u>734,231</u>	<u>254,529</u>
Cash flows from (used in) investing activities:		
Acquisition of subsidiaries (deducted the cash received)	(55,979)	-
Acquisition of property, plant and equipment	(563,117)	(151,793)
Proceeds from disposal of property, plant and equipment	15,229	6,613
Acquisition of intangible assets	(48,702)	(27,195)
Proceeds from disposal of intangible assets	239	-
Acquisition of investment properties	(135)	(3,510)
Decrease in other financial assets	43,183	-
Increase in refundable deposits	(101,583)	(20,502)
Increase in prepayment for equipment	(20,179)	(89,308)
Net cash flows used in investing activities	<u>(731,044)</u>	<u>(285,695)</u>
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	9,593,192	11,224,068
Decrease in short-term borrowings	(8,899,828)	(11,240,057)
Proceeds from long-term borrowings	845,000	1,639,933
Repayments of long-term borrowings	(796,668)	(560,000)
Increase (decrease) in guarantee deposits received	(901)	1,626
Repayments of lease liabilities	(11,526)	(9,559)
Cash dividends paid	(146,748)	(836,249)
Issuance of shares for cash	516,635	39,021
Payments to acquire treasury shares	-	(431,160)
Net cash inflows (outflows) form financing activities	<u>1,099,156</u>	<u>(172,377)</u>
Effect of exchange rate changes on cash and cash equivalents	4,680	6,454
Net increase (decrease) in cash and cash equivalents	1,107,023	(197,089)
Cash and cash equivalents at beginning of period	1,194,110	1,391,199
Cash and cash equivalents at end of period	<u>\$ 2,301,133</u>	<u>1,194,110</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
CUB ELECPARTS INC. AND SUBSIDIARIES
Notes to the Consolidated 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 and its subsidiaries (“the Group”) are manufacturing, processing, trading, and project construction of various automobile parts, motor switches, electrical products, communications electronic products and computer peripheral equipments. Please refer to note 14 for details.

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 consolidated financial statements:

The consolidated financial statements were authorized for issuance by the Board of Directors on March 8, 2021.

(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. (“FSC”) which have already been adopted.

The Group 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, 2021”

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

The Group 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 consolidated financial statements:

- Amendments to IAS 16 “Property, Plant and Equipment—Proceeds before Intended Use”
- Amendments to IAS 37 “
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

(Continued)

CUB ELECPARTS INC. AND SUBSIDIARIES
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- (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 Group, 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 Group is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Group completes its evaluation.

The Group does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated 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 consolidated financial statements are summarized as below. Except for the explanation of Note 3, the following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

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CUB ELECPARTS INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(a) Statement of compliance

These consolidated 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 IFRSs, IASs, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the FSC.

(b) Basis of preparation

1. Basis of measurement

The consolidated 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.

2. Functional and presentation currency

The functional currency of each group entity is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan Dollars (NTD), which is the Company’s functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

(c) Basis of consolidation

1. Principles of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries. Subsidiaries are entities controlled by the Group. The Group ‘controls’ an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intragroup balances and transactions, and any unrealized income and expenses arising from Intragroup transactions, are eliminated in preparing the consolidated financial statements. The Group attributes the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

The Group prepares consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances.

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CUB ELECPARTS INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Changes in the Group's ownership interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received will be recognized directly in equity, and the Group will attribute it to the owners of the parent.

2. List of subsidiaries included in the consolidated financial statements

The subsidiaries included in the consolidated financial statements were as follows:

Name of Investor	Subsidiary	Business Activity	Shareholding		Note
			110.12.31	109.12.31	
the Company	Silver Cub Inc. (Silver)	Investment holding	100 %	100 %	
Silver Cub Inc.	Golden Cub Inc. (Golden)	Investment holding	100 %	100 %	
Golden Cub Inc.	CUB ELECPARTS INC. Shanghai Facility (CUB Shanghai)	Manufacture and processing of automobile parts	100 %	100 %	
the Company	ITM AUTOPARTS INTERNATIONAL INC.	International trade	70 %	70 %	
the Company	Royal Cub Inc.(Royal)	Investment holding	70 %	70 %	
Royal Cub Inc.	Ever Cub Inc.(Ever)	Investment holding	100 %	100 %	
Ever Cub Inc.	ITM Engine Components, Inc.(ITM)	Sale of automobile parts	100 %	100 %	
the Company	HARBINGER TECHNOLOGY CORP. (HARBINGER TECHNOLOGY)	Communications electronics and the government projects	76.72 %	68.86 %	Note 1
HARBINGER TECHNOLOGY	RISUN EXPANSE CORP. (RISUN)	Restrained Telecom Radio Frequency Equipments and Materials Import	100 %	100 %	
the Company	CUBTEK INC. (CUBTEK)	Manufacture and processing of automobile parts	44.61 %	56.89 %	Note 2
CUBTEK	Globe Cub Inc. (Globe)	Investment holding	100 %	100 %	
Globe Cub Inc.	Glory Cub Inc. (Glory)	Investment holding	100 %	100 %	
Glory Cub Inc.	CUBTEK (SHANGHAI) INC. (CUBTEK SHANGHAI)	Manufacture and processing of automobile parts	100 %	100 %	
the Company	3S System Technology Co., Ltd. (3S System)	Video monitoring system and communications construction	59.63 %	- %	Note 3

Note 1: In the Board of Directors meeting on September 3, 2021, the Company participated in the cash increase of its subsidiary, HARBINGER TECHNOLOGY. The Company subscribed for 19,089 thousand shares at \$30 per share and invested an amount of \$572,658 thousand, representing an increase in the shareholding ratio from 68.86% to 76.72%.

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CUB ELECPARTS INC. AND SUBSIDIARIES
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Note 2: In the Board of Directors meeting on December 31, 2020, CUBTEK increased its capital by 27,000 thousand shares, which amounted to \$540,000 thousand. The effective date of the capital increase is on March 19, 2021. The Group did not subscribe to additional shares at a percentage, and the shareholding ratio decreased from 56.89% to 44.61%. The Company was the sole largest shareholder of CUBTEK and participated in the decision-making on the financial and operational policies. The application for capital increase was approved by the Ministry of Economic Affairs, MOEA, on April 15, 2021.

Note 3: On April 29, 2021, the Company acquired 59.63% of the shares of 3S System and obtained substantive control over it.

3. List of subsidiaries which are not included in the consolidated financial statements: None.

(d) Foreign currency

1. Foreign currency transactions

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 (“ the reporting date”), monetary items denominated in foreign currencies are translated 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) an investment in equity securities designated as at fair value through other comprehensive income;
- 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.

2. 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.

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CUB ELECPARTS INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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.

(e) 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.

1. It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
2. It is held primarily for the purpose of trading;
3. It is expected to be realized within twelve months after the reporting date; or
4. 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 non-current.

1. It is expected to be settled in its normal operating cycle;
2. It is held primarily for the purpose of trading;
3. It is expected to be realized within twelve months after the reporting period; or
4. 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.

(f) 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.

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CUB ELECPARTS INC. AND SUBSIDIARIES
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(g) Financial assets

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 Group 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. Financial assets are not reclassified subsequent to their initial recognition unless the Group 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 measured at fair value through profit or loss:

- 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.

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) Financial assets at 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.

(Continued)

CUB ELECPARTS INC. AND SUBSIDIARIES
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On initial recognition, the Company is able to make an irrevocable election to present subsequent changes in the fair value of investments in equity instruments that is not held for trading 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 is recognized in profit or loss on the date on which the Group's right to receive payment is established.

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. Trade receivables that the Company intends to sell immediately or in the near term are measured at FVTPL; however, they are included in the 'trade receivables' line item. On initial recognition, the Group may irrevocably designate 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 Group 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:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which 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 accounts 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 Group 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 Group's historical experience and informed credit assessment as well as forward-looking

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CUB ELECPARTS INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

information.

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

The Group 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 Group in full.

The time deposits held by the Group 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 Consolidated 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 Group in accordance with the contract and the cash flows that the Group expects to receive. ECL are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group 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 assets is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer ;
- 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.

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CUB ELECPARTS INC. AND SUBSIDIARIES
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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 Group 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 Group 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 Group's procedures for recovery of amount due.

5) Derecognition of financial assets

The Group 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 Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instruments

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

3) Treasury shares

When shares recognized as equity are repurchased, the amount of the consideration paid, including directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury stock. 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).

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CUB ELECPARTS INC. AND SUBSIDIARIES
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4) Compound financial instruments

Compound financial instruments issued by the Group 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.

6) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or canceled, or expire. The Group 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 Group currently has a legally enforceable right to offset the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

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CUB ELECPARTS INC. AND SUBSIDIARIES
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(iii) **Derivative financial instruments**

The Group uses 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 recognized in profit or loss.

(h) **Inventories**

Inventories are measured at the lower of cost or 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 all estimated costs of completion and necessary selling expenses.

(i) **Investment in associates**

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill identified on acquisition, net of any accumulated impairment losses.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of those associates, after adjustments to align the accounting policies with those of the Group, from the date on which significant influence commences until the date on which significant influence ceases. When an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes of the Group's shareholding percentage in the associate, the Group recognizes equity changes attributable to the Group by its shareholding percentage as capital surplus.

Gains and losses resulting from transactions between the Group and an associate are recognized only to the extent of unrelated Group's interests in the associate.

When the Group's share of losses exceeds its interests in an associate, the carrying amount of the investment, including any long term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent the Group has an obligation or has made payments on behalf of its associates.

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CUB ELECPARTS INC. AND SUBSIDIARIES
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(j) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services, or for administrative purposes. Investment property is initially recognized at cost and then subsequently measured at cost again. The depreciation expense is appropriated in accordance with the depreciable amount after the initial recognition. The depreciation methods, useful lives, and residual values of investment property are same as the practice of the property, plant, and equipment.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount) is recognized in profit or loss.

Rental income from investment property is recognized as other revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

(k) Property, plant and equipment

1. 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.

2. Subsequent expenditure

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

3. 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 of property, plant and equipment for the current and comparative years are as follows:

- 1) Buildings: 5 ~ 50 years
- 2) Machinery and equipment: 2~10 years
- 3) Transportation equipment: 3~10 years.
- 4) Molding and other equipment 3~15 years

(Continued)

CUB ELECPARTS INC. AND SUBSIDIARIES
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- 5) The significant components and related useful life of buildings and structures are as follows:

<u>Components</u>	<u>Useful life</u>
Buildings and structures	
main buildings	40~50 years
Pipeline and fire protection	5~40 years
Engineering parking sheds	15~20 years
Decoration equipment	10~20 years
Others	5~40 years

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

(l) Leases

At inception of a contract, the Group 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 lessee

The Group 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.

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 evaluated and 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. 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 payable under a residual value guarantee; and

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CUB ELECPARTS INC. AND SUBSIDIARIES
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- 4) payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is subsequently measured at amortized cost using the effective interest method. It is remeasured 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 payable under a residual value guarantee; or
- 3) 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
- 4) there is a change in the lease term resulting from a change of the Company's assessment on whether it will exercise an extension or termination option; or
- 5) there is any lease modification.

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 the difference in profit or loss for any gain or loss relating to the partial or full termination of the lease.

The Group presents right-of-use assets that do not meet the definition of investment properties, and lease liabilities as a separate line item respectively in the consolidated balance sheets.

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases of computer equipment that have a lease term of 12 months or less and leases of low-value assets. The Group 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 Group 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 Group 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 Group makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards 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 Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

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CUB ELECPARTS INC. AND SUBSIDIARIES
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When the Group 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 Group 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 Group applies IFRS15 to allocate the consideration in the contract.

The Group 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'.

(m) Intangible assets

(i) Recognition and measurement

Goodwill arising on the acquisition of subsidiaries is measured at cost, less accumulated impairment losses.

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 product or process is technically and commercially feasible, future economic benefits are probable and the Group 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 Group 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:

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CUB ELECPARTS INC. AND SUBSIDIARIES
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1) Computer software, cost	1~8 years
2) Patents	24~229 months
3) Trademarks	75~159 months
4) Value of contracts	120 months
5) Other intangible assets	240 months

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

(n) Impairment of non-derivative financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories, contract assets, deferred tax assets and investment properties and biological assets, measured at fair value, less costs) to determine whether there is any indication of impairment. 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.

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.

(o) Provisions

A provision is recognized if, as a result of a past event, the Group has a present obligation that can be estimated reliably, and it is probably that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pretax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

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A provision for warranties is recognized when the underlying products or services are sold. The provision is weighting factors based on historical experience of warranty claims rate and other possible outcomes against their associated probabilities.

(p) 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 group 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 Group has objective evidence that all criteria for acceptance have been satisfied.

The Group often offers volume discounts to its customers based on aggregate sales of automobile and motor switch components over a 12 months period. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts.

Therefore, the Group's obligation to provide a refund for faulty automatic machines under the standard warranty terms is recognized as a provision of warranty.

2) Construction contracts

The Group enters into contracts to build project constructions. Because its customer controls the asset as it is constructed, the Group recognizes revenue over time based on the construction costs incurred to date as a proportion of the total estimated costs of the contract. The consideration promised in the contract includes fixed and variable amounts. The customer pays the fixed amount based on a payment schedule. For some variable considerations (for example, a penalty payment calculated based on delay days), accumulated experience is used to estimate the amount of variable consideration, using the expected value method. For other variable considerations, the Group estimates the amount of variable consideration using the most likely amount. The Group recognizes revenue only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. If the Group has recognized revenue, but not issued a bill, then the entitlement to consideration is recognized as a contract asset. The contract asset is transferred to receivables when the entitlement to

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CUB ELECPARTS INC. AND SUBSIDIARIES
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payment becomes unconditional.

If the Company cannot reasonably measure its progress towards complete satisfaction of the performance obligation of a construction contract, the Company shall recognize revenue only to the extent of the costs expected to be recovered.

A provision for onerous contracts is recognized when the Group expects the unavoidable costs of performing the obligations under a construction contract exceed the economic benefits expected to be received under the contract.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

For project constructions, the Group offers a standard warranty to provide assurance that they comply with agreed upon specifications and has recognized warranty provisions for this obligation; please refer to note 6(s).

3) Financing components

The Group 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 Group 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 Group recognizes as an asset the incremental costs of obtaining a contract with a customer if the Group expects to recover those costs. The incremental costs of obtaining a contract are those costs that the Group 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 Group 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 Group 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 Group 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 Group can specifically identify; the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and the

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costs are expected to be recovered.

General and administrative costs, costs of wasted materials, labor or other resources to fulfil 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 Consolidated Company cannot distinguish whether the costs relate to unsatisfied performance obligations or to satisfied performance obligations (or partially satisfied performance obligations), the Consolidated Company recognizes these costs as expenses when incurred.

(q) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are expensed as the related service is provided.

(ii) Defined benefit plans

The Group'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 Group, 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 Group 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 Group 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 Group 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.

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(r) Share-based payment

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.

(s) Income taxes

Income taxes comprise current taxes and deferred taxes. Current and deferred taxes are recognized in profit or loss unless they relate to business combinations, items recognized directly in equity or other comprehensive income.

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 Group 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

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CUB ELECPARTS INC. AND SUBSIDIARIES
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- (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.

Deferred tax assets are recognized for unused tax losses, tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date, and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

(t) **Business combination**

The group 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 group 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 Group's expenses when incurred, except for the issuance of debt or equity instruments.

For each business combination, the group 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 Group'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 group shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the Group 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.

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(u) Earnings Per Share

The group disclose the company's basic and diluted earnings per share attributable to ordinary equity holders of the company. 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 convertible bonds and employee remuneration.

(v) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may incur revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

The preparation of the consolidated financial statements in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, 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 in which the estimates are revised and in any future periods affected.

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 Group 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 Group 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(d).

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(b) Assessment of goodwill impairment

The assessment of impairment of goodwill requires the Company to make subjective judgment to determine the identified CGUs, allocate the goodwill to relevant CGUs and estimate the recoverable amount of relevant CGUs. Please refer to Note 6(m) for the impairment of goodwill.

(c) Revenue recognition

The stage of completion of a contract is measured based on the proportion of contract revenues incurred for work performed to date relative to the estimated total contract costs; or the completion of a physical proportion of the contract work. Estimated total contract costs of contracted items are assessed and determined by the management based on the nature of activities, expected subcontracting charges, construction periods, processes, methods, etc., for each construction contract. Changes in these estimates might affect the calculation of the percentage of completion and related profits from construction contracts.

The Group uses the observable market data to evaluate its assets and liabilities. 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 identified 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 liabilities 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 Group recognizes the movement at the reporting date.

Please refer to note 6(ab) of the financial instruments.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	<u>110.12.31</u>	<u>109.12.31</u>
Cash and cash on hand	\$ 663	470
Demand deposits	<u>2,300,470</u>	<u>1,193,640</u>
Cash and cash equivalents	<u><u>\$ 2,301,133</u></u>	<u><u>1,194,110</u></u>

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

As of December 31, 2021 and 2020, bank deposits were held by some subsidiaries amounted to \$437,028 thousand and \$109,554 thousand, respectively, which the local exchange control restricted to remit back to the holding company.

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- (b) Financial assets at fair value through profit or loss

	110.12.31	109.12.31
Financial assets mandatorily measured at fair value through profit or loss:		
Non-derivative financial assets:		
Domestic unlisted stocks	\$ <u>53,505</u>	<u>-</u>

- (i) The Group has lost significant influence over Chimei Motor Electronics Co., Ltd. Starting from July 2021, the investment accounted for using the equity method is transferred to the financial assets at fair value through profit or loss; please refer to note 6(g).

- (ii) Please refer to Note 6(ab) for market risk.

- (iii) The aforementioned financial assets were not pledged as collateral.

- (c) Financial assets measured at fair value through other comprehensive income

- (i) Equity instruments at fair value through other comprehensive income

The purpose that the Group invests in the aforementioned equity securities is for long term strategies rather than for trading. Therefore, these equity securities have been designated as at FVOCI.

Xun Fu Trading (Shanghai) Co., LTD. completed the liquidation procedure on April 27, 2020. As a result, the Group disposed of financial assets designated as fair value through other comprehensive income were and transferred an accumulated loss of \$13,890 thousand from other equity interests to retained earnings.

- (ii) Please refer to Note 6(ab) for credit risk and market risk.

- (iii) The aforementioned financial assets were not pledged as collateral.

- (d) Notes and accounts receivable

	110.12.31	109.12.31
Notes receivable from operating activities	\$ 129,470	63,236
Accounts receivable — measured at amortized cost	1,621,836	1,352,596
Accounts receivable due from related parties — measured at amortized cost	52,113	6,601
Less: loss allowance	<u>(46,862)</u>	<u>(11,804)</u>
	<u>\$ 1,756,557</u>	<u>1,410,629</u>

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The Group 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. The loss allowance provisions were determined as follows:

	December 31, 2021		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 1,580,106	-	%
1 to 30 days past due	74,255	-	%
31 to 60 days past due	77,264	-	%
61 to 90 days past due	19,859	35.08	%
More than 91 days past due	51,935	76.82	%
Total	\$ 1,803,419		46,862

	December 31, 2020		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 1,276,704	-	%
1 to 30 days past due	104,529	-	%
31 to 60 days past due	8,793	-	%
61 to 90 days past due	4,236	36.45	%
More than 91 days past due	28,171	36.42	%
Total	\$ 1,422,433		11,804

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

	For the Year Ended December 31,	
	2021	2020
Balance at January 1	\$ 11,804	10,836
Impairment losses recognized	35,069	1,429
Amounts written off	-	(461)
Effects of changes in foreign exchange rates	(11)	-
Balance at December 31, 2020	\$ 46,862	11,804

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

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

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(e) Other receivables

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

(f) Inventories

	<u>110.12.31</u>	<u>109.12.31</u>
Raw materials	\$ 855,902	621,402
Work in progress	190,535	168,897
Finished goods	209,214	127,743
Merchandise	<u>100,810</u>	<u>78,846</u>
	<u>\$ 1,356,461</u>	<u>996,888</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 of inventories	\$ 9,706	13,010
Loss on disposal of inventory	23,456	3,733
Warranties	8,539	24,775
Gain on physical inventory	(7)	(174)
Revenue from sale of scrap	<u>(357)</u>	<u>(169)</u>
Operating costs	<u>\$ 41,337</u>	<u>41,175</u>

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

(g) Investments accounted for using equity method

(i) Associates

The Group's financial information for investments accounted for using the equity method that are individually insignificant was as follows:

	<u>110.12.31</u>	<u>109.12.31</u>
Carrying amount of individually insignificant associates' equity	<u>\$ -</u>	<u>55,491</u>

	<u>For the Year Ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Attributable to the Group:		
Profit	\$ (3,693)	(9,230)
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income	<u>\$ (3,693)</u>	<u>(9,230)</u>

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The Group held 14.74% shareholdings of Chimei Motor Electronics Co., Ltd.; however, the Group had no representative on the board after the re-election of directors and supervisors in July 2021 and lost significant influence. The Group measured the fair value of the remaining 14.74% shareholdings and reclassified them to financial assets mandatorily measured at fair value through profit or loss amounted to \$53,505 thousand; please refer to note 6(b).

(ii) Collateral

As of December 31, 2021 and 2020, the Group did not provide any investments accounted for using the equity method as collateral for its loans.

(h) Business combination

The group 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 Group 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 year 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 4, 2021
Property, plant and equipment (Note 6(j))	\$ 120,228
Right-of-use assets (Note 6(k))	2,988
Intangible assets (Note 6(m))	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

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	April 4, 2021
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	\$ 311,793

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 Group 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 interest (measured at the share of the acquirer's identifiable net assets in each acquisition.) (tentative)	211,116
Less: Fair value of identifiable net assets (tentative)	(522,909)
Goodwill (tentative)	\$ 99,761

The Group recognized \$99,761 thousand of goodwill at the acquisition date under intangible assets of consolidated balance sheets; please refer to note 6(m).

Goodwill arises primarily from the profitability 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 Group and 3S System Technology Co., Ltd. There is no tax impact expected on the goodwill recognition.

(Continued)

CUB ELECPARTS INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Material non-controlling interests of subsidiaries

The material non-controlling interests of subsidiaries were as follows:

<u>Subsidiary</u>	<u>Major Operation place Registered country</u>	<u>Percentage of non-controlling interests</u>	
		<u>110.12.31</u>	<u>109.12.31</u>
HARBINGER TECHNOLOGY CORP.	Taiwan	23.28 %	31.14 %
CUBTEK INC.	Taiwan	55.39 %	43.11 %
3S System Technology Co., Ltd.	Taiwan	40.37 %	- %

The following information of the aforementioned subsidiaries have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers. Included in this information is the fair value adjustment made during the acquisition and relevant difference in accounting principles between the Group as at the acquisition date. Intra-group transactions were not eliminated in this information.

(i) Summary of HARBINGER TECHNOLOGY's financial figures

	<u>110.12.31</u>	<u>109.12.31</u>
Current assets	\$ 1,832,098	1,575,190
Non-current assets	411,943	279,264
Current liabilities	(722,790)	(901,756)
Non-current liabilities	(15,115)	(15,474)
Net assets	<u>\$ 1,506,136</u>	<u>937,224</u>
Non-controlling interests	<u>\$ 378,693</u>	<u>312,520</u>

	<u>For the Year Ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Sale revenue	<u>\$ 485,841</u>	<u>1,087,299</u>
Net income	\$ (56,902)	62,737
Other comprehensive income	(305)	260
Total comprehensive income	<u>\$ (57,207)</u>	<u>62,997</u>
Profit, attributable to non-controlling interests	<u>\$ (20,948)</u>	<u>25,418</u>
Comprehensive income, attributable to non-controlling interests	<u>\$ (20,877)</u>	<u>25,499</u>
Cash from (used in) operating activities	\$ 119,162	(136,047)
Cash from (used in) investing activities	(166,284)	(23,838)
Cash from (used in) financing activities	469,212	396,856
Increase in cash and cash equivalents	<u>\$ 422,090</u>	<u>236,971</u>

(Continued)

CUB ELECPARTS INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Summary of CUBTEK's financial figures

	<u>110.12.31</u>	<u>109.12.31</u>
Current assets	\$ 805,566	608,595
Non-current assets	636,823	602,127
Current liabilities	(307,728)	(611,244)
Non-current liabilities	<u>(169,872)</u>	<u>(189,407)</u>
Net assets	<u>\$ 964,789</u>	<u>410,071</u>
Non-controlling interests	<u>\$ 534,394</u>	<u>176,782</u>
	For the Year Ended December 31,	
	2021	2020
Sale revenue	<u>\$ 894,892</u>	<u>571,504</u>
Net profit (loss)	\$ 14,541	(50,274)
Other comprehensive income	<u>177</u>	<u>1,375</u>
Total comprehensive income	<u>\$ 14,718</u>	<u>(48,899)</u>
Net profit (loss), attributable to non-controlling interests	<u>\$ 3,306</u>	<u>(21,673)</u>
Comprehensive income, attributable to non-controlling interests	<u>\$ 3,710</u>	<u>(21,080)</u>
Cash from (used in) operating activities	\$ (147,860)	(121,051)
Cash from (used in) investing activities	(56,393)	(26,050)
Cash from (used in) financing activities	<u>413,719</u>	<u>171,769</u>
Increase in cash and cash equivalents	<u>\$ 209,466</u>	<u>24,668</u>

(iii) Summary of 3S System's financial figures

	<u>110.12.31</u>
Current assets	\$ 233,082
Non-current assets	333,427
Current liabilities	(29,775)
Non-current liabilities	<u>(45,002)</u>
Net assets	<u>\$ 491,732</u>
Non-controlling interests	<u>\$ 198,512</u>

(Continued)

CUB ELECPARTS INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	April 29, 2021 (acquisition date) to December 31, 2021
Sale revenue	\$ <u><u>106,662</u></u>
Net loss	\$ (31,560)
Other comprehensive income	-
Total comprehensive income	\$ <u><u>(31,560)</u></u>
Net loss, attributable to non-controlling interests	\$ <u><u>(12,741)</u></u>
Comprehensive income, attributable to non-controlling interests	\$ <u><u>(12,741)</u></u>
Cash from (used in) operating activities	\$ (49,896)
Cash from (used in) investing activities	(295,275)
Cash from (used in) financing activities	<u>341,283</u>
Net decrease in cash and cash equivalents	\$ <u><u>(3,888)</u></u>

(j) 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:

	Land	Buildings and Construction	Machinery and equipment	Transportation equipment	molding and other equipment	Construction in progress	Total
Cost or deemed cost:							
Balance on January 1, 2021	\$ 411,779	1,023,690	499,688	21,576	652,864	-	2,609,597
Acquisition	83,567	17,433	717	577	20,465	-	122,759
Addition	43,716	26,937	92,751	391	84,179	10,615	258,589
Disposal	-	-	(13,162)	(2,413)	(24,042)	-	(39,617)
Reclassification	1,121	(1,121)	7,009	-	24,870	527	32,406
Effects of changes in foreign exchange rates	-	(1,513)	(981)	(631)	(261)	-	(3,386)
Balance on December 31, 2021	\$ <u><u>540,183</u></u>	<u><u>1,065,426</u></u>	<u><u>586,022</u></u>	<u><u>19,500</u></u>	<u><u>758,075</u></u>	<u><u>11,142</u></u>	<u><u>2,980,348</u></u>
Balance on January 1, 2020	\$ 649,681	981,494	471,078	21,603	641,706	1,226	2,766,788
Addition	-	31,543	32,357	7,376	61,270	-	132,546
Disposal	-	-	(4,792)	(5,516)	(60,423)	-	(70,731)
Reclassification	(237,902)	7,344	4,010	-	9,217	(1,226)	(218,557)
Effects of changes in foreign exchange rates	-	3,309	(2,965)	(1,887)	-	-	(449)
Balance at December 31, 2020	\$ <u><u>411,779</u></u>	<u><u>1,023,690</u></u>	<u><u>499,688</u></u>	<u><u>21,576</u></u>	<u><u>652,864</u></u>	<u><u>-</u></u>	<u><u>2,609,597</u></u>
Depreciation and impairment losses:							
Balance on January 1, 2021	\$ -	237,045	234,022	9,075	472,859	-	953,001
Acquisition	-	114	43	353	2,021	-	2,531
Depreciation for the year	-	37,562	53,038	3,426	85,467	-	179,493
Disposal	-	-	(3,239)	(1,020)	(20,600)	-	(24,859)
Reclassification	-	-	-	-	(3,692)	-	(3,692)
Effects of changes in foreign exchange rates	-	(444)	(324)	(449)	(44)	-	(1,261)
Balance on December 31, 2021	\$ <u><u>-</u></u>	<u><u>274,277</u></u>	<u><u>283,540</u></u>	<u><u>11,385</u></u>	<u><u>536,011</u></u>	<u><u>-</u></u>	<u><u>1,105,213</u></u>

(Continued)

CUB ELECPARTS INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>Land</u>	<u>Buildings and Construction</u>	<u>Machinery and equipment</u>	<u>Transportation equipment</u>	<u>molding and other equipment</u>	<u>Construction in progress</u>	<u>Total</u>
Balance on January 1, 2020	\$ -	203,204	190,720	11,005	461,464	-	866,393
Depreciation for the year	-	32,032	45,372	3,662	69,994	-	151,060
Disposal	-	-	(1,294)	(3,626)	(59,028)	-	(63,948)
Effects of changes in foreign exchange rates	-	1,809	(776)	(1,966)	429	-	(504)
Balance at December 31, 2020	<u>\$ -</u>	<u>237,045</u>	<u>234,022</u>	<u>9,075</u>	<u>472,859</u>	<u>-</u>	<u>953,001</u>

Carrying amounts:

Balance on December 31, 2021	<u>\$ 540,183</u>	<u>791,149</u>	<u>302,482</u>	<u>8,115</u>	<u>222,064</u>	<u>11,142</u>	<u>1,875,135</u>
Balance on December 31, 2020	<u>\$ 411,779</u>	<u>786,645</u>	<u>265,666</u>	<u>12,501</u>	<u>180,005</u>	<u>-</u>	<u>1,656,596</u>
Balance on January 1, 2020	<u>\$ 649,681</u>	<u>778,290</u>	<u>280,358</u>	<u>10,598</u>	<u>180,242</u>	<u>1,226</u>	<u>1,900,395</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 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 Group 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 Group.

The Group leased out the land and land improvements to a third party as a car park on April 13, 2020. The real estate was reclassified to investment property at its carrying amount when the use of the property changed. Please refer to note 6(l) for details.

(k) Right-of-use assets

The Company leases land, buildings, vehicles, and office equipment. Information about leases for which the Company as a lease was as follows:

	<u>Land</u>	<u>Buildings and Construction</u>	<u>Transportation equipment</u>	<u>Office equipment</u>	<u>Total</u>
Cost:					
Balance on January 1, 2021	\$ 15,007	14,030	5,216	5,822	40,075
Acquisition	-	4,815	-	-	4,815
Additions	-	1,991	2,273	258	4,522
Decrease	-	(923)	-	-	(923)
Effects of changes in foreign exchange rates	(113)	-	-	-	(113)
Balance on December 31, 2021	<u>\$ 14,894</u>	<u>19,913</u>	<u>7,489</u>	<u>6,080</u>	<u>48,376</u>
Balance on January 1, 2020	\$ 14,649	10,667	3,700	770	29,786
Additions	-	12,139	1,516	5,052	18,707
Decrease	-	(8,776)	-	-	(8,776)
Effects of changes in foreign exchange rates	358	-	-	-	358
Balance at December 31, 2020	<u>\$ 15,007</u>	<u>14,030</u>	<u>5,216</u>	<u>5,822</u>	<u>40,075</u>

(Continued)

CUB ELECPARTS INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>Land</u>	<u>Buildings and Construction</u>	<u>Transportation equipment</u>	<u>Office equipment</u>	<u>Total</u>
Depreciation:					
Balance on January 1, 2021	\$ 1,205	4,479	2,451	1,223	9,358
Acquisition	-	1,827	-	-	1,827
Depreciation for the year	531	8,292	2,103	1,170	12,096
Decrease	-	(430)	-	-	(430)
Effects of changes in foreign exchange rates	(9)	-	-	-	(9)
Balance on December 31, 2021	<u>\$ 1,727</u>	<u>14,168</u>	<u>4,554</u>	<u>2,393</u>	<u>22,842</u>
Balance on January 1, 2020	\$ 547	6,193	945	196	7,881
Depreciation for the year	524	7,062	1,506	1,027	10,119
Decrease	-	(8,776)	-	-	(8,776)
Effects of changes in exchange rate	134	-	-	-	134
Balance at December 31, 2020	<u>\$ 1,205</u>	<u>4,479</u>	<u>2,451</u>	<u>1,223</u>	<u>9,358</u>
Carrying amounts:					
Balance on December 31, 2021	<u>\$ 13,167</u>	<u>5,745</u>	<u>2,935</u>	<u>3,687</u>	<u>25,534</u>
Balance at December 31, 2020	<u>\$ 13,802</u>	<u>9,551</u>	<u>2,765</u>	<u>4,599</u>	<u>30,717</u>
Balance on January 1, 2020	<u>\$ 14,102</u>	<u>4,474</u>	<u>2,755</u>	<u>574</u>	<u>21,905</u>

(1) Investment property

The movements in investment property of the Group were as follows:

	<u>Owned property</u>		
	<u>Land</u>	<u>Land improvements</u>	<u>Total</u>
Cost:			
Balance on January 1, 2021	\$ 237,902	4,736	242,638
Additions	-	135	135
Balance on December 31, 2021	<u>\$ 237,902</u>	<u>4,871</u>	<u>242,773</u>
Balance on January 1, 2020	\$ -	-	-
Additions	-	3,510	3,510
Transferred from property, plant and equipment	237,902	1,226	239,128
Balance at December 31, 2020	<u>\$ 237,902</u>	<u>4,736</u>	<u>242,638</u>
Accumulated depreciation and impairment losses:			
Balance on January 1, 2021	\$ -	518	518
Depreciation expenses	-	820	820
Balance on December 31, 2021	<u>\$ -</u>	<u>1,338</u>	<u>1,338</u>
Balance on January 1, 2020	\$ -	-	-
Depreciation expenses	-	518	518
Balance at December 31, 2020	<u>\$ -</u>	<u>518</u>	<u>518</u>

(Continued)

CUB ELECPARTS INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	Land	Land improvements	Total
Carrying amounts:			
Balance on December 31, 2021	\$ <u>237,902</u>	<u>3,533</u>	<u>241,435</u>
Balance at December 31, 2020	\$ <u>237,902</u>	<u>4,218</u>	<u>242,120</u>
Fair value:			
Balance on December 31, 2021			\$ <u>280,502</u>
Balance on December 31, 2020			\$ <u>289,045</u>

The initial recognition of investment property is measured at cost, and subsequent measurement is based on the cost model.

Subsequent to initial recognition, depreciation expense is determined by the depreciable amount, and the impairment is measured at fair value with reference to market value in the neighboring area.

As of December 31, 2021 and 2020, the investment properties were pledged as collateral, please refer to Note 8.

(m) Intangible assets

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

	Goodwill	Patents	Computer software	Trademarks	Value of contracts	Other intangible assets	Total
Cost:							
Balance on January 1, 2021	\$ 355,770	134,625	118,320	1,904	-	-	610,619
Acquisition through business combination	99,761	-	151,916	155	46,669	-	298,501
Addition	-	3,971	40,225	434	-	4,072	48,702
Decrease	-	-	(8,077)	(9)	-	-	(8,086)
Reclassification	-	-	(2,001)	-	-	-	(2,001)
Effects of changes in exchange rate	<u>(1,005)</u>	<u>308</u>	<u>(117)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(814)</u>
Balance on December 31, 2021	\$ <u>454,526</u>	<u>138,904</u>	<u>300,266</u>	<u>2,484</u>	<u>46,669</u>	<u>4,072</u>	<u>946,921</u>
Balance on January 1, 2020	\$ 357,656	130,492	94,552	1,871	-	-	584,571
Addition	-	3,704	23,491	-	-	-	27,195
Reclassification	-	360	-	33	-	-	393
Effects of changes in exchange rate	<u>(1,886)</u>	<u>69</u>	<u>277</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,540)</u>
Balance at December 31, 2020	\$ <u>355,770</u>	<u>134,625</u>	<u>118,320</u>	<u>1,904</u>	<u>-</u>	<u>-</u>	<u>610,619</u>

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CUB ELECPARTS INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>Goodwill</u>	<u>Patents</u>	<u>Computer software</u>	<u>Trademarks</u>	<u>Value of contracts</u>	<u>Other intangible assets</u>	<u>Total</u>
Balance on January 1, 2021	\$ -	46,378	72,331	977	-	-	119,686
Amortization for the year	-	12,382	28,382	236	2,692	31	43,723
Decrease	-	-	(8,077)	(3)	-	-	(8,080)
Reclassification	-	-	(5,289)	-	-	-	(5,289)
Effects of changes in exchange rate	-	1	(108)	-	-	-	(107)
Balance on December 31, 2021	<u>\$ -</u>	<u>58,761</u>	<u>87,239</u>	<u>1,210</u>	<u>2,692</u>	<u>31</u>	<u>149,933</u>
Balance on January 1, 2020	\$ -	34,842	58,133	762	-	-	93,737
Amortization for the year	-	11,535	13,949	215	-	-	25,699
Effects of changes in exchange rate	-	1	249	-	-	-	250
Balance at December 31, 2020	<u>\$ -</u>	<u>46,378</u>	<u>72,331</u>	<u>977</u>	<u>-</u>	<u>-</u>	<u>119,686</u>
Carrying amounts:							
Balance on December 31, 2021	<u>\$ 454,526</u>	<u>80,143</u>	<u>213,027</u>	<u>1,274</u>	<u>43,977</u>	<u>4,041</u>	<u>796,988</u>
Balance on December 31, 2020	<u>\$ 355,770</u>	<u>88,247</u>	<u>45,989</u>	<u>927</u>	<u>-</u>	<u>-</u>	<u>490,933</u>
Balance on January 1, 2020	<u>\$ 357,656</u>	<u>95,650</u>	<u>36,419</u>	<u>1,109</u>	<u>-</u>	<u>-</u>	<u>490,834</u>

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

	<u>For the Year Ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Operating costs	\$ 1,157	1,020
Operating expenses	42,566	24,679
	<u>\$ 43,723</u>	<u>25,699</u>

(ii) Impairment testing for goodwill

For the purpose of impairment testing, the Group has allocated goodwill to the cash generating units of HARBINGER TECHNOLOGY, ITM, and 3S System. The carrying amount of goodwill allocated to the cash-generating units of HARBINGER TECHNOLOGY and 3S System is material in relation to the gross carrying amount of goodwill, except those allocated to ITM. The gross carrying amount of goodwill is allocated as follows:

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CUB ELECPARTS INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
Cash-generating unit of HARBINGER TECHNOLOGY	\$ 319,961	319,961
Cash generation unit of ITM	34,804	35,809
Cash-generating unit of 3S System	<u>99,761</u>	<u>-</u>
	<u>\$ 454,526</u>	<u>355,770</u>

Based on the impairment assessment for the years ended December 31, 2021 and 2020, no impairment losses were recognized as the recoverable amount of the CGU was higher than its carrying value.

The key assumptions used in the estimation of value in use were as follows:

	<u>110.12.31</u>	<u>109.12.31</u>
Discount Rate	9.03%~12.18%	11.76%~13.16%
Growth rate	2.5%~64.01%	2.87%
The growth rate of budgeted annual earnings after tax, before interest, depreciation (The average over next five years)	0	6.63%

The discount rate was based on the industry-weighted average cost of capital and adjusted for a risk premium to reflect both the increased risk of generally investing in equities and the systemic risk of the specific CGU.

The cash flow projection was based on a five-year financial projection approved by the management. Cash flows beyond five years have been extrapolated 3.06% average global economic growth rate over the past 30 years in accordance with IMF.

Budgeted EBITDA over the financial forecast period was based on expectations of future outcome, taking into account the past experience, adjusted for the anticipated revenue growth. Revenue growth is measured by the historical average growth over the past five years and by projecting new product areas to drive growth over the next five years.

(iii) Collateral

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

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CUB ELECPARTS INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

	<u>110.12.31</u>	<u>109.12.31</u>
Other current assets:		
Prepayments	\$ 162,831	365,319
Business tax carry forward	30,669	14,564
Other deferred charges	76,195	86,434
Other current assets, others	<u>5,408</u>	<u>1,261</u>
	<u>\$ 275,103</u>	<u>467,578</u>
Other non-current assets:		
Prepayments for equipment	<u>\$ 120,186</u>	<u>131,543</u>

(o) Short-term borrowings

The details of short-term borrowings were as follows:

	<u>110.12.31</u>	<u>109.12.31</u>
Unsecured bank loans	\$ 2,137,438	1,455,364
Secured bank loans	<u>150,000</u>	<u>139,347</u>
	<u>\$ 2,287,438</u>	<u>1,594,711</u>
Unused short-term credit lines	<u>\$ 874,036</u>	<u>1,055,896</u>
Range of interest rates	<u>0.8%~3%</u>	<u>0.81%~4.42%</u>

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

(p) Other payables and other current liabilities

The other payables and other non-current liabilities of the Group were as follows:

	<u>110.12.31</u>	<u>109.12.31</u>
Other payables:		
Salary and bonus payable	\$ 76,734	79,070
Remuneration payable to employees, directors, and supervisors	19,672	15,918
Payable on machinery and equipment	17,406	34,223
Others	<u>173,736</u>	<u>177,794</u>
	<u>\$ 287,548</u>	<u>307,005</u>
Other payables to related parties:		
Payable on machinery and equipment	<u>\$ 16</u>	<u>5,752</u>
Other current liabilities:		
Receipts under custody	\$ 4,843	4,748
Others	<u>2,984</u>	<u>13,041</u>
	<u>\$ 7,827</u>	<u>17,789</u>

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CUB ELECPARTS INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(q) Long-term borrowings

The details were as follows:

110.12.31				
	<u>Currency</u>	<u>Rate</u>	<u>Maturity year</u>	<u>Amount</u>
Unsecured bank loans	TWD	1.036%~1.1%	2024.06.15 ~2025.08.05	\$ 348,333
Secured bank loans	TWD	0.983%~1.3055%	2025.08.05 ~2033.10.30	899,403
Less: current portion				(131,417)
				<u>\$ 1,116,319</u>
Unused credit lines				<u>\$ 25,000</u>

109.12.31				
	<u>Currency</u>	<u>Rate</u>	<u>Maturity year</u>	<u>Amount</u>
Unsecured bank loans	TWD	0.937%~1.05%	2021.05.06 ~2022.6.4	\$ 202,933
Secured bank loans	TWD	0.836%~1.100%	2025.08.03 ~2033.10.30	987,000
Less: current portion				(5,530)
				<u>\$ 1,184,403</u>
Unused credit lines				<u>\$ -</u>

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

(r) Lease liabilities

The carrying amounts of the Group's lease liabilities were as follows:

	<u>110.12.31</u>	<u>109.12.31</u>
Current	<u>\$ 8,397</u>	<u>8,458</u>
Non-current	<u>\$ 4,082</u>	<u>8,517</u>

For the maturity analysis, please refer to Note 6(ac).

The amounts recognized in profit or loss was as follows:

	<u>For the Year Ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Interest on lease liabilities	<u>\$ 114</u>	<u>113</u>
Expenses relating to short-term leases	<u>\$ 5,314</u>	<u>5,109</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>\$ 16,954</u>	<u>14,781</u>

(Continued)

CUB ELECPARTS INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Real estate leases

As of December 31, 2021 and 2020, the Group leases land and buildings for its office space and plants. The leases of office space and plants typically run for 1 to 2 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

(ii) Other leases

The Group leases transportation and office equipment with lease terms of 2 to 5 years. Some lease contracts stipulate that upon the expiration of the lease period, which can extend to the same period as original contracts.

(s) Provisions

	Warranties
Balance on January 1, 2021	\$ 66,795
Provisions made during the year	14,345
Provisions used during the year	(10,975)
Balance on December 31, 2021	\$ 70,165
Balance on January 1, 2020	\$ 45,193
Provisions made during the year	24,775
Provisions used during the year	(3,173)
Balance at December 31, 2020	\$ 66,795

The Group's provision for warranty mentioned above was for products sold and construction built. Provision for warranty and the after-service cost was estimated based on the historical warranty information for similar products or services. The Company expected that most of the cost would occur within 1 or 2 years after sales.

(t) Employee benefits

(i) Defined benefit plans

the reconciliation of defined benefit obligation at present value and plan asset at fair value were as follows:

	110.12.31	109.12.31
Present value of the defined benefit obligations	\$ 30,790	31,964
Fair value of plan assets	(15,007)	(14,537)
Net defined benefit obligation liabilities	\$ 15,783	17,427

The Group's employee benefit liabilities were as follows:

	110.12.31	109.12.31
Compensated absences(recognized as other payables)	\$ 4,214	4,059

(Continued)

CUB ELECPARTS INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Group makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pension benefits 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 and HARBINGER TECHNOLOGY allocate 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 and HARBINGER TECHNOLOGY's pension fund with the Bank of Taiwan amounted to \$15,007 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	\$ 31,964	31,482
Current service costs and interest cost	245	341
Remeasurements loss (gain):		
— Return on plan assets excluding interest income	(1,443)	(393)
— Actuarial loss (gain) arising from demographic assumptions	762	491
— Actuarial loss (gain) arising from financial assumptions	(261)	1,241
Benefits paid	(477)	(1,198)
Defined benefit obligations at December 31	\$ 30,790	31,964

(Continued)

CUB ELECPARTS INC. AND SUBSIDIARIES
Notes to the Consolidated 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	\$ 14,537	14,469
Interest income	75	124
Remeasurements of the net defined benefit liabilities (assets) — return on plan assets (excluding interest income)	185	445
Contributions paid by the employer	687	697
Benefits paid	(477)	(1,198)
Defined benefit obligations at December 31	<u>\$ 15,007</u>	<u>14,537</u>

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Group 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	84	134
	<u>\$ 170</u>	<u>217</u>
Selling expenses	\$ 4	4
Administrative expenses	149	179
Research and development expenses	17	34
	<u>\$ 170</u>	<u>217</u>

5) Remeasurements of net defined benefit liability (asset) recognized in other comprehensive income

The Group'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	\$ 17,811	16,917
Recognized during the period	(1,127)	894
Accumulated amount at December 31	<u>\$ 16,684</u>	<u>17,811</u>

(Continued)

CUB ELECPARTS INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

6) Actuarial assumptions

The principal actuarial assumptions of the actuarial valuation were as follows:

	For the Year Ended December 31,	
	2021	2020
Discount Rate	0.5%~0.625%	0.5%
Future salary increase rate	2%~2.25%	2.00%~2.25%

The expected allocation payment to be made by the Group to the defined benefit plans for the one year period after the reporting date is \$682 thousand.

The weighted average lifetime of the defined benefits plans is 11.4~12.2 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	(902)	941
Future salary increase rate	912	(879)
December 31, 2020		
Discount Rate	(965)	1,009
Future salary increase rate	976	(939)

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 Group allocates 6% of each employee's monthly wages to the Labor Pension personal account of the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation. Foreign subsidiaries make contributions in compliance with their respective local regulations.

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CUB ELECPARTS INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The cost of the pension contributions to the Bureau of Labor Insurance and foreign pension institutions for the years ended December 31, 2021 and 2020 amounted to \$29,368 thousand and \$22,177 thousand, respectively.

(u) Income taxes

(i) Income tax expenses

The components of income tax expense for 2021 and 2020 were as follows:

	For the Year Ended December 31,	
	2021	2020
Current tax expense		
Current period	\$ 120,694	53,860
Adjustment for prior years	76	(1,791)
Additional tax on undistributed earnings	<u>1,660</u>	<u>2,087</u>
	<u>122,430</u>	<u>54,156</u>
Deferred tax expense (income)		
Origination and reversal of temporary differences	<u>(27,611)</u>	<u>(11,824)</u>
	<u>(27,611)</u>	<u>(11,824)</u>
	<u>\$ 94,819</u>	<u>42,332</u>

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

The reconciliation of income tax and profit before tax for 2021 and 2020 were as follows:

	For the Year Ended December 31,	
	2021	2020
Profit excluding income tax	<u>\$ 582,507</u>	<u>292,503</u>
Income tax using the Company's domestic tax rate	\$ 116,501	58,501
Effect of tax rates in foreign jurisdiction	277	20,961
The effect of income tax on domestic investment recognized under equity method	(7,522)	(13,814)
Non-deductible expenses	554	727
Change in unrecognized temporary differences	10,931	8,926
Recognition of previously unrecognized tax losses	-	(14,233)
Investment tax credit	(28,774)	(19,719)
Change in provision in prior periods	76	(1,791)
Adjustment of deferred income tax assets in prior years	693	-
Foreign income taxes paid	764	687
Additional tax on undistributed earnings	1,660	2,087
Gains on disposals of investments	<u>(341)</u>	<u>-</u>
	<u>\$ 94,819</u>	<u>42,332</u>

(Continued)

CUB ELECPARTS INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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 Group 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:

	<u>110.12.31</u>	<u>109.12.31</u>
Aggregate amount of temporary differences related to investments in subsidiaries	\$ <u>518,392</u>	<u>523,021</u>
Amount of unrecognized deferred income tax liabilities	\$ <u>103,678</u>	<u>104,604</u>

2) Unrecognized deferred tax assets

Deferred tax assets have not been recognized with respect to the following items:

	<u>110.12.31</u>	<u>109.12.31</u>
Deductible temporary differences	\$ 20,205	20,078
The carryforward of unused tax losses	10,804	-
	\$ <u>31,009</u>	<u>20,078</u>

The ROC Income Tax Act allows tax losses, as assessed by the tax authorities, to offset taxable income over a period of ten years for local tax reporting purposes. The deferred tax assets have not been recognized in respect of these items because they are not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom.

3) Recognized deferred tax assets and liabilities

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

Deferred Tax Assets:

	<u>Unrealized exchange loss</u>	<u>Taxes losses</u>	<u>Allowance for bad debt</u>	<u>Others</u>	<u>Total</u>
Balance on January 1, 2021	\$ 2,856	117,775	-	931	121,562
(Debit) Credit on income statement	670	17,109	7,014	4,710	29,503
Effects of changes in foreign exchange rates	(2)	37	-	-	35
Balance on December 31, 2021	\$ <u>3,524</u>	<u>134,921</u>	<u>7,014</u>	<u>5,641</u>	<u>151,100</u>

(Continued)

CUB ELECPARTS INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>Unrealized exchange loss</u>	<u>Taxes losses</u>	<u>Allowance for bad debt</u>	<u>Others</u>	<u>Total</u>
Balance on January 1, 2020	\$ 840	99,386	-	8,318	108,544
(Debit) Credit on income statement	2,010	18,356	-	(7,387)	12,979
Effects of changes in foreign exchange rates	<u>6</u>	<u>33</u>	<u>-</u>	<u>-</u>	<u>39</u>
Balance on December 31, 2020	<u>\$ 2,856</u>	<u>117,775</u>	<u>-</u>	<u>931</u>	<u>121,562</u>

Deferred tax liabilities :

	<u>Undiscounted interest</u>	<u>Others</u>	<u>Total</u>
Balance on January 1, 2021	\$ 1,392	1,070	2,462
Debit (credit) on income statement	<u>1,816</u>	<u>76</u>	<u>1,892</u>
Balance on December 31, 2021	<u>\$ 3,208</u>	<u>1,146</u>	<u>4,354</u>
Balance on January 1, 2020	\$ 310	997	1,307
Debit (credit) on income statement	<u>1,082</u>	<u>73</u>	<u>1,155</u>
Balance on December 31, 2020	<u>\$ 1,392</u>	<u>1,070</u>	<u>2,462</u>

- (iii) As of December 31, 2021, subsidiaries were entitled to loss deductions under local laws, the available to offset future taxable income was as follows:

Year of loss	<u>Amount of loss</u>				
	<u>CUBTEK</u>	<u>CUBTEK Shanghai</u>	<u>CUB Shanghai</u>	<u>HARBINGER TECHNOLOGY</u>	<u>3S System</u>
2016	\$ 9,951	-	-	-	-
2017	108,624	-	-	-	-
2018	151,501	-	-	-	-
2019	159,883	-	-	-	-
2020	134,365	-	19,200	-	-
2021	<u>13,321</u>	<u>22,813</u>	<u>-</u>	<u>54,020</u>	<u>65,450</u>
	<u>\$ 577,645</u>	<u>\$ 22,813</u>	<u>19,200</u>	<u>54,020</u>	<u>65,450</u>

- (iv) 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.

- (v) Capital and other equity

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)

CUB ELECPARTS INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

Unit: Thousand 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:

	110.12.31	109.12.31
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 associates are recognized by equity method	<u>80,777</u>	<u>5,231</u>
	<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. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

(Continued)

CUB ELECPARTS INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Company retired \$33,610 thousand of treasury shares. 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 to \$12,447 thousand and \$385,105 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 Order No. 1010012865 issued by the FSC on April 6, 2012, 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)

CUB ELECPARTS INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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:

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

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

	<u>For the Year Ended December 31, 2021</u>	
	<u>Amount per share</u>	<u>Amount</u>
Dividends distributed to ordinary shareholders:		
Cash	\$ 1.0	121,917
Shares	1.0	121,916
	<u>\$ 2.0</u>	<u>243,833</u>

4) Treasury shares

Under Article 28-2 of the Securities and Exchange Act, 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.

(Continued)

CUB ELECPARTS INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Unit: Thousand shares

Changes in for the year ended December 31, 2020

<u>Inflow</u>	<u>Shares</u>	<u>Addition</u>	<u>Decrease</u>	<u>Shares</u>
To protect the Company's credit and shareholders' rights and interests	-	3,361	3,361	-

5) Other equity

	<u>Exchange differences on translation of foreign financial statements</u>	<u>Unrealized gain (loss) on financial assets measured at fair value through other comprehensive income</u>	<u>Total</u>
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	(47,348)	-	(47,348)
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	\$ (39,196)	-	(39,196)

(w) 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.

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CUB ELECPARTS INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

As of December 31, 2020, share-based payment transactions of the Company are as follows:

	<u>Employee stock options</u>	<u>Employee stock options</u>
Grant date	109.11.5	109.11.24
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

	<u>Employee stock options</u>
Grant date	110.11.9
Number of options granted	800,000 shares
Contract term (year)	4 year
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%

(Continued)

CUB ELECPARTS INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<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.

(ii) Related information of employee stock option plans

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

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

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. The expenses related to the share-based payments amounted to \$30,785 thousand and \$4,861 thousand, respectively.

(Continued)

CUB ELECPARTS INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(x) 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 (basic)	\$ 515,928	244,534
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

(y) Revenue from contract with customers

(i) Disaggregation of revenue

For the Year Ended December 31, 2021	Automobile Parts Division	Communications equipment and construction Group	Total
	Primary geographical markets		
China	\$ 790,732	-	790,732
Taiwan	335,540	578,457	913,997
United States	1,857,381	3,520	1,860,901
Germany	244,365	-	244,365
Other countries	267,594	2,846	270,440
	\$ 3,495,612	584,823	4,080,435

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CUB ELECPARTS INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	Automobile Parts Division	Communications equipment and construction Group	Total
Major products/service lines			
Automobile motor switch	\$ 1,367,347	-	1,367,347
Automobile safety components and systems	1,875,373	-	1,875,373
Communication equipment, construction, and others	252,892	584,823	837,715
	<u>\$ 3,495,612</u>	<u>584,823</u>	<u>4,080,435</u>
For the Year Ended December 31, 2020			
Primary geographical markets			
China	\$ 568,955	-	568,955
Taiwan	102,310	1,087,254	1,189,564
United States	1,165,762	-	1,165,762
Germany	241,611	-	241,611
Other countries	174,307	-	174,307
	<u>\$ 2,252,945</u>	<u>1,087,254</u>	<u>3,340,199</u>
Major products/service lines			
Automobile motor switch	\$ 1,045,579	-	1,045,579
Automobile safety components and systems	1,159,385	-	1,159,385
Communication equipment and construction	-	890,601	890,601
Others	47,981	196,653	244,634
	<u>\$ 2,252,945</u>	<u>1,087,254</u>	<u>3,340,199</u>

(ii) Contract balances

	110.12.31	109.12.31
Contract assets - construction and equipment	\$ 428,751	615,507
Less: loss allowance	-	-
	<u>\$ 428,751</u>	<u>615,507</u>
Contract liabilities—advance sales receipts	\$ 161,962	14,546
Contract liabilities—advance molding receipts	21,813	26,021
Contractual liabilities – unearned revenue	101	69
	<u>\$ 183,876</u>	<u>40,636</u>

For the details of accounts receivable and loss allowance, please refer to Note 6(d).

For 2021 and 2021, the opening balance of contract liabilities recognized as revenue amounted to \$9,661 thousand and \$20,355 thousand, respectively.

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CUB ELECPARTS INC. AND SUBSIDIARIES
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The contract assets were mainly recognized revenue of project work but not yet paid up at the reporting date. The contract asset is transferred to receivables when the entitlement to payment becomes unconditional.

The contract liabilities primarily relate to the advance consideration received from contracts with automobile parts and molding sold, for which revenue is recognized when products are delivered to customers.

The major change in the balance of contract assets and contract liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received. There is no significant changes for the years ended December 31, 2021 and 2020.

On December 31, 2021 and 2020, The aggregate transaction price of the project allocated to outstanding performance obligations was \$84,106 thousand and \$119,746 thousand, respectively. The revenue is recognized progressively based on the progress towards complete satisfaction of contract activities and is expected to be completed in the next 12 to 18 months.

All consideration from contracts with customers is included in the transaction price presented above.

(z) 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. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain conditions.

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.

(aa) 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	\$ 4,460	8,556

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(ii) Other income

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

	For the Year Ended December 31,	
	2021	2020
Rent income	\$ 613	731
Litigation and disaster compensation revenues	19,129	-
Government grants	22,800	-
Other income - other	18,110	21,578
	\$ 60,652	22,309

(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	\$ (40,701)	(84,988)
Gains on disposals of investments	1,707	-
Gains (losses) on disposal of property, plant and equipment	471	(170)
Compensation losses	(5)	(5,894)
Others	(970)	(69)
	\$ (39,498)	(91,121)

(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	\$ 31,962	24,266
Interest on lease liabilities	114	113
	\$ 32,076	24,379

(ab) Financial Instrument

(i) Credit risk

1) The maximum exposure to credit risk

The carrying amounts of financial assets and contract assets represented the maximum credit risk exposure of the Group.

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CUB ELECPARTS INC. AND SUBSIDIARIES
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2) Concentration of credit risk

The majority of the Group's customers are mostly those in the automobile part industry. To reduce accounts receivable credit risk, the Group continuously assesses its customers' financial condition. If it is necessary, the Group will ask for guarantees or warranties. The Group 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 Group's major customers consisted of four and five customers which accounted for 30% and 27%, respectively, of accounts receivable so that management believes the concentration of credit risk.

3) Credit risks of receivables and debt securities

For the information regarding credit risk exposure of notes and accounts receivables, please refer to note 6(d).

Other financial assets carried at amortized costs included other receivables.

(ii) Liquidity risk

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

	<u>Carrying Amount</u>	<u>Contractual cash flows</u>	<u>within 6 months</u>	<u>6~12 months</u>	<u>1~2 years</u>	<u>2~5 years</u>	<u>Over 5 years</u>
December 31, 2021							
Non-derivative financial liabilities							
Non-interest bearing liabilities	\$ 949,951	949,951	949,951	-	-	-	-
Floating rate instruments	3,535,174	3,841,632	1,529,496	1,172,180	249,774	778,888	111,294
Current and non-current lease liabilities	12,479	12,595	5,196	3,271	2,255	1,873	-
Guarantee deposits	4,829	4,829	-	-	4,829	-	-
	<u>\$ 4,502,433</u>	<u>4,809,007</u>	<u>2,484,643</u>	<u>1,175,451</u>	<u>256,858</u>	<u>780,761</u>	<u>111,294</u>
December 31, 2020							
Non-derivative financial liabilities							
Non-interest bearing liabilities	\$ 961,662	961,662	961,662	-	-	-	-
Floating rate instruments	2,784,644	2,840,634	1,552,354	51,802	221,595	887,783	127,100
Fixed rate instrument	16,975	17,112	4,620	4,323	5,735	2,434	-
Guarantee deposits	5,730	5,730	-	-	5,730	-	-
	<u>\$ 3,769,011</u>	<u>3,825,138</u>	<u>2,518,636</u>	<u>56,125</u>	<u>233,060</u>	<u>890,217</u>	<u>127,100</u>

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

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(iii) Currency risk

1) Exposure of foreign currency risk

The Group's significant exposure to foreign currency risk is 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	\$ 72,912	27.68	2,018,204	45,793	28.48	1,304,185
EUR	1,753	31.32	54,904	1,473	35.02	51,584
CNY	20,799	4.344	90,351	18,316	4.377	80,169
JPY	1,790	0.241	430	7,662	0.276	2,115
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	7,862	27.68	217,620	5,738	28.48	163,418
CNY	67	4.344	291	114	4.377	499
JPY	-	0.2405	-	54,704	0.276	15,098

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the foreign currency exchange gains and losses resulted from the translation of cash and cash equivalents, trade receivables, other receivables, trade payables and other payables which are denominated in foreign currencies. A strengthening (weakening) of 1% of the NTD against the USD, the EUR, the CNY, and the JPY at December 31, 2021 and 2020, would have increased or decreased the profit before tax by \$15,568 thousand and \$10,071 thousand, respectively. The analysis assumes that all other variables remain constant and was performed on the same basis for both periods.

3) Foreign exchange gains and losses on monetary items

As the Group 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 \$(40,701) and \$(84,988), respectively.

(iv) interest rate analysis

Please refer to the notes on liquidity risk management and interest rate exposure of the Group'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 Group management's assessment of the

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reasonably possible interest rate change.

If the interest rate increases or decreases by 1% the Group's net income will decrease /increase by \$28,281 thousand and \$22,277 thousand for the years ended December 31, 2021 and 2020, respectively, assuming all other variable factors remain constant. This is mainly due to the Group'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, financial instruments used for hedging, and financial assets at fair value through other comprehensive income is measured on a recurring basis. The carrying amount and fair value of the Group'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:

	Carrying amount	December 31, 2021			
		Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Domestic unlisted stocks	\$ <u>53,505</u>	-	-	53,505	53,505
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 2,301,133	-	-	-	-
Current contract assets	428,751	-	-	-	-
Notes and accounts receivable and other receivables (including receivables due from related parties)	1,760,444	-	-	-	-
Other financial assets (including current and non-current)	12,223	-	-	-	-
Refundable deposits	<u>142,545</u>	-	-	-	-
	\$ <u>4,645,096</u>				
Financial liabilities measured at amortized cost					
Short-term borrowings	\$ 2,287,438	-	-	-	-
Notes payables, trade payables and other payables	949,951	-	-	-	-
Current and non-current lease liabilities	12,479	-	-	-	-
Long-term borrowings (including current portion)	1,247,736	-	-	-	-
Guarantee deposits	<u>4,829</u>	-	-	-	-
	\$ <u>4,502,433</u>				

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	December 31, 2020				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 1,194,110	-	-	-	-
Current contract assets	615,507	-	-	-	-
Notes and accounts receivable and other receivables (including receivables due from related parties)	1,416,742	-	-	-	-
Other financial assets (including current and non-current)	55,406	-	-	-	-
Refundable deposits	<u>40,962</u>	-	-	-	-
	<u>\$ 3,322,727</u>				
Financial liabilities measured at amortized cost					
Short-term borrowings	\$ 1,594,711	-	-	-	-
Notes payables, trade payables and other payables	961,662	-	-	-	-
Current and non-current lease liabilities	16,975	-	-	-	-
Long-term borrowings (including current portion)	<u>1,189,933</u>	-	-	-	-
	<u>\$ 3,763,281</u>				

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

The Group'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.

3) Fair value valuation technique of financial instruments measured at fair value

Non-derivative financial instruments

Fair value measurement of financial instruments was based on quoted market prices if these prices were available in an active market. The quoted price of a financial instrument obtained from main exchanges and on the run bonds from Taipei Exchange was the basis of determining the fair value of the listed companies' equity instrument, and debt instrument that has the quoted price in an active market.

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If a quoted price of a financial instrument can be obtained in time and often from exchanges, brokers, underwriters, industrial union, pricing institute, or authorities and such price can reflect those actual trading and frequently happen in the market, then the financial instrument is considered to have a quoted price in an active market. Otherwise, the market is deemed to be inactive. In general, market with low trading volume or high bid ask spreads is an indication of a non active market.

Measurements of fair value of financial instruments without an active market are based on a valuation technique or quoted price from a competitor. Fair value measured by a valuation technique can be extrapolated from similar financial instruments, the discounted cash flow method, or other valuation technique including a model using observable market data at the reporting date.

If the Group's financial instruments do not have an observable prices, their fair values are estimated by comparing with competitors whose market prices are available. The main assumption used in this estimation is to calculate the product of the earnings before interest, tax, depreciation and amortization and the price to earnings ratio of listed companies on the stock market. The estimate of the fair value of equity instruments has been adjusted due to the effect of the discount arising from the lack of market liquidity of the equity security.

4) Transfers between Level 1, Level 2, and Level 3

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

5) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Group's financial instruments that use Level 3 inputs to measure fair value include "financial assets measured at fair value through profit or loss – debt investments".

Most of the fair value measurements categorized within Level 3 use the single and significant unobservable input. Equity investments without an active market contains multiple significant unobservable inputs. The significant unobservable inputs of equity investments without an active market are individually independent, and there is no correlation between them.

(ac) Management of financial risk Overview

(i) Overview

The Group has exposure to the following risks from its financial instruments:

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

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The following likewise discusses the Group's exposure information, objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risks exposures, please refer to the respective notes in the accompanying non-consolidated financial statements.

(ii) Framework of risk management

The Group'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 Group minimizes the risk exposure through derivative financial instruments. The Board of Directors regulated the use of derivative financial instruments in accordance with the Group'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 Group continue with the review of the amount of the risk exposure in accordance with the Group's policies and the risk management policies and procedures. The Group 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 Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and financial assets in debt securities.

1) Accounts receivable and other receivables

The policy adopted by the Group is to deal only with reputable parties and, where necessary, obtain collateral to mitigate the risk of financial losses arising from default. The Group only deals with the investment grade enterprises. Such information is provided by an independent rating agency; if such information is not available, the Group will rate the major customers using other publicly available financial information and mutual transaction records. The Group 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 Group did not have any collateral or other credit enhancements to avoid credit risk of financial assets.

2) Investments

The credit risk exposure in the bank deposits, investments with fixed income and other financial instruments are measured and monitored by the Group's finance department. As the Group deals with the banks and other external parties with good credit standing and financial institutions, corporate organization and government agencies which are graded above investment level, management believes that the Group do not have compliance issues and no significant credit risk.

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3) Guarantees

The Group's policy provides only financial security to fully owned subsidiaries. As of December 31, 2021 and 2020, the Group did not provide any guarantees to other companies besides its subsidiaries.

(iv) Liquidity risk

The Group 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 Group'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 Group. As of December 31, 2021 and 2020, the Group's unused credit line were amounted to \$899,036 thousand and \$1,155,896 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 Group 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.

The Group 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 Group is exposed to currency risk on sales and purchases that are denominated in a currency other than the functional currency of the Group's respective entity. The respective functional currencies of the Group's entities are primarily the NTD, USD, and CNY. The currencies used in these transactions are the NTD, USD, EUR, and CNY.

2) Interest rate risk

The Group's 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 Group's future cash flow. The Company decreases the interest rate risk through negotiating with banks a periodically.

(ad) Capital management

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

In order to maintain or adjust the capital structure, the Group may adjust the dividend payment and reduce the capital for redistribution to its shareholders. The Group also issues new shares or sell assets to settle any liabilities.

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The Group uses the debt-to-equity ratio to manage capital. The net debt from the balance sheet is derived from 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 total capital and equity include share capital, capital surplus, retained earnings, and other equity plus net debt.

The Group'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 Group's debt-to-equity ratios at the end of the reporting periods were as follows:

	December 31, 2021	December 31, 2020
Total liabilities	\$ 4,905,158	3,959,113
Less: Cash and cash equivalents	<u>(2,301,133)</u>	<u>(1,194,110)</u>
Net debts	2,604,025	2,765,003
Total equity	<u>4,661,023</u>	<u>3,568,748</u>
Total assets	<u>\$ 7,265,048</u>	<u>6,333,751</u>
Debt-to-equity ratio	<u>35.84%</u>	<u>43.66%</u>

(ae) Investing and financing activities not affecting cash flows

(i) Requirement of right-of-use assets through lease agreement, please refer to note 6(k).

(ii) Reconciliations of liabilities arising from financing activities were as follows:

	January 1, 2021	Statements of Cash Flows	Non-Cash changes Increase (decrease) for the period	December 31, 2021
Short-term borrowings	\$ 1,594,711	692,727	-	2,287,438
Current and non-current lease liabilities	16,975	(11,526)	7,030	12,479
Long-term borrowings (including current portion)	<u>1,189,933</u>	<u>57,803</u>	<u>-</u>	<u>1,247,736</u>
Total liabilities from financing activities	<u>\$ 2,801,619</u>	<u>739,004</u>	<u>7,030</u>	<u>3,547,653</u>
	January 1, 2021	Statements of Cash Flows	Non-Cash changes Increase (decrease) for the period	December 31, 2020
Short-term borrowings	\$ 1,610,700	(15,989)	-	1,594,711
Current and non-current lease liabilities	7,827	(9,559)	18,707	16,975
Long-term borrowings (including current portion)	<u>110,000</u>	<u>1,079,933</u>	<u>-</u>	<u>1,189,933</u>
Total liabilities from financing activities	<u>\$ 1,728,527</u>	<u>1,054,385</u>	<u>18,707</u>	<u>2,801,619</u>

(Continued)

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(7) Related-party transactions:

(a) Names and relationship with related parties

The followings are related parties that have had transactions with the Group during the periods covered in the consolidated financial statements:

<u>Name of related party</u>	<u>Relationship with the Group</u>
Jiu Feng Co., LTD. (Jiu Feng)	The chairman of the company is the second-degree relative with the chairman of the Company
HUNG YII AUTO PARTS CO., LTD. (HUNG YII)	The chairman of the company is the second-degree relative with the chairman of the Company
DEPO AUTO PARTS IND. CO., LTD. (DEPO)	The chairman of the company is the director of the Company
Hu Lane Associate Inc. (Hu Lane)	The chairman of the company is the director of the Company
POINT COMMUNICATION ENTERPRISE CO., LTD. (POINT COMMUNICATION)	The chairman of the company is the second-degree relative with the general manager of the Company's subsidiary, HARBINGER TECHNOLOGY
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 chairman of the company is the director of the Company's subsidiary - 3S System

(b) Significant transactions with related parties

(i) Sale revenue

	<u>For the Year Ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Other related parties – 3S POCKETNET	\$ 49,983	-
The company is controlled by key management personnel, which are second-degree relatives		
POINT COMMUNICATION	4,612	-
	<u>\$ 54,595</u>	<u>-</u>

There were no significant differences in the selling prices and trading terms between related parties and regular customers.

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(ii) Purchases

The amounts of significant purchase and process transactions between the Group and associates were as follows:

	For the Year Ended December 31,	
	2021	2020
Other related parties—Hu Lane	\$ 565	-
Other related parties—3S POCKETNET	40,421	-
The company is controlled by key management personnel, which are second-degree relatives		
HUNG YII	53,396	40,883
Jiu Feng	5,811	7,630
POINT COMMUNICATION	9,290	-
	\$ 109,483	48,513

The price and trading terms of purchase and process outsourcing between the Group 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	Relationship	110.12.31	109.12.31
Accounts receivable	The company is controlled by key management personnel, which are second-degree relatives		
	POINT COMMUNICATION	\$ 4,429	6,601
	Other related parties – 3S POCKETNET	47,684	-
		\$ 52,113	6,601
Other receivables	The company is controlled by key management personnel, which are second-degree relatives		
	POINT COMMUNICATION	\$ -	210

(Continued)

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(iv) Payables to Related Parties

The payables to related parties were as follows:

<u>Account</u>	<u>Relationship</u>	<u>110.12.31</u>	<u>109.12.31</u>
Accounts payable	The company is controlled by key management personnel, which are second-degree relatives		
	HUNG YII	\$ 6,429	4,337
	Jiu Feng	317	997
	POINT COMMUNICATION	5,050	13,394
	Other related parties—Hu Lane	<u>230</u>	<u>-</u>
		<u>\$ 12,026</u>	<u>18,728</u>
Other payables	The company is controlled by key management personnel, which are second-degree relatives		
	POINT COMMUNICATION	<u>\$ 16</u>	<u>-</u>
	Other related parties		
	DEPO	<u>\$ -</u>	<u>5,752</u>

(v) Transactions of property, plant and equipment

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

	<u>110.12.31</u>	<u>109.12.31</u>
Other related parties—DEPO	<u>\$ 18,260</u>	<u>-</u>

(c) Key management personnel transactions

Key management personnel compensation includes:

	<u>For the Year Ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Short-term employee benefits	\$ 35,045	32,764
Post-employment benefits	772	933
Termination benefits	-	-
Other long-term employee benefits	-	-
Share-based payment	<u>-</u>	<u>-</u>
	<u>\$ 35,817</u>	<u>33,697</u>

(Continued)

CUB ELECPARTS INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(8) Pledged assets:

The book value of the Group's pledged assets was as follows:

Item	Purpose of Pledge	<u>110.12.31</u>	<u>109.12.31</u>
Land	Collateral for long-term loans and credit lines	\$ 649,681	649,681
Buildings and Construction	Collateral for long-term loans and credit lines	594,802	619,210
Other financial assets —bank deposits	Collateral for long-term loans and credit lines	12,223	6
Other financial assets —bank deposits	Guarantee deposit for litigation	-	55,400
		<u>\$ 1,256,706</u>	<u>1,324,297</u>

(9) Commitments and contingencies:**(a) Significant unrecognized commitments**

(i) The Group's unrecognized contractual commitments were as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Acquisition of property, plant and equipment	\$ <u>36,219</u>	<u>108,003</u>

(ii) The unused letters of credit

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
The unused letters of credit	\$ <u>2,716</u>	<u>543</u>

(iii) As of December 31, 2021 and 2020, the refundable deposits paid, through cooperation with the landowners, amounted to \$414,642 thousand and \$547,749 thousand, respectively.

(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. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(12) Other:

- (a) 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 sale	Operating expenses	Total	Cost of sale	Operating expenses	Total
Employee benefits						
Salary	153,577	500,790	654,367	119,395	431,508	550,903
Labor and health insurance	13,461	49,341	62,802	11,199	37,328	48,527
Pension	7,031	22,507	29,538	4,480	17,914	22,394
Other employee benefits expense	4,956	11,172	16,128	3,816	8,220	12,036
Depreciation	114,854	77,555	192,409	93,398	68,299	161,697
Amortization	1,157	42,566	43,723	1,020	24,679	25,699

(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 Group for the year ended December 31, 2021:

- (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%		-		-		-	352,560 (Note)	1,401,240 (Note)
1	CUB Shanghai	CUBTEK SHANGHAI	Other receivables	Yes	45,930	-	-	4.85%		-	Loans to related parties	-		-	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.

(Continued)

CUB ELECPARTS INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- (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.

- (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	Highest Percentage of ownership (%)	Ending balance			Note
					Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	
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	-	-	-	-	44,532	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. AND SUBSIDIARIES
Notes to the Consolidated 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

Note: Related transactions have been eliminated during preparing the consolidated financial statements.

- (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
- (x) Business relationships and significant intercompany transactions:

(In Thousands of New Taiwan Dollars)

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	the Company	CUB Shanghai	1	Purchase	192,139	General price and terms of payment	4.71%
1	CUB Shanghai	the Company	2	Sale	192,139	"	4.71%
0	the Company	CUB Shanghai	1	Sale	19,736	"	0.48%
1	CUB Shanghai	the Company	2	Purchase	19,736	"	0.48%
0	the Company	CUBTEK	1	Sale	90,424	"	2.22%
2	CUBTEK	the Company	2	Purchase	90,424	"	2.22%
0	the Company	CUBTEK	1	Labor costs	35,158	According to the contract	0.86%
2	CUBTEK	the Company	2	Other operating income	35,158	"	0.86%
0	the Company	CUBTEK	1	Other operating income	13,750	According to the processing contract	0.34%
2	CUBTEK	the Company	2	Other operating Cost	13,750	"	0.34%
0	the Company	HARBINGER TECHNOLOGY	1	Sale	2,579	Pricing and payment and collection terms	0.06%
3	HARBINGER TECHNOLOGY	the Company	2	Purchase	2,579	"	0.06%
0	the Company	CUB Shanghai	1	Accounts payable	28,186	Pricing and payment and collection terms	0.29%
1	CUB Shanghai	the Company	2	Accounts receivable	28,186	"	0.29%
0	the Company	CUB Shanghai	1	Accounts receivable	5,018	"	0.05%
1	CUB Shanghai	the Company	2	Accounts payable	5,018	"	0.05%
0	the Company	CUB Shanghai	1	Other receivables	1,444	"	0.02%
1	CUB Shanghai	the Company	2	Other payables	1,444	"	0.02%
0	the Company	CUBTEK	1	Accounts receivable	25,994	Pricing and payment and collection terms	0.27%
2	CUBTEK	the Company	2	Accounts payable	25,994	"	0.27%
0	the Company	CUBTEK	1	Accrued expenses	23,198	"	0.24%
2	CUBTEK	the Company	2	Accounts receivable	23,198	"	0.24%
0	the Company	CUBTEK	1	Other receivables	4,432	"	0.05%
2	CUBTEK	the Company	2	Other payables	4,432	"	0.05%
2	CUBTEK	CUBTEK SHANGHAI	3	Sale	311,021	"	7.62%
2	CUBTEK SHANGHAI	CUBTEK	3	Purchase	311,021	"	7.62%
0	the Company	HARBINGER TECHNOLOGY	1	Other receivables	96	"	-%
3	HARBINGER TECHNOLOGY	the Company	2	Other payables	96	"	-%

(Continued)

CUB ELECPARTS INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
4	ITM AUTOPARTS INTERNATIONAL	ITM	3	Sale	52,011	"	1.27%
5	ITM	ITM AUTOPARTS INTERNATIONAL	3	Purchase	52,011	"	1.27%
4	ITM AUTOPARTS INTERNATIONAL	ITM	3	Accounts receivable	25,444	"	0.26%
5	ITM	ITM AUTOPARTS INTERNATIONAL	3	Accounts payable	25,444	"	0.26%
1	CUB Shanghai	CUBTEK SHANGHAI	3	Sale	378,377	Pricing and payment and collection terms	9.27%
7	CUBTEK SHANGHAI	CUB Shanghai	3	Purchase	378,377	"	9.27%
1	CUB Shanghai	CUBTEK SHANGHAI	3	Accounts receivable	117,432	"	1.22%
7	CUBTEK SHANGHAI	CUB Shanghai	3	Accounts payable	117,432	"	1.22%
3	HARBINGER TECHNOLOGY	RISUN	3	Other payables	4,000	Loans to other parties with no interests	0.04%
7	RISUN	HARBINGER TECHNOLOGY	3	Other receivables	4,000	Loans to other parties	0.04%
7	CUBTEK SHANGHAI	CUB Shanghai	3	Sale	829	Pricing and payment and collection terms	0.02%
7	CUB Shanghai	CUBTEK SHANGHAI	3	Purchase	829	"	0.02%

Note 1: Numbers are filled in as follows:

- (i) "0" represents the parent company.
- (ii) Subsidiaries are numbered starting from "1".

Note 2: Categories of relationship with counterparty are as below:

1. Parent company to subsidiary.
2. Subsidiary to parent company.
3. Subsidiary to Subsidiary.

(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	Name of investee	Location	Main businesses and products	Original investment 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.	Samoa	Investment holding	233,066 (USD7,110)	233,066 (USD7,110)	7,110	100%	913,780	43,601	43,601	Subsidiary (Note 1)
Silver Cub Inc.	Golden Cub Inc.	Anguilla	Investment holding	USD7,110	USD7,110	7,110	100%	USD33,017	USD1,557	USD1,557	Subsidiary (Note 1)
the Company	Royal Cub Inc.	Seychelles	Investment holding	56,175 (USD1,919)	56,175 (USD1,919)	1,919	70%	47,126	782	547	Subsidiary (Note 1)
Royal Cub Inc.	Ever Cub Inc.	Seychelles	Investment holding	USD2,741	USD2,741	2,741	100%	USD2,432	USD28	USD28	Subsidiary (Note 1)
Ever Cub Inc.	ITM Engine Components, Inc.	Carson, U.S.A	Sales of automobile parts	USD2,807	USD2,807	2,458	100%	USD2,432	USD28	USD28	Subsidiary (Note 1)
the Company	ITM AUTOPARTS INTERNATIONAL	Taiwan	International trade	10,500	10,500	1,050	70%	8,423	1	1	Subsidiary (Note 1)
the Company	HARBINGER TECHNOLOGY	Taiwan	Communications Electronics and Government project loans	1,500,485	927,841	44,534	76.72%	1,447,414	(56,902)	(41,195)	Subsidiary (Note 1)
HARBINGER TECHNOLOGY	RISUN	Taiwan	Restrained Telecom Radio Frequency Equipment and Materials Import	5,000	5,000	500	100%	5,375	(151)	(151)	Subsidiary (Note 1)
the Company	CUBTEK	Taiwan	Motor Vehicles and Parts Manufacturing	596,907	513,200	40,595	44.61%	430,395	14,541	11,236	Subsidiary (Note 1)
CUBTEK	Chimei Motor Electronics	Taiwan	Motor Vehicles and Parts Manufacturing	84,000	84,000	2,800	14.74%	-	(14,921)	(3,693)	Note 2
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 (Note 1)
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	Subsidiary (Note 1)
the Company	3S System	Taiwan	Investment holding	411,454	-	18,707	59.63%	393,118	(51,958)	(18,819)	Subsidiary (Note 1)

(Continued)

CUB ELECPARTS INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Note 1: The above inter-company transactions have been eliminated when preparing the consolidated financial statements.

Note 2: Starting from August 2021, transferred to financial assets measured at fair value through profit or loss.

(c) Information on investment in mainland China:

(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	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	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	NTD\$409,396	2,796,614
(USD\$13,310)	(USD\$13,310)	-

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in "Information on significant transactions".

(iv) Major Shareholders:

Unit: Shares

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 %

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CUB ELECPARTS INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(14) Disclosures required for securities firm investing in countries or regions without securities authority:

(a) General information

The Group has two reportable segments: the automobile part segment and the communication equipment and construction segment. The automobile part segment is engaged in manufacturing, processing, and selling automobile parts and motor switches. The communication equipment and construction segment are engaged in the manufacturing and sale of electronic products and peripheral computing equipment and contract projects from the government.

The Group's reported segments consist of strategic business units which provide essentially products and services. They offer different products and services, and are managed separately because they require different customers and markets.

(b) Information about reportable segments and their measurement and reconciliations

The Group uses the internal management report that the chief operating decision maker reviews as the basis to determine resource allocation and make a performance evaluation. In addition, all reportable segments include depreciation and amortization of significant non-cash items. The reportable amount is the same as the report used by the chief operating decision maker.

The segments' accounting policy are same as note 4.

The Group treated intersegment sales and transfers as third party transactions. They are measured at market price.

The Company's operating segment information and the reconciliations were as follows:

For the Year Ended December 31, 2021	Automobile Parts Division	Communications equipment and construction Division	Reconciliation and eliminations	Total
Revenue:				
Revenue from external customers	\$ 3,495,612	584,823	-	4,080,435
Intersegment revenues	1,189,956	7,680	(1,197,636)	-
Interest income	<u>6,463</u>	<u>136</u>	<u>(2,139)</u>	<u>4,460</u>
Total revenue	<u>\$ 4,692,031</u>	<u>592,639</u>	<u>(1,199,775)</u>	<u>4,084,895</u>
Interest expense	\$ 28,801	5,414	(2,139)	32,076
Depreciation and amortization	<u>213,113</u>	<u>23,019</u>	<u>-</u>	<u>236,132</u>
Profit (loss) of reportable segments	<u>\$ 568,511</u>	<u>(88,613)</u>	<u>7,790</u>	<u>487,688</u>
Non-current asset capital expenditure	<u>\$ 244,856</u>	<u>70,695</u>	<u>-</u>	<u>315,551</u>
Assets of reportable segments	<u>\$ 8,037,174</u>	<u>2,772,602</u>	<u>(1,243,595)</u>	<u>9,566,181</u>
Liabilities of reportable segments	<u>\$ 3,962,792</u>	<u>812,682</u>	<u>129,684</u>	<u>4,905,158</u>

CUB ELECPARTS INC. AND SUBSIDIARIES
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For the Year Ended December 31, 2020	Automobile Parts Division	Communications equipment and construction Division	Reconciliation and eliminations	Total
Revenue:				
Revenue from external customers	\$ 2,252,945	1,087,254	-	3,340,199
Intersegment revenues	179,688	45	(179,733)	-
Interest income	10,133	65	(1,642)	8,556
Total revenue	<u>\$ 2,442,766</u>	<u>1,087,364</u>	<u>(181,375)</u>	<u>3,348,755</u>
Interest expense	\$ 19,859	6,162	(1,642)	24,379
Depreciation and amortization	179,027	8,369	-	187,396
Profit (loss) of reportable segments	<u>\$ 222,542</u>	<u>62,737</u>	<u>(35,108)</u>	<u>250,171</u>
Non-current asset capital expenditure	<u>\$ 269,298</u>	<u>2,508</u>	<u>-</u>	<u>271,806</u>
Assets of reportable segments	<u>\$ 6,441,571</u>	<u>1,854,453</u>	<u>(768,163)</u>	<u>7,527,861</u>
Liabilities of reportable segments	<u>\$ 3,154,790</u>	<u>917,228</u>	<u>(112,905)</u>	<u>3,959,113</u>

Further explanations of the significant reconciling items of reportable segment information exhibited above are described as follows:

Total reportable segment revenues after deducting the intergroup revenues were \$1,199,775 thousand and \$181,375 thousand for the years ended December 31, 2021 and 2020, respectively.

(c) Product and service information

Revenues from external customers are detailed below:

Products and services	For the Year Ended December 31,	
	2021	2020
Automobile motor switch	\$ 1,367,347	1,045,579
Automobile safety components and systems	1,875,373	1,159,385
Communication equipment and construction	823,283	890,601
Others	14,432	244,634
	<u>\$ 4,080,435</u>	<u>3,340,199</u>

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(d) Geographic information

In presenting the information on the basis of geography, segment revenue is based on the geographical location of customers, and segment assets are based on the geographical location of the assets.

<u>Geographical information</u>	<u>For the Year Ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Revenue from the external customers:		
Taiwan	\$ 913,997	568,955
United States	1,860,901	1,189,564
China	790,732	1,165,762
Germany	244,365	241,611
Others	<u>270,440</u>	<u>174,307</u>
	<u>\$ 4,080,435</u>	<u>3,340,199</u>
	<u>110.12.31</u>	<u>109.12.31</u>
Non-current assets:		
Taiwan	\$ 2,637,747	2,148,966
United States	34,803	35,809
China	<u>395,728</u>	<u>367,134</u>
	<u>\$ 3,068,278</u>	<u>2,551,909</u>

Non-current assets include property, plant and equipment, right-of-use assets, intangible assets, and other assets, but do not include financial instruments, deferred income tax assets, and pension fund assets.

(e) Major customer information

	<u>For the Year Ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
The sales amount of customer A's from the automobile parts segment	\$ 570,391	304,208
The sales amount of customer B's from the automobile parts segment	<u>442,504</u>	<u>378,367</u>
	<u>\$ 1,012,895</u>	<u>682,575</u>