Stock Code:2231

CUB ELECPARTS INC.

Parent Company Only Financial Statements
With Independent Auditors' Report
For the Years Ended December 31, 2022 and 2021

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Independent Auditors' Report

To the Board of Directors of CUB ELECPARTS INC.:

Opinion

We have audited the financial statements of CUB ELECPARTS INC.("the Company"), which comprise the balance sheets as of December 31, 2022 and 2021, the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

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

1. Revenue recognition

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

   Description of key audit matter:

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

How the matter was addressed in our audit:

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

2. Assessment of accounts receivable impairment

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

Description of key audit matter:

The Company's accounts receivable are mainly from automobile component customers and are concentrated on certain customers. The impairment loss of accounts receivable assessment is based on management's subjective judgment. Thus, the assessment of accounts receivable impairment is one 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 impairment of investments (Goodwill) accounted for using equity method

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

Description of key audit matter:

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

How the matter was addressed in our audit:

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (including members of the Audit Committee) are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on this financial statements. We are responsible for the direction, supervision and performance of the 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 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 7, 2023

Notes to Readers

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

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

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)

CUB ELECPARTS INC.

Balance Sheets

December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	Assets	December 31, 2022 Amount	%	December 31, 2021 Amount	%
	Current assets:				
1100	Cash and cash equivalents (Note 6(a))	$ 513,194	7	901,669	13
1113	Current financial assets at fair value through profit or loss (Notes 6(b) and (p))	1,430	-	-	-
1150	Notes receivable, net (Note 6(c))	67	-	5,979	-
1170	Accounts receivable, net (Note 6(c))	1,152,839	15	924,357	13
1180	Accounts receivable due from related parties, net (Notes 6(c) and 7)	38,095	1	31,011	-
1200	Other receivables (Note 6(d))	9,837	-	16,078	-
1210	Other receivables due from related parties, net (Note 6(d) and 7)	10,785	-	5,972	-
1310	Inventories (Note 6(e))	642,890	8	684,923	10
1470	Other current assets (Note 6(l))	120,899	2	148,567	2
1476	Other current financial assets (Note 8)	2	-	-	-
		2,490,038	33	2,718,556	38
	Non-current assets:				
1550	Investments accounted for using equity method, net (Note 6(f) and (g))	3,664,563	48	3,240,256	45
1600	Property, plant and equipment (Note 6(i) and 8)	1,300,842	17	1,059,700	15
1755	Right-of-use assets (Note 6(j))	4,750	-	2,825	-
1780	Intangible assets (Notes 6(k))	51,887	1	49,345	1
1840	Deferred tax assets (Notes 6(s))	8,829	-	10,337	-
1920	Refundable deposits	721	-	29	-
1990	Other non-current assets, others (Note 6(l))	58,106	1	94,888	1
		5,089,698	67	4,457,380	62
	Total assets	$ 7,579,736	100	7,175,936	100

	Liabilities and Equity	December 31, 2022 Amount	%	December 31, 2021 Amount	%
	Current liabilities:				
2100	Short-term borrowings (Notes 6(m))	$ 670,000	9	1,980,000	28
2130	Current contract liabilities (Note 6(w))	32,634	1	41,351	-
2170	Accounts payable	223,913	3	291,462	4
2180	Accounts payable to related parties (Note 7)	15,404	-	35,162	-
2200	Other payables	149,808	2	123,533	2
2220	Other payables to related parties (Note 7)	25,747	-	23,685	-
2230	Current tax liabilities	180,313	3	119,066	2
2280	Current lease liabilities (Note 6(q))	2,933	-	882	-
2300	Other current liabilities (Note 6(n))	2,151	-	3,822	-
2320	Long-term liabilities, current portion (Note 6(o) and 8)	255,417	3	115,833	2
		1,558,320	21	2,734,796	38
	Non-Current liabilities:				
2531	Bonds payable (Note 6(p))	1,262,816	17	-	-
2540	Long-term borrowings (Notes 6(o) and 8)	647,083	8	902,500	13
2570	Deferred tax liabilities (Notes 6(s))	8,794	-	3,966	-
2580	Non-current lease liabilities (Note 6(q))	1,809	-	1,983	-
2640	Defined benefit liability (Note 6(r))	5,383	-	6,792	-
2645	Guarantee deposits received	134	-	137	-
		1,926,019	25	915,378	13
	Total liabilities	3,484,339	46	3,650,174	51
3100	Ordinary shares	1,341,082	18	1,219,166	17
3200	Capital surplus (Notes 6(h) and (t))	705,032	9	666,220	9
3300	Retained earnings	2,075,956	27	1,687,724	24
3400	Other equity interest	(26,673)	-	(47,348)	(1)
	Total equity	4,095,397	54	3,525,762	49
	Total liabilities and equity	$ 7,579,736	100	7,175,936	100

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)

CUB ELECPARTS INC.

Statements of Comprehensive Income

For the years ended December 31, 2022 and 2021

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

		2022		2021	
		Amount	%	Amount	%
4000	Operating revenue (Notes 6(w) and 7)	$ 2,705,428	100	2,640,062	100
5000	Operating costs (Notes 6(e), (k), (x), and 7)	1,515,706	56	1,540,754	58
	Gross profit	1,189,722	44	1,099,308	42
	Operating expenses (Notes 6(k), (r), (u), (x) and 7):				
6100	Selling expenses	88,712	3	125,808	5
6200	Administrative expenses	125,887	5	118,526	4
6300	Research and development expenses	183,321	7	182,244	7
6450	Gain on reversal and loss of Impairment determined in accordance with IFRS 9 (Note 6(c))	(7,304)	-	35,069	1
		390,616	15	461,647	17
	Operating income	799,106	29	637,661	25
	Non-operating income and expenses (Note 6(y)):				
7100	Interest income (Note 7)	5,665	-	3,397	-
7010	Other income (Note 7)	18,734	1	47,322	2
7020	Other gains and losses	133,211	5	(30,787)	(1)
7050	Finance costs (Note 6(q))	(35,414)	(1)	(22,602)	(1)
7070	Share of loss of associates and joint ventures accounted for using equity method	(103,251)	(4)	(4,629)	-
		18,945	1	(7,299)	-
7900	**Profit before income tax**	818,051	30	630,362	25
7950	Income tax expenses (Note 6(s))	188,328	7	114,434	4
	Net profit	629,723	23	515,928	21
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(r))	1,051	-	1,432	-
8331	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	1,291	-	(234)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
		2,342	-	1,198	-
8360	**Items that may be reclassified subsequently to profit or loss**				
8361	Exchange differences on translation of foreign financial statements	20,675	1	(8,152)	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
		20,675	1	(8,152)	-
8300	**Other comprehensive income (after tax)**	23,017	1	(6,954)	-
8500	**Total comprehensive income**	**$ 652,740**	**24**	**508,974**	**21**
	Earnings per share (in dollars) (Note 6(v))				
9750	**Basic earnings per share**	**$**	**4.70**		**4.23**
9850	**Diluted earnings per share**	**$**	**4.62**		**4.23**

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

CUB ELECPARTS INC.

Statements of Changes in Equity

For the years ended December 31, 2022 and 2021

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

			Retained earnings				Total other equity interest	
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total	Exchange differences on translation of foreign financial statements	Total equity
Balance at January 1, 2021	$ 1,219,166	559,889	793,838	65,457	457,603	1,316,898	(39,196)	3,056,757
Profit (loss) for the period	-	-	-	-	515,928	515,928	-	515,928
Other comprehensive income for the period	-	-	-	-	1,198	1,198	(8,152)	(6,954)
Total comprehensive income for the period	-	-	-	-	517,126	517,126	(8,152)	508,974
Appropriation and distribution of retained earnings:								
Legal reserve	-	-	17,727	-	(17,727)	-	-	-
Special reserve	-	-	-	(26,261)	26,261	-	-	-
Cash dividends of ordinary share	-	-	-	-	(146,300)	(146,300)	-	(146,300)
Other changes in capital surplus:								
Expenses of share option	-	30,033	-	-	-	-	-	30,033
Changes in net equity of subsidiaries accounted for using equity method	-	752	-	-	-	-	-	752
The difference in net equity resulting from the subscription of new shares not in proportion	-	75,546	-	-	-	-	-	75,546
Balance at December 31, 2021	**$ 1,219,166**	**666,220**	**811,565**	**39,196**	**836,963**	**1,687,724**	**(47,348)**	**3,525,762**
Balance at January 1, 2022	$ 1,219,166	666,220	811,565	39,196	836,963	1,687,724	(47,348)	3,525,762
Profit (loss) for the period	-	-	-	-	629,723	629,723	-	629,723
Other comprehensive income for the period	-	-	-	-	2,342	2,342	20,675	23,017
	-	-	-	-	632,065	632,065	20,675	652,740
Appropriation and distribution of retained earnings:								
Legal reserve	-	-	51,712	-	(51,712)	-	-	-
Special reserve	-	-	-	8,151	(8,151)	-	-	-
Cash dividends of ordinary share	-	-	-	-	(121,917)	(121,917)	-	(121,917)
Stock dividends of ordinary share	121,916	-	-	-	(121,916)	(121,916)	-	-
Other changes in capital surplus:								
Expenses of share option	-	18,659	-	-	-	-	-	18,659
Changes in net equity of subsidiaries accounted for using equity method	-	9,203	-	-	-	-	-	9,203
Due to recognition of equity component of convertible bonds is issued	-	45,313	-	-	-	-	-	45,313
The difference in net equity resulting from the subscription of new shares not in proportion	-	(34,363)	-	-	-	-	-	(34,363)
Balance at December 31, 2022	**$ 1,341,082**	**705,032**	**863,277**	**47,347**	**1,165,332**	**2,075,956**	**(26,673)**	**4,095,397**

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)

CUB ELECPARTS INC.

Statements of Cash Flows

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars, Expect for Earning Per Common Share)

		2022	2021
Cash flows from (used in) operating activities:			
Profit before tax	$	818,051	630,362
Adjustments:			
Adjustments to reconcile profit (loss):			
Depreciation expense		87,589	96,690
Amortization expense		15,261	13,515
Gain on reversal and loss of Impairment determined in accordance with IFRS 9		(7,304)	35,069
Net loss on financial assets or liabilities at fair value through profit or loss		390	-
Interest expense		35,414	22,602
Interest income		(5,665)	(3,397)
Share-based payments		18,659	30,033
The losses of inventory write-down, disposal, and obsolescence		13,262	20,506
Share of profit (loss) of subsidiaries, associates and joint ventures accounted for using equity method		103,251	4,629
(Gains) losses on disposals of property, plant and equipment		(31)	340
Losses (gains) on disposals of intangible assets		10	(233)
Total adjustment		260,836	219,754
Changes in operating assets and liabilities:			
Changes in operating assets:			
Decrease (increase) in notes receivable		5,912	(5,241)
Increase in accounts receivable due from related parties		(228,262)	(259,861)
Decrease in other receivables (including related parties)		1,428	8,812
Decrease (increase) in inventories		28,771	(147,874)
Decrease in other current assets		27,668	4,313
Net changes in operating assets		(164,483)	(399,851)
Changes in operating liabilities:			
(Decrease) increase in contract liabilities		(8,717)	5,871
(Decrease) increase in accounts payable (including related parties)		(87,307)	80,542
Increase in other payables (including related parties)		27,748	27,087
Decrease in other current liabilities		(1,671)	(9,855)
Decrease in defined benefit liabilities		(358)	(377)
Net changes in operating liabilities		(70,305)	103,268
Total changes in operating assets and liabilities		(234,788)	(296,583)
Total adjustments		26,048	(76,829)
Cash inflows generated from operations		844,099	553,533
Interest received		5,665	3,397
Interest paid		(30,057)	(22,602)
Income taxes paid		(120,745)	(33,787)
Net cash flows from operating activities		698,962	500,541
Cash flows from (used in) investing activities:			
Acquisition of investments accounted for using equity method		(530,752)	(1,067,919)
Dividends received		-	1,046
Acquisition of property, plant and equipment		(277,179)	(77,119)
Proceeds from disposal of property, plant and equipment		453	1,001
(Increase) decrease in restricted assets		(694)	55,400
Acquisition of intangible assets		(7,592)	(26,408)
Proceeds from disposal of intangible assets		-	239
Decrease in receivables of loans from related parties		-	280,000
Increase in prepayment for plant and equipment		(23,164)	(58,870)
Net cash flows used in investing activities		(838,928)	(892,630)
Cash flows from (used in) financing activities:			
Increase in short-term borrowings		7,654,375	8,410,000
Decrease in short-term borrowings		(8,964,375)	(7,720,000)
Proceeds from issuing bonds		1,300,952	-
Proceeds from long-term borrowings		235,625	800,000
Repayments of long-term borrowings		(351,458)	(781,667)
Increase in guarantee deposits received		(3)	(6)
Payments of lease liabilities		(1,689)	(874)
Cash dividends paid		(121,917)	(146,300)
Net cash (outflows) inflows form financing activities		(248,490)	561,153
Effect of exchange rate changes on cash and cash equivalents		(19)	-
Net (decrease) increase in cash and cash equivalents		(388,475)	169,064
Cash and cash equivalents at beginning of period		901,669	732,605
Cash and cash equivalents at end of period	$	**513,194**	**901,669**

See accompanying notes to parent company only financial statements.

CUB ELECPARTS INC.

Notes to the Financial Statements

For the years ended December 31, 2022 and 2021

(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, Zhanglu Rd., Fuxing Township, Changhua County, Taiwan. The major business activities of the Company are processing and trading of various automobile parts andmotor switches.

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

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

The parent company only financial statements were authorized for issuance by the Board of Directors on March 7, 2023.

(3) New standards, amendments and interpretations adopted:

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

The Company has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from January 1, 2022:

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

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

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2023, would not have a significant impact on its financial statements:

- Amendments to IAS 1 "Disclosure of Accounting Policies"
- Amendments to IAS 8 "Definition of Accounting Estimates"
- Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

(Continued)

CUB ELECPARTS INC.

Notes to the Financial Statements

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

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

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The amendments has removed the requirement for a right to be unconditional and instead now requires that a right to defer settlement must exist at the reporting date and have substance. The amendments clarify how a company classifies a liability that can be settled in its own shares – e.g. convertible debt.	January 1, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	After reconsidering certain aspects of the 2020 amendments1, new IAS 1 amendments clarify that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which the company must comply after the reporting date (i.e. future covenants) do not affect a liability' s classification at that date. However, when non-current liabilities are subject to future covenants, companies will now need to disclose information to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date.	January 1, 2024

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

The Company 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 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”
- IFRS16 “Requirements for Sale and Leaseback Transactions”

(4) Summary of significant accounting policies:

(a) **Statement of compliance**

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

(b) **Basis of preparation**

1. Basis of measurement

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

1) Financial instruments at fair value through profit or loss are measured at fair value;

2) Financial assets at fair value through other comprehensive income are measured at fair value;

3) The defined benefit liabilities (assets) are measured at fair value of the plan assets less the present value of the defined benefit obligation.

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.

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(c) **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.

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.

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

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

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.

(e) **Cash and cash equivalents**

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

(f) **Financial instruments**

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

(i) Financial assets

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

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

1) Financial assets measured at amortized cost

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

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 Company's right to receive payment is established.

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

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

- 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 Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company' s historical experience and informed credit assessment as well as forward-looking information.

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

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

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

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

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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 Company in accordance with the contract and the cash flows that the Company expects to receive. ECL are discounted at the effective interest rate of the financial asset.

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

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

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

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5) Derecognition of financial assets

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

The Company 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 Company 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).

4) Compound financial instruments

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

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

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

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

7) Offsetting of financial assets and liabilities

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

(iii) Derivative financial instruments

The Company 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.

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(g) **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.

(h) **Investment in subsidiaries**

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

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

(i) **Property, plant and equipment**

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.

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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: 5~10 years.

4) Molding and other equipment 3~10 years

5) The significant components and related useful life of buildings and structures are as follows:

Components	Useful life
Buildings and structures	
Main buildings	50 years
Pipeline and fire protection	10~15 years
Engineering parking sheds	15 years
Decoration equipment	10 years
Others	5 years

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

(j) **Leases**

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) As a lessee

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

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.

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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

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 Company 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.

(Continued)

The Company 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 Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

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

(ii) As a lessor

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

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

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

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

(k) **Intangible assets**

(i) Recognition and measurement

Goodwill arising 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 Company intends to, and has sufficient resources to, complete the development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost, less accumulated amortization and any accumulated impairment losses.

(Continued)

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

(ii) Subsequent expenditure

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

(iii) Amortization

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

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

1) Computer software, cost 2~8 years

2) Patents 90~229 months

3) Trademarks 75~159 months

(l) **Impairment of non-derivative financial assets**

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

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

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.

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

(m) **Revenue recognition**

(i) Revenue from contracts with customers

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

1) Sale of goods

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

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

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

2) Financing components

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

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(ii) Contract costs

1) Incremental costs of obtaining a contract

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

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

2) Costs to fulfil a contract

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

General and administrative costs, costs of wasted materials, labor or other resources to 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.

(n) **Employee benefits**

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

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

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

(iii) Short-term employee benefits

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

(o) **Share-based payment**

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.

(p) **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.

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CUB ELECPARTS INC.
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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 reserve, using tax rates enacted or substantively enacted at the reporting date.

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

(i) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and

(ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

   1) the same taxable entity; or

   2) Different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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.

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CUB ELECPARTS INC.
Notes to the Financial Statements

(q) **Business combination**

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

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

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

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

(r) **Earnings Per Share**

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

(s) **Operating segments**

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

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

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

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

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

The assessment of impairment of investments accounted for using equity method requires the Company to make a subjective judgment to determine the identified CGUs, allocate the goodwill to relevant CGUs and estimate the recoverable amount of relevant CGUs. Investments accounted for using equity method (note 6(f)) The Company evaluates its assets and liabilities using the observable market inputs. The different inputs of levels of fair value hierarchy in determination of fair value are as follows:

- Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.er;
- 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 Company recognizes the movement at the reporting date.

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

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Notes to the Financial Statements

(6) Explanation of significant accounts

(a) Cash and cash equivalents

	December 31, 2022	December 31, 2021
Petty cash and cash on hand	$ 196	190
Demand deposits	512,998	901,479
Cash and cash equivalents in the statement of cash flows	**$ 513,194**	**901,669**

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

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

	December 31, 2022	December 31, 2021
Mandatorily measured at fair value through profit or loss:		
Non-derivative financial assets		
Unsecured convertible corporate bonds - call provison	**$ 1,430**	**-**

(i) Please refer to Note 6(z) for market risk.

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

(c) Notes and accounts receivable (including related parties)

	December 31, 2022	December 31, 2021
Notes receivable from operating activities	$ 67	5,979
Accounts receivable — measured as amortized cost	1,180,604	959,426
Accounts receivable due from related parties measured as amortized cost	38,095	31,011
Less: loss allowance	(27,765)	(35,069)
	$ 1,191,001	**961,347**

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

The loss allowance provisions were determined as follows:

	Balance on December 31, 2022		
	Book value of accounts and notes receivable	**Weighted-average loss rate**	**Loss allowance provision**
Current	$ 788,147	-%	-
1 to 30 days past due	116,743	-%	-
31 to 60 days past due	31,196	-%	-
61 to 90 days past due	102,688	-%	-
More than 91 days past due	179,992	15.43%	27,765
Total	**$ 1,218,766**		**27,765**

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

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

	For the Year Ended December 31,	
	2022	**2021**
Balance at January 1	$ 35,069	-
Impairment losses recognized	-	35,069
Gain on reveral of impairment loss	(7,304)	-
Balance at December 31	**$ 27,765**	**35,069**

None of the notes and the accounts receivable held by the Company were pledged as collateral as of December 31, 2022 and 2021.

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

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(d) Other receivables

	December 31, 2022	December 31, 2021
Other receivables －others	$ 9,837	16,078
Other receivables － related parties	10,785	5,972
	$ 20,622	22,050

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

(e) Inventories

	December 31, 2022	December 31, 2021
Raw materials	$ 382,131	422,711
Work in progress	107,673	138,066
Finished goods	150,542	118,875
Merchandise	2,544	5,271
	$ 642,890	684,923

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

	For the Year Ended December 31, 2022	2021
Write-down of inventories (Reversal of write-downs)	$ (625)	3,352
Loss on disposal of inventory	13,887	17,154
Loss (gain) on physical inventory	3,810	(774)
	17,072	19,732

None of the inventories held by the Company was pledged as collateral as of December 31, 2022 and 2021.

(f) Investments accounted for using equity method

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

	December 31, 2022	December 31, 2021
Subsidiaries	$ 3,664,563	3,240,256

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(i) Subsidiaries

Please refer to the consolidated financial statements for the year ended December 31, 2022.

(ii) Collateral

As of December 31, 2022 and 2021, the investments accounted for using the equity method were not pledged as collateral.

(iii) Impairment loss

The Company conducted impairment tests on goodwill included in some investments accounted for using equity method as of December 31, 2022 and 2021. After assessment, no provision for impairment loss were accrued. Please refer to note 6(m) on the consolidated financial statements.

(g) Acquision of subsidiary

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

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

From the acquisition date to December 31, 2021, 3S System contributed revenue and a net loss of $106,662 thousand and ($31,560) thousand, respectively. If the acquisition had taken place on January 1, 2021, management estimated that the consolidated revenue and net loss for the 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.

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(ii) Identifiable assets acquired and liabilities assumed

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

		April 29, 2021
Property, plant and equipment	$	120,228
Right-of-use assets		2,988
Intangible assets		198,740
Inventories		114,812
Notes and accounts receivable and other receivables		78,181
Cash and cash equivalents		355,575
Prepayments		56,716
Other current assets		12,229
Other non-current assets		2,849
Long-term and short-term borrowings		(9,520)
Contract liabilities		(3,365)
Accounts payable and other payables		(345,793)
Lease liabilities		(3,007)
Other current liabilities		(57,724)
Fair value of net identifiable assets on April 29, 2021		522,909
Percentage of ownership		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.

(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.)		211,116
Less: Fair value of identifiable net assets		(522,909)
Goodwill	**$**	**99,761**

The Company recognized $99,761 thousand of goodwill at the acquisition date under intangible assets of consolidated balance sheets.

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 Company and 3S System Technology Co., Ltd. There is no tax impact expected on the goodwill recognition.

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Notes to the Financial Statements

(h) Changes in a parent's ownership interest in a subsidiary

In February 26 2022, the Company acquired an additional interest in 3S System Technology Co., Ltd. for $530,752 thousand in cash, increasing its ownership from 59.63% to 73.75% and decreasing capital surplus $34,477 thousand.

In September 3 2021, the Company acquired an additional interest in HARBINGER TECHNOLOGY CORP. for $572,658 thousand in cash, increasing its ownership from 68.86% to 76.72%,and decreasing capital surplus $26,841 thousand.

In March 19 2021, the Company acquired an additional interest in CUBTEK INC. for $83,707 thousand in cash, decreasing its ownership from 56.89% to 44.61% and increasing capital surplus $102,387 thousand.

In August 15, 2022, CUBTEK INC. issue new shares of restricted stock, decreasing CUB's ownership from 44.61% to 44.51%, and increasing capital surplus $114 thousand.

(i) Property, plant and equipment

The cost and depreciation of the property, plants and equipment for the years ended December 31, 2022 and 2021 were as follows:

	Land	Buildings and Construction	Machinery and equipment	Transportation equipment	Molding and other equipment	Construction in progress	Total
Cost:							
Balance on January 1, 2022	$ 289,739	709,865	341,716	6,100	475,330	11,143	1,833,893
Addition	226,733	6,971	19,903	5,055	18,912	195	277,769
Disposal	-	-	(7,097)	(532)	(2,743)	-	(10,372)
Reclassification	-	35,355	8,761	819	5,314	(524)	49,725
Balance on December 31, 2022	**$ 516,472**	**752,191**	**363,283**	**11,442**	**496,813**	**10,814**	**2,151,015**
Balance on January 1, 2021	$ 289,739	707,343	327,859	8,427	419,208	-	1,752,576
Addition	-	2,522	7,346	-	33,490	10,616	53,974
Disposal	-	-	(498)	(2,327)	(524)	-	(3,349)
Reclassification	-	-	7,009	-	23,156	527	30,692
Balance on December 31, 2021	**$ 289,739**	**709,865**	**341,716**	**6,100**	**475,330**	**11,143**	**1,833,893**
Depreciation:							
Balance on January 1, 2022	$ -	179,395	198,671	3,938	392,189	-	774,193
Depreciation for the year	-	26,197	32,012	1,099	26,621	-	85,929
Disposal	-	-	(7,096)	(532)	(2,321)	-	(9,949)
Balance on December 31, 2022	$ -	**205,592**	**223,587**	**4,505**	**416,489**	**-**	**850,173**
Balance on January 1, 2021	-	154,238	167,253	3,965	358,639	-	684,095
Depreciation for the year	-	25,589	31,916	971	37,322	-	95,798
Disposal	-	-	(498)	(998)	(512)	-	(2,008)
Reclassifications	-	(432)	-	-	(3,260)	-	(3,692)
Balance on December 31, 2021	**$ -**	**179,395**	**198,671**	**3,938**	**392,189**	**-**	**774,193**
Carrying amounts:							
Balance on December 31, 2022	**$ 516,472**	**546,599**	**139,696**	**6,937**	**80,324**	**10,814**	**1,300,842**
Balance on January 1, 2021	**$ 289,739**	**553,105**	**160,606**	**4,462**	**60,569**	**-**	**1,068,481**
Balance on December 31, 2021	**$ 289,739**	**530,470**	**143,045**	**2,162**	**83,141**	**11,143**	**1,059,700**

Please refer to note 8 for the property, plant and equipment pledged to secure bank loans as of December 31, 2022 and 2021.

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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, Huang, Shu-Yuan, which originally leased by the Company and adjacent to the Company's factory. The real estate has not yet transferred the account in the name of the Company because it is agricultural land. The real estate had temporarily registered under shareholder with trust. The security procedures have been completed, and pledged the trust assets to the Company. The real estate has transferred the account in the name of the Company in 2022.

The Company has acquired property, plant and equipment from related parties. Please refer to note 7 for details.

(j) Right-of-use assets

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

	Buildings and Construction	Office equipment	Total
Cost:			
Balance on January 1, 2022	$ -	4,461	4,461
Addition	3,585	-	3,585
Balance on December 31, 2022	**$ 3,585**	**4,461**	**8,046**
Balance on December 31, 2021 (Same as balance on January 1, 2021)	**$ -**	**4,461**	**4,461**
Depreciation:			
Balance on January 1, 2022	$ -	1,636	1,636
Depreciation for the year	767	893	1,660
Balance on December 31, 2022	**$ 767**	**2,529**	**3,296**
Balance on January 1, 2021	$ -	744	744
Depreciation for the year	-	892	892
Balance on December 31, 2021	**$ -**	**1,636**	**1,636**
Carrying amounts:			
Balance on December 31, 2022	**$ 2,818**	**1,932**	**4,750**
Balance on January 1, 2021	**$ -**	**3,717**	**3,717**
Balance on December 31, 2021	**$ -**	**2,825**	**2,825**

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(k) Intangible assets

The cost, amortization and impairment of the intangible assets of the Company for the years ended December 31, 2022 and 2021, were as follows:

	Patents	Computer software	Trademarks	Total
Cost:				
Balance on January 1, 2022	12,345	83,743	2,014	98,102
Addition	1,828	5,654	110	7,592
Reclassification	-	10,221	-	10,221
Disposal	-	(13)	-	(13)
Balance on December 31, 2022	**14,173**	**99,605**	**2,124**	**115,902**
Balance on January 1, 2021	9,879	69,069	1,905	80,853
Addition	2,466	23,824	118	26,408
Deduction	-	-	(9)	(9)
Reclassification	-	(9,150)	-	(9,150)
Balance on December 31, 2021	**12,345**	**83,743**	**2,014**	**98,102**
Amortization and impairment losses:				
Balance on January 1, 2022	2,949	44,616	1,192	48,757
Amortization for the year	764	14,274	223	15,261
Disposal	-	(3)	-	(3)
Balance on December 31, 2022	**3,713**	**58,887**	**1,415**	**64,015**
Balance on January 1, 2021	2,337	37,218	978	40,533
Amortization for the year	612	12,686	217	13,515
Decrease	-	-	(3)	(3)
Reclassification	-	(5,288)	-	(5,288)
Balance on December 31, 2021	**2,949**	**44,616**	**1,192**	**48,757**
Carrying amounts:				
Balance on December 31, 2022	**10,460**	**40,718**	**709**	**51,887**
Balance on January 1, 2021	**7,542**	**31,851**	**927**	**40,320**
Balance on December 31, 2021	**9,396**	**39,127**	**822**	**49,345**

(i) Amortization

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

	For the Year Ended December 31, 2022	2021
Operating costs	$ 599	591
Operating expenses	14,662	12,924
	$ 15,261	**13,515**

(ii) Collateral

None of the intangible assets held by the Company was pledged collateral as of December 31, 2022 and 2021.

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

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

	December 31, 2022	December 31, 2021
Prepayments	$ 67,764	69,974
Prepayments for equipment	58,106	94,888
Other deferred charges	52,168	76,195
Other current assets	967	2,398
	$ 179,005	**243,455**

(m) Short-term borrowings

The details of short-term borrowings were as follows:

	December 31, 2022	December 31, 2021
Credit loans	**$ 670,000**	**1,980,000**
Unused short-term credit lines	**$ 2,330,000**	**620,000**
Range of interest rates	**1.2%~1.65%**	**0.8%~0.88%**

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

(n) Other current liabilities

The other current liabilities of the Company were as follows:

	December 31, 2022	December 31, 2021
Receipts under custody	$ 2,075	3,567
Others	76	255
	$ 2,151	**3,822**

(o) Long-term borrowings

The details were as follows:

	December 31, 2022			
	Currency	**Rate**	**Maturity year**	**Amount**
Unsecured bank loans	TWD	1.52%~1.8175%	2024.07.28~2025.08.03	$ 232,500
Secured bank loans	TWD	1.7646%	2025.08.03	670,000
				902,500
Less: current portion				(255,417)
Total				**$ 647,083**
Unused credit lines				**$ 430,000**

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	December 31, 2021			
	Currency	**Rate**	**Maturity year**	**Amount**
Unsecured bank loans	TWD	1.036%~1.1%	2024.07.28~2025.08.03	$ 348,333
Secured bank loans	TWD	0.9830%	2025.08.03	670,000
Less: current portion				(115,833)
Total				$ **902,500**
Unused credit lines				$ **-**

(p) Bonds payable

The details of bonds payable of the Company were as follows:

	December 31, 2022
Issued convertible bonds	$ 1,306,500
Unamortized discounted corporate bonds payable	(43,684)
Corporate bonds issued balance at year-end	**$ 1,262,816**
Embedded derivative – call options, including financial assets at fair value through profit or loss	**$ 1,430**
Equity component – conversion options, included in capital surplus– stock options	**$ 45,313**

	December 31, 2022
Embedded derivative instruments – call rights, including net loss of evaluation in financial asset and liabilities	**$ 390**
Interest expense	**$ 5,357**

(i) CUB Holding issued its third domestic unsecured convertible bonds on August 29, 2022, and the significant terms of the bonds were as follows:

1) Offering amount: $1,300,000 thousand

2) Duration: three years (August 29, 2022 to August 29, 2025)

3) Interest rate: 0%

4) Conversion period: From three months after the issuance date to the maturity date. (November 30, 2022 to August 29, 2025)

5) Conversion price: The conversion price of the convertible corporate bonds were determined based on August 29, 2022. The conversion price will be adjusted to $156 per shares, according to the formula in the terms of conversion. On October 17, 2022, it was adjusted to $141.80 per share.

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6) From three months after the issuance date to 40 days before the maturity date, if the closing price of CUB Holding shares on the TWSE is higher than 130% of the conversion price for 30 consecutive trading days or when the outstanding convertible bonds are less than 10% of the initial issued bonds, CUB Industrial may redeem the remaining bonds at their face value by cash in five trading days after the redemption date.

7) According to the regulations of the conversion method, all convertible bonds recovered (including bought back from the securities companies' business offices), within 10 days after the maturity date, The interest compensation is 101.5075% of face value of convertible bond(yield to maturity 0.5%), CUB Holding needs to redeem the bonds by cash upon maturity.

CUB Holding separated its equity and liability components as follows:

Items	Amount
Total price of issuance (deducted transaction cost)	$ 1,300,952
Fair value of convertible bonds upon issuance	(1,257,459)
Embedded derivative debt upon issuance	1,820
Equity components upon issuance	**$ 45,313**

8) The convertible bonds didn't have put rights and reset rights.

(q) Lease liabilities

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

	December 31, 2022	December 31, 2021
Current	**$ 2,933**	**882**
Non-current	**$ 1,809**	**1,983**

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

The amounts recognized in profit or loss were as follows:

	For the Year Ended December 31,	
	2022	2021
Interest on lease liabilities	**$ 41**	**30**
Expenses relating to short-term leases	**$ 2,996**	**1,062**

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

	For the Year Ended December 31,	
	2022	2021
Total cash outflow for leases	**$ 4,726**	**1,966**

The Company leases buildings and office equipment, with lease terms of two to five 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.

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

(r) Employee benefits

(i) Defined benefit plans

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

	December 31, 2022	December 31, 2021
Present value of the defined benefit obligations	$ 16,715	16,915
Fair value of plan assets	(11,332)	(10,123)
Net defined benefit liabilities	**$ 5,383**	**6,792**

	December 31, 2022	December 31, 2021
Compensated absences(recognized as other payables)	**$ 633**	**633**

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

The Company's labor pension reserve account balance at Bank of Taiwan amounted to $11,332 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.

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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, 2022 and 2021 were as follows:

	For the Year Ended December 31,	
	2022	**2021**
Defined benefit obligations at January 1	$ 16,915	18,520
Current service costs and interest cost	196	178
Remeasurements of the net defined benefit-liabilities (assets):		
－Return on plan assets excluding current interest income	981	(1,349)
－Actuarial loss (gain) arising from demographic assumptions	-	304
－Actuarial loss (gain) arising from financial assumptions	(1,229)	(261)
Benefits paid	(148)	(477)
Defined benefit obligations at December 31	**$ 16,715**	**16,915**

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, 2022 and 2021 were as follows:

	For the Year Ended December 31,	
	2022	**2021**
Fair value of plan assets at January 1	$ 10,123	9,919
Interest income	66	52
Remeasurements of the net defined benefit liabilities		
－return on plan assets (excluding interest income)	803	126
Contributions paid by the employer	488	503
Benefits paid	(148)	(477)
Fair value of plan assets at December 31	**$ 11,332**	**10,123**

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the years ended December 31, 2022 and 2021, were as follows:

	For the Year Ended December 31,	
	2022	**2021**
Current service cost	$ 90	86
Net interest of net liabilities for defined benefit obligations	40	40
	$ 130	**126**

(Continued)

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	For the Year Ended December 31,	
	2022	2021
Administrative expenses	$ 130	126

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

The Company's net defined benefit liability recognized in other comprehensive income for the years ended December 31, 2022 and 2021, are as follows:

	For the Year Ended December 31,	
	2022	2021
Accumulated amount at January 1	$ 10,632	12,064
Recognized duning the period	(1,051)	(1,432)
Accumulated amount at December 31	$ 9,581	10,632

6) Actuarial assumptions

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

	For the Year Ended December 31,	
	2022	2021
Discount Rate	1.50 %	0.60%
Future salary increase rate	2.25 %	2.00%

The expected allocation payment to be made by the Company to the defined benefit plans for the one year period after the reporting date is $148 thousand.

The weighted average lifetime of the defined benefits plans is 11 years.

7) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation for 2022 and 2021 shall be as follows:

	Influences of defined benefit obligations	
	Increased 0.25%	Decreased 0.25%
December 31, 2022		
Discount Rate	$ (451)	471
Future salary increase rate	458	(442)

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		Influences of defined benefit obligations	
		Increased 0.25%	**Decreased 0.25%**
December 31, 2021			
Discount Rate	$	(511)	534
Future salary increase rate		518	(499)

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 2022 and 2021.

(ii) Defined contribution plans

The Company 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.

The cost of the pension contributions to the Bureau of Labor Insurance and foreign pension institutions for the years ended December 31, 2022 and 2021 amounted to $12,387 thousand and $12,123 thousand, respectively.

(s) Income taxes

(i) Income tax expenses

The components of income tax expense for 2022 and 2021 for the year ended December 31, were as follows:

		For the Year Ended December 31,	
		2022	**2021**
Current tax expense			
Current period	$	167,712	120,126
Additional tax on undistributed earnings		8,455	-
Change in income tax expense understimated in period		5,825	76
		181,992	120,202
Deferred tax expense (income)			
Origination and reversal of temporary differences		6,336	(5,768)
Income taxes	**$**	**188,328**	**114,434**

(Continued)

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No income tax expense was recognized directly in equity for 2022 and 2021.

The reconciliation of income tax and profit before tax for 2022 and 2021 were as follows:

	For the Year Ended December 31, 2022	2021
Profit excluding income tax	$ 818,051	630,362
Income tax using the Company's domestic tax rate	$ 163,610	126,072
Non-deductible expenses	937	30
Investment tax credit	(11,740)	(13,434)
Change in unrecognized temporary differences	20,650	926
Change in income tax expense underestimated in period	5,825	76
Foreign income taxes paid	591	764
Additional tax on undistributed earnings	8,455	-
Income tax expenses	**$ 188,328**	**114,434**

(ii) Deferred income tax assets and liabilities

1) Unrecognized deferred tax liabilities

As of December 31, 2022 and 2021, the temporary differences associated with investments in subsidiaries were not recognized as deferred income tax liabilities as the Company has the ability to control the reversal of these temporary differences which are not expected to reverse in the foreseeable future. Details are as follows:

	December 31, 2022	December 31, 2021
Aggregate amount of temporary differences related to investments in subsidiaries	**$ 415,141**	**518,392**
Amount of unrecognized deferred income tax liabilities	**$ 83,028**	**103,678**

2) Recognized deferred tax assets and liabilities

The movements in deferred tax assets and liabilities for the years ended December 31, 2022 and 2021 were as follows:

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Deferred tax assets:

	Unrealized impairment and obsolescence of inventory	Allowance for bad debt	Others	Total
Balance on January 1, 2022	$ 3,194	7,014	129	10,337
(Debit) Credit on income statement	(125)	(1,461)	78	(1,508)
Balance on December 31, 2022	**$ 3,069**	**5,553**	**207**	**8,829**
Balance on January 1, 2021	$ 2,524	-	129	2,653
(Debit) Credit on income statement	670	7,014	-	7,684
Balance on December 31, 2021	**$ 3,194**	**7,014**	**129**	**10,337**

Deferred tax liabilities：

	Unrealized foreign exchange gain	Others	Total
Balance on January 1, 2022	$ 3,198	768	3,966
Debit (credit) on income statement	4,757	71	4,828
Balance on December 31, 2022	**$ 7,955**	**839**	**8,794**
Balance on January 1, 2021	$ 1,357	693	2,050
Debit (credit) on income statement	1,841	75	1,916
Balance on December 31, 2021	**$ 3,198**	**768**	**3,966**

(iii) Assessment of tax

The Company’ s income tax returns for the years through 2020 have been examined and approved by the R.O.C. income tax authorities. In addition,the Company’ s income tax returns for the years through 2019 have not been examined.

(t) Capital and other equity

As of December 31, 2022 and 2021, 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 respectivily $1,341,082 and $1,219,166 thousand with $10 per share.

The reconciliation of shares outstanding for 2022 and 2021 was as follows:

(in thousands of shares)

	Ordinary Shares For the Year Ended December 2022	2021
Balance on January 1	121,917	121,917
Retained earnings transferred to capital	12,191	-
Balance on December 31	**$ 134,108**	**121,917**

(Continued)

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(i) Issuance of ordinary shares

In the Board of Directors meeting on May 26, 2022, the Company had the capital increase from retained earnings of $121,916 thousand, which issued 12,191 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 October 17, 2022. The registration procedure has been completed.

(ii) Capital surplus

The components of capital surplus were as follows:

	December 31, 2022	December 31, 2021
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	63,508	35,646
Employee stock options (Expired)	502	502
Share option – convertible bonds issued	45,331	18
Changes in net equity of associates are recognized by equity method	46,414	80,777
	$ **705,032**	**666,220**

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.

(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

(Continued)

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(E) After deducting the balance from the items mentioned above, the Board of Directors shall adopt the proposal of a dividend for the residual balance and the previous year' s undistributed earnings to be submitted for approval during the shareholders' meeting. Dividends may be distributed by stock or cash dividends.

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

1) Legal reserve

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

2) Special reserve

In accordance with Rule issued by the FSC, a portion of current period earnings and undistributed prior period earnings shall be reclassified as a special earnings reserve during earnings distribution. add the current profit after tax to the items other than current after-tax net profit included in the undistributed surplus of the current period and the undistributed surplus of the previous period are added to the special surplus reserve ; 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 other 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 $47,347 thousand and $39,196 thousand as of December 31, 2022 and 2021, respectively.

3) Earnings distribution

On May 26, 2022 and Auguest 30, 2021, the appropriation of the earnings for 2021 and 2020 was resolved in the general meeting of shareholders. The amounts of dividends distributed to owners were as follows:

	For the Year Ended December 31, 2021		For the Year Ended December 31, 2020	
	Amount per share	**Amount**	**Amount per share**	**Amount**
Dividends distributed to ordinary shareholders:				
Cash	$ 1.00	121,917	1.20	146,300
Shares	1.00	121,916	-	-
	$ 2.00	**243,833**	**1.20**	**146,300**

(Continued)

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On March 7, 2023, the Company's Board of Directors resolved to appropriate the 2022 earnings, respectively, as follows:

	For the Year Ended December 31, 2022	
	Amount per share	Amount
Dividends distributed to ordinary shareholders:		
Cash	$ 2.3	308,484
Shares	0.5	67,062
	$ 2.8	375,546

4) Other equity

	Exchange differences on translation of foreign financial statements
Balance on January 1, 2022	$ (47,348)
Exchange differences on translation of net assets of foreign operations	20,675
Balance on December 31, 2022	$ (26,673)
Balance on January 1, 2021	$ (39,196)
Exchange differences on translation of net assets of foreign operations	(8,152)
Balance on December 31, 2021	$ (47,348)

(u) Share-based payments

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

As of December 31, 2022, share-based payment transactions of the Company are as follows:

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

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	Employee stock options
Grant date	2021.11.9
Number of options granted	800,000 shares
Contract term	4 years
Recipients	Limited to the full-time employees of the Company and the domestic and foreign subsidiaries
Vesting conditions	2~3 years of service

(i) Measurable parameter of fair value at grant date

The Company adopted the Black Scholes model to evaluate the fair value of the stock option at the grant date. The assumptions adopted in this valuation model were as follows:

	2020.11.5	2020.11.24
	Employee stock options	Employee stock options
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%

	2021.11.9
	Employee stock options
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.

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(ii) Related information of employee stock option plans

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

	For the Year Ended December 31, 2022		For the Year Ended December 31, 2021	
	Number of options (shares)	**Weighted average exercise price (yuan)**	**Number of options (shares)**	**Weighted average exercise price (yuan)**
Outstanding at January 1	2,800,000	171.70	2,000,000	166.58
Number of options granted during the year	-	-	800,000	184.50
Outstanding at December 31	**2,800,000**	**171.70**	**2,800,000**	**171.70**
Exercisable at December 31	-	-	-	-

As of December 31, 2022 and 2021 the weighted-average remaining contractual life for outstanding option awards were 2.19 and 3.19 years, respectively. The expenses incurred by the company related to the share-based payments amounted to $18,659 thousand and $30,033 thousand, respectively.

(v) Earnings Per Share

For the years ended December 31, 2022 and 2021, the Company's earnings per share were calculated as follows:

	For the Year Ended December 31, 2022	2021
Basic earnings per share		
Profit attributable to ordinary shareholders of the Company (basic)	$ **629,723**	**515,928**
Weighted-average number of ordinary shares outstanding	**134,108**	**121,917**
	$ **4.70**	**4.23**

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		For the Year Ended December 31, 2022	For the Year Ended December 31, 2021
Diluted earnings per share			
Profit attributable to ordinary shareholders of the Company (basic)		629,723	515,928
Effect of dilutive potential ordinary shares			
After-tax impact of other gains or losses on convertible bonds (diluted)		4,598	-
Profit attributable to ordinary equity holders of the Company (after adjusting the effect of dilutive potential ordinary share)	$	**634,321**	**515,928**
Weighted-average number of ordinary shares outstanding		134,108	121,917
Effect of dilutive potential ordinary shares		3,140	-
Impact of Convertible bonds		138	75
Effect of employee share bonus		**137,386**	**121,992**
Weighted average number of ordinary shares outstanding(diluted)	$	**4.62**	**4.23**

(w) Revenue from contract with customers

(i) Disaggregation of revenue

		For the Year Ended December 31. 2022	For the Year Ended December 31. 2021
Primary geographical markets			
China	$	120,599	41,717
Taiwan		382,385	327,410
United States		1,534,183	1,758,976
Germany		343,044	244,365
Other countries		325,217	267,594
	$	**2,705,428**	**2,640,062**
Major products/service lines			
Automobile motor switch	$	1,099,978	1,365,074
Automobile safety components and systems		1,452,244	1,170,045
Others		153,206	104,943
	$	**2,705,428**	**2,640,062**

(ii) Contract balances

		December 31, 2022	December 31, 2021
Contract liabilities—advance sales receipts	$	8,914	15,076
Contract liabilities—advance molding receipts		23,720	26,275
	$	**32,634**	**41,351**

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

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For 2022 and 2021, the opening balance of contract liabilities recognized as revenue amounted to $18,415 thousand and $8,650 thousand, respectively

(x) 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, 2022 and 2021, the amounts of employees' bonuses were estimated at $16,867 thousand and $12,997 thousand respectively. The amounts remuneration to directors and supervisors were estimated at $8,434 thousand and $6,499 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, 2022 and 2021.

These remunerations were expensed under operating costs or operating expenses during 2022 and 2021. There is no discrepancy under the circumstances of actual distribution. The information is available on the Market Observation Post System website.

(y) Non-operating income and expenses

(i) Interest income

The details of interest income for 2022 and 2021 were as follows:

	For the Year Ended December 31,	
	2022	**2021**
Interest income from bank deposits	$ 5,665	2,036
Other interest income	-	1,361
	5,665	**3,397**

(ii) Other income

The details of other income for 2022 and 2021 were as follows:

	For the Year Ended December 31,	
	2022	**2021**
Other income - other	**$ 18,734**	**47,322**

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(iii) Other gains and losses

The details of other gains and losses for 2022 and 2021 were as follows:

	For the Year Ended December 31, 2022	2021
Foreign exchange gains (losses)	$ 133,579	(30,680)
Gains (losses) on disposals of property, plant and equipment	31	(340)
(Losses) gains disposals of intangible assets	(10)	233
Others	(389)	-
	$ 133,211	**(30,787)**

(iv) Finance costs

The details of finance costs for 2022 and 2021 were as follows:

	For the Year Ended December 31, 2022	2021
Interest on bank loans	$ 30,016	22,572
Interest on bonds	5,357	-
Interest on lease liabilities	41	30
	$ 35,414	**22,602**

(z) Financial Instrument

(i) Credit risk

1) The maximum exposure to credit risk

As of December 31, 2022 and 2021, the Company’ s maximum credit risk exposure resulting from uncollectability of accounts receivable from transaction parties and financial losses from offering financial guarantee was as follows:

－The carrying amount of financial assets recognized in the consolidated balance sheet; and

－ The amounts of financial guarantees provided by the Company were $787,639 thousand and $724,912 thousand respectively.

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2) Concentration of credit risk

The majority of the Company's customers are mostly those in the automotive part industry. To reduce accounts receivable credit risk, the Company continuously assesses its customers' financial condition. If it is necessary, the Company will ask for guarantees or warranties. The Company still regularly assesses the likelihood of collectability of accounts receivable and sets aside allowance for losses (bad debts), based on the result of management's evaluation of the overall amounts of bad debts. As of December 31, 2022 and 2021, the Company's major customers consisted of three customers which accounted for 70% and 54%, 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(c).

Other financial assets carried at amortized costs included other receivables.

Other receivables was no loss allowance on December 31, 2022 and 2021.

(ii) Liquidity risk

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

	Carrying Amount	Contractual cash flows	within 6 months	6~12 months	1~2 years	2~5 years	Over 5 years
December 31, 2022							
Non-derivative financial liabilities							
Non-interest bearing liabilities	$ 414,872	414,872	414,872	-	-	-	-
Floating rate instruments	1,572,500	1,585,529	732,406	200,860	434,455	217,808	-
Current and non-current lease liabilities	4,742	4,787	1,506	1,506	1,579	196	-
Guarantee deposits	134	134	-	-	134	-	-
bonds payable	1,262,816	1,306,500	-	-	-	1,306,500	-
	$ 3,255,064	**3,311,822**	**1,148,784**	**202,366**	**436,168**	**1,524,504**	**-**
December 31, 2021							
Non-derivative financial liabilities							
Non-interest bearing liabilities	$ 473,842	473,842	473,842	-	-	-	-
Floating rate instruments	2,998,333	3,015,769	1,240,896	862,674	231,562	680,637	-
Current and non-current lease liabilities	2,865	2,907	452	452	904	1,099	-
Guarantee deposits	137	137	-	-	137	-	-
	$ 3,475,177	**3,492,655**	**1,715,190**	**863,126**	**232,603**	**681,736**	**-**

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

(Continued)

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(iii) Currency risk

1) Exposure of foreign currency risk

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

	December 31, 2022			December 31, 2021		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	T.WD
Financial assets						
Monetary items						
USD	USD 47,931	30.71	1,471,961	59,465	27.68	1,645,991
EUR	EUR 1,929	32.72	63,117	1,710	31.32	53,557
CNY	RMB 22,154	4.408	97,655	20,495	4.344	89,030
Financial liabilities						
Monetary items						
USD	3,405	30.71	104,568	5,279	27.68	146,122

2) Sensitivity analysis

The Company' 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, 2022 and 2021, would have increased or decreased the profit before tax by $12,225 thousand and $13,140 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 Company deal in diverse foreign currencies, gains and losses on foreign exchange were summarized as a single amount. The aggregate of realized and unrealized foreign exchange gains (losses) on December 31, 2022 and 2021 were $133,579 and $(30,680), respectively.

(iv) Interest rate analysis

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

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

CUB ELECPARTS INC.
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If the interest rate increases or decreases by 1% the Company's net income will decrease /increase by $12,580 thousand and $23,987 thousand for the years ended December 31, 2022 and 2021, respectively, assuming all other variable factors remain constant. This is mainly due to the Company's variable rate bank borrowings.

(v) Fair value of financial instruments

1) Types and fair value of financial instruments

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

	December 31, 2022				
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Financial assets mandatorily measured at fair value through profit or loss	$ 1,430	-	1,430	-	1,430
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 513,194	-	-	-	-
Notes and accounts receivable and other receivables (including receivables due from related parties)	1,211,623	-	-	-	-
Other financial assets(including refundable deposits)	723	-	-	-	-
	$ 1,725,540	-	-	-	-
Financial liabilities measured at amortized cost					
Short-term borrowings	$ 670,000	-	-	-	-
Notes and accounts payables and other payables	414,872	-	-	-	-
Lease liabilities (including current and non-current)	4,742	-	-	-	-
Bonds payable	1,262,816	-	1,428,700	-	1,428,700
Long-term borrowings (including current portion)	902,500	-	-	-	-
	$ 3,254,930	-	1,428,700	-	1,428,700

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

(Continued)

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	December 31, 2021				
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortized cost					
Short-term borrowings	$ 1,980,000	-	-	-	-
Notes and accounts payables and other payables	473,842	-	-	-	-
Current and non-current lease liabilities	2,865	-	-	-	-
Long-term borrowings (including current portion)	1,018,333	-	-	-	-
	$ 3,475,040	**-**	**-**	**-**	**-**

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

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

2.1) Financial assets measured at amortized cost

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

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

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

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

4) Transfers between Level 1and Level 2

There was no transfer between the levels for the years ended December 31, 2022 and 2021.

(aa) Financial risk management

(i) Overview

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

1) Credit risk

2) Liquidity risk

3) Market risk

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

(ii) Framework of risk management

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

(iii) Credit risk

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

1) Accounts receivable and other receivables

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

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

2) Investments

The credit risk exposure in the bank deposits, investments with fixed income and other financial instruments are measured and monitored by the Company's finance department. As the Company 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 Company do not have compliance issues and no significant credit risk.

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3) Guarantees

The Company's policy provides only financial security to fully owned subsidiaries. As of December 31, 2022 and 2021, the Company did not provide any guarantees to other companies besides its subsidiaries.

(iv) Liquidity risk

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

Bank borrowing is an essential liquidity source for the Company. As of December 31, 2022 and 2021, the Company's unused credit line were amounted to $2,330,000 thousand and $620,000 thousand, respectively.

(v) Market risk

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

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

1) Foreign currency risk

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

2) Interest rate risk

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

(ab) Capital management

The Company sets its objectives for managing capital to safeguard the capacity to continue to operate, to continue to provide a return to stockholders, to maintain 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 Company may adjust the dividend payment and reduce the capital for redistribution to its shareholders. The Company also issues new shares or sell assets to settle any liabilities.

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

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

	December 31, 2022	December 31, 2021
Total liabilities	$ 3,484,339	3,650,174
Less: Cash and cash equivalents	(513,194)	(901,669)
Net debts	2,971,145	2,748,505
Total equity	4,095,397	3,525,762
Total assets	$ 7,066,542	6,274,267
Debt-to-equity ratio	42.05%	43.81%

(ac) Investing and financing activities not affecting cash flows

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

	January 1, 2022	Statements of Cash Flows	Non-Cash changes: Increase (decrease) for the period	Non-Cash changes: Effects of changes in foreign exchange rates	December 31, 2022
Short-term borrowings	$ 1,980,000	(1,310,000)	-	-	670,000
Current and non-current lease liabilities	2,865	(1,689)	3,585	(19)	4,742
Long-term borrowings (including current portion)	1,018,333	(115,833)	-	-	902,500
Bonds payable	-	1,300,952	(38,136)	-	1,262,816
Total liabilities from financing activities	$ 3,001,198	(126,570)	(34,551)	(19)	2,840,058

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

(Continued)

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(7) Related-party transactions:

(a) Names and relationship with related parties

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

Name of related party	Relationship with the Company
DEPO AUTO PARTS IND. CO., LTD. (DEPO)	The chairman of the company is the director of the Company
Jiu Feng Co., LTD. (Jiu Feng)	The chairman of the Company is in close relationship with the chairman of the Company
HUNG YII AUTO PARTS CO., LTD. (HUNG YII)	The chairman of the Company is in close relationship with the chairman of the Company
Hu Lane Associate Inc. (Hu Lane)	The chairman of the company is the director of the Company
Silver Cub Inc.	Subsidiary of the Company
Golden Cub Inc.	Subsidiary of the Company
Shanghai Wabiao Auto Parts Manufacturing Co., Ltd. (CUB Shanghai)	Subsidiary of the Company
Royal Cub Inc.	Subsidiary of the Company
Ever Cub Inc.	Subsidiary of the Company
ITM Engine Components, Inc. (ITM)	Subsidiary of the Company
ITM AUTOPARTS INTERNATIONAL INC	Subsidiary of the Company
HARBINGER TECHNOLOGY CORP. (HARBINGER TECHNOLOGY)	Subsidiary of the Company
RISUN EXPANSE CORP. (RISUN)	Subsidiary of the Company
CUBTEK INC. (CUBTEK)	Subsidiary of the Company
Globe Cub Inc.	Subsidiary of the Company
Glory Cub Inc.	Subsidiary of the Company
CUBTEK (SHANGHAI) INC. (CUBTEK SHANGHAI)	Subsidiary of the Company
3S System Technology Co., Ltd. (3S System)	Subsidiary of the Company
3S POCKETNET TECHNOLOGY INC. (3S POCKETNET)	The chairman of the company is the director of the Company's subsidiary - 3S System
Anhui Shangshi Pocket Electrical Engineering Co., Ltd. (Anhui Shangshi))	The director of the company is the director of the Company's subsidiary - 3S System
Yu, Yu-Tao	Yu, Yu-Tao is the first-degree relative with the chairman of the company

(Continued)

(b) Significant transactions with related parties

(i) Sale revenue

		For the Year Ended December 31, 2022	For the Year Ended December 31, 2021
Subsidiaries			
CUB Shanghai	$	8,598	19,736
CUBTEK		74,016	90,424
HARBINGER TECHNOLOGY		9,810	2,579
	$	**92,424**	**112,739**

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

(ii) Purchases

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

		For the Year Ended December 31, 2022	For the Year Ended December 31, 2021
Subsidiaries			
CUB Shanghai		191,208	192,139
CUBTEK		-	5
Other related parties			
HUNG YII		35,283	53,396
Other related parties		4,824	6,376
	$	**231,315**	**251,916**

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

(iii) Receivables from related parties

The receivables due from related parties were as follows:

Account	Relationship		December 31, 2022	December 31, 2021
Accounts receivable	CUB Shanghai		2,441	5,018
	CUBTEK		25,354	25,993
	HARBINGER TECHNOLOGY		10,300	-
		$	**38,095**	**31,011**

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CUB ELECPARTS INC.
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Account	Relationship	December 31, 2022	December 31, 2021
Other receivables	Subsidaries		
	CUB Shanghai	$ 1,491	1,444
	CUBTEK	5,558	4,432
	HARBINGER TECHNOLOGY	3,653	96
	3S System	83	-
		$ 10,785	5,972

(iv) Payables to Related Parties

The payables to related parties were as follows:

Account	Relationship	December 31, 2022	December 31, 2021
Account payables	Subsidiaries		
	CUB Shanghai	$ 11,727	28,186
	Other related parties	3,677	6,976
		$ 15,404	35,162
Other payables	Subsidiaries		
	CUBTEK	$ 25,504	23,198
	ITM	168	344
	CUB Shanghai	-	143
	Other related parties	75	-
		$ 25,747	23,685

(v) Transactions of property, plant and equipment

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

Items	For the Year Ended December 31, 2022	2021
Subsidiaries		
CUB Shanghai	$ 354	13,304
CUBTEK	-	1,259
3S System	1,100	168
Other related parties—DEPO	-	18,260
Other related parties—Yu, Yu-Tao	207,394	-
	$ 208,848	32,991

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The Company purchased molding equipment, other equipments and machineries from its related parties at a total price of $1,454 and$32,991 thousand respectively for the year ended December 31,2022 and 2021. As of December 31, 2022 and 2021, the amount has yet paid to the related parties is $0 and $109 thousand respectively.

The Company purchased land from Yu,Yu-Tao, another related person of the Company on December 29 ,2022, with a land area of 5,157.625 pings and a total price of 207,394 thousand (excluding related fees). As of December 31, 2022, the above amount has been paid. The acquisition price of the land is based on the appraisal report of the real estate appraisal company. Please refer to Note 6(I) for the land changes in the current period.

(vi) Endorsements and Guarantees

As of December 31, 2022 and 2021, the details of the Company provided a guarantee to subsidiaries for the bank loans were as follows:

	For the Year Ended December 31,	
	2022	**2021**
Subsidiaries		
HARBINGER TECHNOLOGY	$ 550,000	550,000
CUBTEK	-	-
ITM	27,639	24,912
3S System	210,000	150,000
	$ 787,639	**724,912**

(vii) Other related party transactions

	For the Year Ended December 31,	
	2022	**2021**
Subsidiary-Other operating revenue		
CUBTEK	$ 6,179	13,750
CUB Shanghai	18	6
	$ 6,197	**13,756**
Subsidiary-Miscellaneous income		
CUB Shanghai	$ 3,991	5,534
CUBTEK	2,927	2,930
HARBINGER TECHNOLOGY	4,205	-
	$ 11,123	**8,464**
Subsidiary-Other expenses		
CUBTEK	**$ -**	**39,414**

(viii) Lease

On December 12, 2022, the Company leased land from Yu Yu-Tao, another related party, and signed a five-year lease contract with reference to the land rental market in neighboring areas. The lease period was from January 1, 2023 to On December 31, 2027, the estimated total contract value was 30,772 thousand.

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Notes to the Financial Statements

(c) Key management personnel transactions

Key management personnel compensation includes:

	For the Year Ended December 31, 2022	For the Year Ended December 31, 2021
Short-term employee benefits	$ 17,727	13,248
Post-employment benefits	108	108
Termination benefits	-	-
Other long-term employee benefits	-	-
Share-based payment	-	-
	$ 17,835	13,356

(8) Assets pledged as security:

The carrying amount of assets pledged as security were as follows:

Item	Pledge to secure	December 31, 2022	December 31, 2021
Land (Inculding Investment property)	Collateral for long-term loans and credit lines	$ 289,739	289,739
Buildings and Construction	Collateral for long-term loans and credit lines	488,368	507,653
Other financial assets—bank deposits	Guarantee of deposit	2	-
		$ 778,109	797,392

(9) Significant commitments and contingencies:

The Company's unrecognized contractual commitments were as follows:

	December 31, 2022	December 31, 2021
Acquisition of property, plant and equipment	$ 74,624	30,783

(10) Losses Due to Major Disasters:None

(11) Subsequent Events:None

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(12) Other:

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

By function / By item	For the Year Ended December 31, 2022			For the Year Ended December 31, 2021		
	Cost of sale	Operating expenses	Total	Cost of sale	Operating expenses	Total
Employee benefits						
Salary	113,418	197,820	311,238	120,598	196,967	317,565
Labor and health insurance	10,091	15,745	25,836	9,827	17,136	26,963
Pension	4,727	7,790	12,517	3,917	8,332	12,249
Pemuneration of directors	-	8,607	8,607	-	6,639	6,639
Other employee benefits expense	2,503	2,029	4,532	2,690	1,813	4,503
Depreciation	63,099	24,490	87,589	74,577	22,113	96,690
Amortization	599	14,662	15,261	591	12,924	13,515

The information about number of employees and employee benefit expenses for the years ended December 31, 2022 and 2021 was as follows:

	For the Year Ended December 31, 2022	2021
Number of employees	391	438
Number of directors not serving as staff	7	7
Average employee benefits expense	$ 922	838
Average salary expense	$ 811	727
Average adjustment to salary	11.55 %	21.78 %

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

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

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

(iii) The employee compensation policy is determined based on the individual's ability, contribution to the Company, performance, competitiveness, and consideration of the Company's future operational risks.

(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group for the year ended December 31, 2022:

(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		
1	CUBTEK	CUBTEK SHANGHAI	Other receivables	Yes	94,316	57,789	57,789	1.74%~2.10%	Operating translation	-	Operating translation	-		-	65,801 (Note)	197,403 (Note)

Note1 : The Company‘s limits are calculated as:

(1) Pursuant to the Company’ s procedure of loans to other parties, for the Companyloans 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.

(2) 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.

(3) 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.

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Note 2 : The limits calculation for CUBTEK:

(1) Pursuant to the CUBTEK's procedure of the CUBTEK loans to other entity, for the CUBTEK loans to those individual entity having business transactions with the Company, 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 within the year.
The business amount referred hereof is either amount of inventory or sales between the two parties, whichever is higher.

(2) In accordance with the CUBTEK's procedures for loan to other entity, the loan is limited to entity whose entire shares are being held directly or indirectly by the CUBTEK. If there is a need for short-term financing due to business needs, the maximum limit for loan shall not exceed 10% of the net value of the entity.Short term refers to period of one year. However, entity shall be subjected to its business cycle if its business period is longer than one year.

(3) Pursuant to the CUBTEK's procedure of loans to other parties, the maximum amount of loan shall not exceed 30% of the CUBTEK'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	4,095,397	28,994 (USD900)	27,639	22,418	-	0.73 %	4,095,397	Y	-	-
0	the Company	HARBINGER TECHNOLOGY	2	4,095,397	550,000	550,000	388,638	-	13.98 %	4,095,397	Y	-	-
0	the Company	3S System	2	4,095,397	210,000	210,000	-	-	5.34 %	4,095,397	Y	-	-
1	CUBTEK	SHANG HAI	1	65,801	43,240	40,412	40,412	-	4.71 %	197,403	Y	N	Y

Note 1: The cap calculation for the company:

(1) The amount of the guarantees and endorsements for a single company shall not exceed 100% of the Company's current net value.

(2) The total amount of the guarantees and endorsements provided by the Company shall not exceed 100% of the Company's current net value.

(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

Note 2: The cap calculation for CUBTEK:

(1) The total amount of the CUBTEK's accumulated external endorsement guarantees and the amount of endorsementguarantees for a single enterprise with a holding ratio of more than 50% shall not exceed 30% of the CUBTEK's current net value.

(2) The relationship between the endorser/guarantor and the guaranteed party:

((1)) Having business relationship.

((2)) Companies that the CUBTEK directly and indirectly holds more than 50% of the voting shares.

((3)) Companies that directly and indirectly hold more than 50% of the CUBTEK's voting shares.

((4)) Companies that the CUBTEK directly and indirectly holds more than 90% of the voting shares.

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(iii) Securities held as of December 31, 2022 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
CUBTEK	Chimei Motor Electronics Co., Ltd.	None	Non-current financial assets at fair value through profit or loss	2,800	54,174	9.49 %	54,174	

(iv) 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 - 3S System	Equity method investments	3S System	Subsidiary of the Company	18,707	411,554	24,125	530,752	-	-	-	-	42,832	942,306

(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

(vii) Receivables from related parties with amounts exceeding the lower of NT$100 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	183,930	17.49%	Next month 6th	-	Same as normal customers	(11,727)	4.90%	Note
CUB Shanghai	the Company	Indirect subsidiary	Sale	(183,930)	49.43%	Next month 6th	-	Same as normal customers	11,727	12.89%	Note

(viii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT$100 million or 20% of the capital stock:None

(ix) Trading in derivative instruments:None

CUB ELECPARTS INC.
Notes to the Financial Statements

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2022 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars/In Thousands of United States Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount December 31, 2022	Original investment amount December 31, 2021	Balance as of December 31, 2022 Shares (thousands)	Percentage of ownership	Carrying value	Net income (losses) of investee	Share of profits/losses of investee	Note
the Company	Silver Cub Inc.	Samoa	Investment holding	NTD 233,066 (USD 7,110)	NTD 233,066 (USD 7,110)	7,110	100.00 %	910,915	(16,380)	(16,380)	Subsidiary(Note)
Silver Cub Inc.	Golden Cub Inc.	Anguilla	Investment holding	USD 7,110	USD 7,110	7,110	100.00 %	USD 29,666	USD (549)	USD (549)	Subsidiary(Note)
the Company	Royal Cub Inc.	Seychelles	Investment holding	NTD 56,175 (USD 1,919)	NTD 56,175 (USD 1,919)	1,919	70.00 %	56,059	5,240	3,668	Subsidiary(Note)
Royal Cub Inc.	Ever Cub Inc.	Seychelles	Investment holding	USD 2,741	USD 2,741	2,741	100.00 %	USD 2,608	USD 176	USD 176	Subsidiary(Note)
Ever Cub Inc.	ITM Engine Components, Inc.	Carson.U.S.A	Sales of automobile parts	USD 2,807	USD 2,807	2,458	100.00 %	USD 2,608	USD 176	USD 176	Subsidiary(Note)
the Company	ITM AUTOPARTS INTERNATIONAL	Taiwan	International trade	10,500	10,500	1,050	70.00 %	13,231	6,869	4,808	Subsidiary(Note)
the Company	HARBINGER TECHNOLOGY	Taiwan	Communications Electronics and Government project loans	1,500,485	1,500,485	44,534	76.72 %	1,502,863	67,045	49,726	Subsidiary(Note)
HARBINGER TECHNOLOGY	RISUN	Taiwan	Restrained Telecom Radio Frequency Equipment and Materials Import	5,000	5,000	500	100.00 %	5,292	(83)	(83)	Subsidiary(Note)
the Company	CUBTEK	Taiwan	Motor Vehicles and Parts Manufacturing	596,907	596,907	40,595	44.51 %	292,997	(313,224)	(139,589)	Subsidiary(Note)
CUBTEK	Globe Cub Inc.	Anguilla	Investment holding	NTD 176,330 (USD 6,200)	NTD 176,330 (USD 6,200)	6,200	100.00 %	31,459	(198,862)	(198,862)	Subsidiary(Note)
Globe Cub Inc.	Glory Cub Inc.	Seychelles	Investment holding	USD 6,200	USD 6,200	6,200	100.00 %	USD 1,712	USD (6,662)	USD (6,662)	Subsidiary(Note)
the Company	3S System	Taiwan	Video surveillance system and construction of communication	942,306	411,554	42,832	73.75 %	888,498	13,664	(5,484)	Subsidiary(Note)

Note : 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/ In Thousands of United States Dollars)

Name of investee	Businesses Activity	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2022	Investment flows Outflow	Investment flows Inflow	Accumulated outflow of nvestment from Taiwan as of December 31, 2022	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
CUB Shanghai	Manufacture and processing of automobile parts	233,066 (USD 7,110)	Indirectlyowned by the company	233,066 (USD 7,110)	-	-	233,066 (USD 7,110)	(16,380)	100 %	(16,380) (Note)	910,915	-
CUBTEK SHANGHAI	Manufacture and processing of automobile parts	176,330 (USD 6,200)	Indirectly owned by the CUBTEK	176,330 (USD 6,200)	-	-	176,330 (USD 6,200)	(198,862)	44.51 %	(88,513) (Note)	14,002	-

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, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
NTD$409,396 ((USD$13,310))	NTD$409,396 ((USD$13,310))	2,457,238

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China for the year ended December 31, 2022, are disclosed in"Information on significant transactions".

CUB ELECPARTS INC.
Notes to the Financial Statements

(d) Major Shareholders:

Unit: Shares

Shareholding / Shareholder's name	Shares	Percentage
Jun Chang Investment Co., Ltd.	15,726,509	11.72 %
Jun Rui Investment Co., Ltd.	14,888,701	11.10 %
Yu, Yu-Tao	10,428,257	7.77 %
Yu, Yu-Shih	9,890,747	7.37 %
Yu, San-Chuan	8,860,323	6.60 %
Huang, Shu-Yuan	7,226,761	5.38 %

(14) First-time adoption of International Financial Reporting Standards have been applied: Please refer to the consolidated financial statements for the year ended December 31, 2022.

CUB ELECPARTS INC.

Statement of Cash and Cash Equivalents

December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

Item	Description		Exchange rate	Amount
Cash	Cash			$ 196
Bank deposits	Demand deposits			60,929
	Foreign demand deposit	－USD9,558,207.35	30.71	293,532
		－EUR1,910,635.40	32.72	62,516
		－CNY21,783,261.08	4.410	96,021
				$ 513,194

CUB ELECPARTS INC

Statement of Notes and Accounts Receivable

December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

Customer Name	Description	Amount
Notes receivable due from non-related parties		
YONGXUAN CO., LTD	Operation	$ 50
YONGJU ENTERPRISES CO., LTD.	〃	11
Shiiyu Co..	〃	6
		67
Less: Impairment loss allowance		-
		67
Accounts receivable due from non-related parties		
Group 31 Incorporated	Operation	580,406
Rader Technik Service Gmbh	〃	145,317
Standard Motor Products, Inc	〃	109,615
KECH VIKING INTERNATION LTD.	〃	65,829
Others (Note)	〃	279,437
		1,180,604
Less: Impairment loss allowance		(27,765)
		1,152,839
Accounts receivable due from related parties		
CUBTEK		25,354
HARBINGER TECHNOLOGY		10,300
CUB Shanghai		2,441
		38,095
		$ 1,191,001

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

CUB ELECPARTS INC

Statement of Inventories

December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

Item	Amount: Costs	Amount: Market price	Notes
Raw materials	$ 382,131	382,131	Net realizable value
Work in proces	107,673	107,673	〃
Finished goods	150,542	234,390	〃
Merchandise	2,544	2,634	〃
	$ 642,890	**726,828**	

Statement of other receivables and other

Item	Description	Amount
Other receivables	Income tax refund receivable	$ 6,782
	Other receivables	3,055
		9,837
Other receivables due from related parties	Management service fees and commissions	10,785
Other current assets	Prepaid expenses	37,729
	Other deferred charges	52,168
	Prepayments to suppliers	30,035
	Others (Note)	967
		120,899
		$ 141,521

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

CUB ELECPARTS INC.

Statement of changes in investments under equity method

December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

Name of investee in Mainland China	Beginning balance		Addition		Decrease		Equity method investments	Exchange differences on translation of foreign financial statements Exchange difference on foreign plans	Remeasurement of defined benefit plan Measurement	(Note)	Accumulated translation is included.			Market value or net assets value		Guarantee for bank financing projects Collateral
	Shares	Amount	Shares	Amount	Shares	Amount	Gains (Losses)			Others	Shares	Percentage	Amount	Unit price	Total contract price	
Silver Cub Inc.	7,110	913,780	-	-	-	-	(16,380)	13,515	-	-	7,110	100 %	910,915	128.14	911,651	None
Royal Cub Inc.	1,919	47,126	-	-	-	-	3,668	5,265	-	-	1,919	70 %	56,059	29.21	56,060	"
ITM AUTOPARTS INTERNATIONAL	1,050	8,423	-	-	-	-	4,808	-	-	-	1,050	70 %	13,231	18.77	19,711	"
HARBINGER TECHNOLOGY	44,534	1,447,414	-		-	-	49,726	-	1,291	4,432	44,534	76.72 %	1,502,863	25.31	1,127,002	"
CUBTEK	40,595	430,395	-		-	-	(139,589)	1,895	-	296	40,595	44.51 %	292,997	48.95	1,987,125	"
3S System	18,707	393,118	24,125	530,752	-	-	(5,484)	-	-	(29,888)	42,832	73.75 %	888,498	18.24	781,335	"
		$ 3,240,256		530,752		-	(103,251)	20,675	1,291	(25,160)			3,664,563		4,882,884	

Note: In order to increase the recognition of 9,203 thousand for the impact of changes in the equity of subsidiaries recognized using the equity method, and recognize the net equity balance of 34,363 thousand due to the non-subscription of new shares of subsidiaries in accordance with the shareholding ratio.

CUB ELECPARTS INC

Statement of changes of property, plant and equipment

For the year ended December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

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

Statement of intangible assets

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

Statement of Short-term Borrowings

Item	Description	Ending balance	Term of contract	Range of interest Rate	Loan commitment	Collateral
Bank of Taiwan	Credit loans	$ 370,000	2022.12.28~2023.02.10	1.2057%~1.475%	800,000	None
Taishin International Bank	Credit loans	300,000	2022.09.06~2023.06.02	1.61%	300,000	None
		$ 670,000			**1,100,000**	

CUB ELECPARTS INC

Statement of Notes and Accounts Payable

December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

Customer Name	Description	Amount
Accounts payable to non-related parties		
Weikeng Industrial Co., Ltd.	Operation	$ 48,227
LUHAI HOLDING CORP.	〃	15,648
Others (Note)	〃	160,038
		223,913
Accounts payable to related parties		
CUB Shanghai	Operation	11,727
HUNG YII	〃	2,301
Hu Lane	〃	1,289
Jiu Feng	〃	87
		15,404
		$ 239,317

Statement of other payables and other current liabilities

Item	Description	Amount
Other payables	Salary and bonus	$ 52,321
	Purchase of part and professional fees	33,401
	Remuneration of employees, directors, and supervisors	25,301
	Payable on machinery and equipment	10,285
	Others (Note)	28,500
		149,808
Other payables (including related parties)	Processing fee and other expenses	25,747
Other current liabilities	Temporary credits	2,075
	Receipts under custody	76
		2,151
		$ 177,706

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

CUB ELECPARTS INC

Statement of long-term borrowings

(including current portion)

December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

Creditor	Description	Amount: Less than one year Current portion	Amount: More than a year Maturity	Term of contract	Interest rate	Collateral
Taipei Fubon Bank	Secured borrowings	$ 139,584	530,416	2020.8.3～2025.8.5	1.7646%	Land and building
Taipei Fubon Bank	Credit loans	32,500	54,167	2020.8.3～2025.8.5	1.8175%	None
Taipei Fubon Bank	Credit loans	83,333	62,500	2021.6.15～2024.6.10	1.52%	None
		$ 255,417	**647,083**			

Statement of Operating revenue

December 31, 2022

Item	Unit	Quantity	Amount
Automobile motor switch	1,000pcs	6,524	$ 1,099,978
Automobile safety components and systems	〃	9,766	1,452,244
Others			153,206
			$ 2,705,428

CUB ELECPARTS INC

Statement of Operating Costs

December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Raw materials, January 1	$ 425,375
Add: Purchase of raw materials	845,436
Transfer in of finished goods	963,379
Less: Raw materials, December 31	(382,131)
Loss on physical inventory	(3,751)
Sale	(88,810)
Others	(11,171)
Consumption of raw materials for the period	1,748,327
Direct labor	51,948
Manufacturing overhead	281,432
Manufacturing cost	2,081,707
Work in process,January 1	138,066
Less: Work in process, December 31	(107,673)
Costs of finished goods	2,112,100
Finished goods, January 1	132,182
Add: Purchase for the period	36,821
Less: Finished goods, December 31	(165,888)
Loss on physical inventory	(41)
Transfer to raw materials, work in progress, and merchandise	(963,952)
Others	(33,403)
Cost of goods sold from manufacturing	1,117,819
Merchandise inventory, January 1	5,271
Add: Purchase	210,716
Transfer in of finished goods	573
Less: Merchandise inventory, December 31	(2,544)
Loss on physical inventory	(18)
Others	(565)
Cost of goods sold from purchasing	213,433
Loss on physical inventory	3,810
Disposal of inventory	13,887
Other operating costs	78,572
Cost of raw materials sold	88,810
Reversal of write-down of inventories	(625)
	184,454
	$ 1,515,706

CUB ELECPARTS INC

Statement of Selling Expenses

December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

Item	**Selling expenses**	**Administrative expenses**	**Research and development expenses**
Salary and wages expense	$ 32,367	63,780	118,070
Service expense	9,812	9,205	1,426
Insurance expenses	2,576	5,093	9,313
Import/export expenses	6,917	-	7
Advertisement expense	11,135	404	-
Depreciation expense	330	14,680	9,480
Amortization expense	129	8,925	5,608
Other expenses (Note)	25,446	23,800	39,417
	$ 88,712	**125,887**	**183,321**

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

Statement of non-operating income and expenses

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