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為升電裝工業股份有限公司
CUB ELECPARTS INC.

2021

Annual Report

Prepared by CUB ELECPARTS INC.

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Available: <http://mops.twse.com.tw>

Company website: <http://www.cubelec.com.tw>

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V. Name of trading site for securities listed overseas and how to search for the said overseas securities: None

VI. Company website: <http://www.cubelec.com.tw>

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One. Letter to Shareholders

Hello, ladies and gentlemen!

First of all, welcome to this year's shareholders' meeting during your busy schedule. On behalf of the Company and its subsidiaries, we would like to express our highest appreciation for your support and encouragement. We would like to report the 2021 operating status and future outlook of the Company and its subsidiaries as follows:

I. 2021 Business Results

1. Implementation Results of 2021 Business Plan

For 2021, the net operating income of the Company and its subsidiaries came to NTD 4,080,435 thousand, a growth of 22.16% from the preceding year, and the net profit before tax for the current term amounted to NTD 582,507 thousand, a growth of 99.15% from the preceding year, thanks to devoted support from each of you and the hard work of all the staff throughout the Company. I would like to take this opportunity to express my gratitude for all the efforts made by all colleagues on behalf of the Board of Directors and the support from each of the shareholders.

Over the past year, the Company and its subsidiaries adhered to their business priorities, actively expanding their business, on the one hand, strengthening cost control on the other, and investing in new product development in the hope of bringing greater performance and business growth.

Unit: In thousands of NTD

Item \ Year	2021	2020
Operating revenues	4,080,435	3,340,199
Operating gross profits	1,671,010	1,272,411
Net operating profits (losses)	592,662	386,368
Net profits after tax attributable to shareholders of the parent company	515,928	244,534
Earnings per share (NTD)	4.23	2.03

2. Budget Implementation Status:

In accordance with current regulatory requirements, the Company did not disclose its financial forecast for 2021. The actual operational status and performance as a whole are comparable to those defined in the internal business plan of the Company.

3. Analysis of Financial Income and Expenditure and Profitability

(1)		Unit: In thousands of NTD		
Item	2021	2020	Increase (decrease) in amount	Increase (decrease) in percentage %
Cash flows from operating activities	734,231	254,529	479,702	188.47
Cash flows from investing activities	-731,044	-285,695	-445,349	155.88
Cash flows from financing activities	1,099,156	-172,377	1,271,533	-737.65

Analysis of changes in cash flows over the past year:

1. Operating activities: The net cash inflow of \$734,231 thousand was mainly due to the fact that the COVID-19 pandemic gradually went under control so that sales stabilized during the period.
2. Investing activities: The net cash outflow of \$731,044 thousand was mainly due to the acquisition of real estate properties and expansion of plant and equipment.
3. Financing activities: The net cash inflow of \$1,099,156 thousand was mainly due to the increase in short-term loans and the cash capital increase of subsidiaries.

(2) Profitability

Profitability (return on assets, return on shareholder equity, net profit rate, earnings per share): Profitability managed to remain at a certain level for 2021 mainly because of the impacts of COVID-19 and port congestion that made normal exports impossible and delayed shipments for purchase orders received.

Item		2021	2020
Return on assets (%)		6.01%	3.66%
Return on equity (%)		11.85%	6.18%
As a percentage of paid-in capital (%)	Operating profits	48.61%	31.69%

	Net profits after tax	47.78%	23.99%
Net profit margin		11.95%	7.49%
Earnings per share (NTD)		4.23	2.03

4. Status of Research and Development

The sales of products of the Company and its subsidiaries have mainly been for export for a long time. Therefore, for the timeliness of product development, product manufacturing quality requirements and delivery accuracy, we adopt high standards for self-requirement, and also maintain a conscientious attitude towards strengthening the R&D personnel's software and hardware design capability, mold design and development capability, electromechanical integration capability, modularization capability, and high-frequency RF design and development capability, and constantly ask for improvement, as well as constantly replenish the outstanding talents in the related technology fields to improve the Company's own research and development capabilities. In addition, in view of the diversification of the Company's and its subsidiaries' products, we need to be more cautious in investing and developing products, and we will analyze the actual sales situation to select hot-selling products, modular products, or models with potential for focused development and maintenance in order to maintain a highly competitive advantage. In addition, we will deepen the research and development of Universal TPMS (tire pressure monitoring system) and strengthen the decoding rate and simplification of tools for the replacement of European and American TPMS vehicles. For the market in China, we started to invest R&D resources to develop TPMS products for local vehicles in China, effectively utilizing the existing advantages of the Company and its subsidiaries to gradually enter the TPMS market in China. Meanwhile, development of the market for TPMS to be used in new energy-driven and large commercial vehicles to support the sales continued.

The Company and its subsidiaries have independently developed the millimeter wave radar for automotive applications and possess the core technologies of 24GHz, 77GHz and 79GHz millimeter wave radar with many core key technologies such as phase antenna technology, radar algorithm technology and millimeter wave circuit technology, etc. In recent years, we have not only developed a number of millimeter wave radar modules (24GHz, 77GHz and 79GHz), but also used them to develop and integrate various ADAS systems, including blind spot detection (BSD), rear cross traffic alert (RCTA), door open warning (DOW), lane change alert (LCA), Forward Collision Warning (FCW), Pedestrian Detection (PD), Automatic Emergency Braking (AEB), Automatic Cruise Control (ACC), Stop-and-go, Drone Obstacle Avoidance Radar, Level Crossing Obstacle Detection, Internal

Wheel Differential Active Warning, Radar and Image Fusion (Forward Collision and Lane Diversion Warning Fusion). The Company's Blind Spot Detection (BSD) and Forward Collision Warning (FCW) systems have passed the tests by TUV NORD of Germany, an international certification unit, and we are the first local company to pass the ISO 15623 and Mainland China's GB/T 33577 standard tests in the automotive field on both sides of the Taiwan Strait, which will help to win orders from vehicle manufacturers for ADAS Through the existing and newly developed AM and OEM market channels, we will also be able to secure huge business opportunities for general passenger cars, pick up, RV campers, heavy motorcycles, motorcycles, school buses, and other large commercial vehicles (e.g. tour buses, commuter buses, and tour buses). The FCW radar is now available on commercial vehicles of multiple motor companies in Mainland China and BSD radar, too. Inner wheel difference radars have been shipped in large quantities for use in buses and hazardous chemical vehicles throughout the nation. The simple single BSD radar has been officially shipped overseas.

II. Overview of 2022 Business Plan

Item	Description of Contents
Product Direction	<ol style="list-style-type: none"> 1. Continue to increase the completeness of our product lineup and add new vehicle models (e.g. Korean and European models) to reduce our customers' procurement costs and satisfy their needs in one purchase. 2. Related derivative applications of TPMS tire pressure monitoring system products 3. Gradually increase the launch of electronic products, develop towards higher margin and higher technology categories, and enhance the depth of products. 4. Develop parts for original manufacturers and take the initiative to launch more competitive products in the market. 5. Actively participate in the system development after TPMS and ADAS legislation. 6. Strengthen the design capability of vehicle switches, sensors and vehicle electronics, and command the key technologies of automotive components. 7. Strengthen engineering management and information integration, and bring in electromechanical talents to respond to new technologies.

	<ol style="list-style-type: none"> 8. Independently research and develop millimeter wave radar for automotive applications, with core technologies of high-end 24GHz, 77GHz and 79GHz millimeter wave radar and radar and image fusion. 9. In addition to traditional passenger car applications, expand the application of ADAS technology and introduce ADAS-related application innovations into many new vehicle models and new product applications, such as school buses, heavy motorcycles, motorcycles, RV campers, and other large vehicles (e.g., tour buses, commuter buses, and linkage vehicles). 10. Millimeter wave radar is used in non-vehicle applications such as intelligent transportation, public constructions, security, water conservancy, industry, and drones.
Production Strategy	<ol style="list-style-type: none"> 1. Implement scheduling and mass production point inspection to ensure the quality of production and reduce unnecessary rework and waste in production process. 2. Continuously carry out COST DOWN in response to the increase of raw material prices. 3. Strengthen product manufacturing specification standards and verification capabilities. 4. Enhance automatic production capability and increase production value. 5. Reduce the quantity and amount of inventory to prevent the stock from becoming obsolete and respond early.
Scale of Operations	<ol style="list-style-type: none"> 1. In addition to consolidating the U.S., Central and South American markets, developing the European market as the business objective 2. Expand millimeter wave radar AM application products and millimeter wave radar OEM products for automakers, and strengthen the self-developed technology and application of millimeter wave radar. In addition to the application of ADAS systems (BSD, FCW, AEB, etc.) in general passenger cars, it also introduces more innovations into new vehicle model markets and applications, such as school buses, drones, public transportation and traffic facilities (e.g., level crossings), large commercial vehicles, etc. ...and other markets.

	<ol style="list-style-type: none"> 3. Ensure the quality of existing products to consolidate the existing market, and enhance the accuracy and timeliness of delivery to respond to the sales pattern of small volume and multiple SKU. 4. Expand the Company's product sales channels and generate higher revenue through the integration of resources from affiliates and the development and cooperation with new and existing channel vendors to generate higher revenue results.
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III. Future Development Strategy of the Company

Since its establishment, the Company has been adhering to an active and steady management policy, gradually recruiting outstanding talents in various related fields to create maximum profits for the Company's shareholders and all employees. In addition to our own demands for speed of product development and quality of products, we also continue to maintain stable and good cooperative relationships with our existing customers, and expand our product sales channels or increase the diversity of our products through reinvestment, etc. We are striving for stable profitability year after year and will share fruits with our shareholders to create the best return on investment.

IV. Effect of the external competitive environment, regulatory environment and general business environment

The Company has been responding to changes in the external competitive environment, regulations and the general business environment through a sound and effective internal control system, and has steadily gone through each economic cycle. Only institutionalized management can lead the Company to sustainable business development. In addition, the Company is constantly recruiting talents in various fields to enrich our human resources, so that we can flexibly adjust the pace of our development and move forward toward our established goals in response to the rapidly changing external factors.

1. Maintain a complete supply system: The Company and its subsidiaries have formed a complete supply network with various suppliers, so that the Company's production is flexible enough to cope with changes in market demand in the face of cyclical fluctuations in the economy.
2. Strengthen research and development capabilities: The Company and its subsidiaries focus on product development and cultivation of research and development personnel, actively strengthening the Company's research and development capabilities, improving process and product quality, and actively developing related diverse products in line with market trends

and developing niche products with higher technological thresholds to increase the Company's product breadth, which can mitigate the impact of the economic cycle on the Company's business.

3. Strengthen customer relationships and actively explore new sources of customers: the Company and its subsidiaries, in addition to actively strengthening customer relationships, continue to explore new markets and gain channel benefits through new channel development and cooperation or reinvestment, which can increase the sales visibility of the Company's products and reduce the impact on the Company's business caused by fluctuations in the economic conditions of individual regions or operational risks arising from individual sales customers.
4. Strengthen the Company's financial structure: In the face of the global economic cycle and the impact of COVID-19 on the global economy, the Company and its subsidiaries maintain good relationships with major cooperative banks in order to obtain better interest rates and reduce interest expenses, and use capital market resources to strengthen the Company's financial structure in a timely manner.
5. Talent cultivation and development: The Company strengthens the education and training of its employees, actively cultivates professional talents, and provides related welfare measures to strengthen the motivation of the employees and the Company's ability to respond to changes in the economic climate.

Finally, we would like to thank all of the shareholders, ladies and gentlemen, as well as our enthusiastic and dedicated colleagues for their long-standing support and encouragement of the Company. And I wish you all

Good health and the best in all of your endeavors

Chairman: Yu San-Chuan



President: Yu San-Chuan



Head of Accounting: Liu Wan-Hua



Two. Company Profile

I. Established on January 9, 1989

II. Company History:

January 1989 - The Company was established, with a capital size of NTD 30,000 thousand, to produce various auto valves and parts.

January 1992 - The capital size was reduced to NTD 18,000 thousand, with a cumulative paid-up capital size of NTD 12,000 thousand.

December 1993 - Capital increase in cash occurred at NTD 3,000 thousand, with a cumulative paid-up capital size of NTD 15,000 thousand.

August 1994 - Product marketing reached out to the world in order to expand the scale of operations with the Trade Department formed.

May 2000 - ISO 9002 certified for quality assurance systems.

July 2003 - QS 9000 certified for quality assurance systems for the auto industry.

July 2004 - Name of the Company was changed to “CUB ELECPARTS INC.

October 2004 - Capital increase in cash occurred at NTD 6,750 thousand, with a cumulative paid-up capital size of NTD 21,750 thousand.

December 1994 - Capital increase in cash occurred at NTD 9,250 thousand, with a cumulative paid-up capital size of NTD 31,000 thousand.

December 2004 - Re-invested in Silver Cub Inc. and then Golden Cub Inc. to indirectly invest in Shanghai Vei Sheng Auto Parts Manufacturing Co., Ltd.

April 2005 - ISO 14001 certified for environmental management system.

July 2005 - Capital reserve-transferred capital increase occurred at NTD 144,000 thousand and earnings-transferred capital increase occurred at NTD 25,000 thousand, with a cumulative paid-up capital size of NTD 200,000 thousand.

August 2005 - Won the Eighth Rising Star Award of the Ministry of Economic Affairs

November 2005 - ISO/TS 16949 certified for quality management systems.

February 2006 - New facilities were completed and commissioned to allow an expansion of the scale of operations.

September 2006 - Earnings-transferred capital increase occurred at NTD 100,000 thousand and employee bonus-transferred capital increase occurred at NTD 1,360 thousand, with a cumulative paid-up capital size of NTD 301,360 thousand.

June 2007 - Earnings-transferred capital increase occurred at NTD 120,544 thousand and employee bonus-transferred capital increase occurred at NTD 6,695 thousand, with a cumulative paid-up capital size of NTD 428,599 thousand.

June 2007 - The manufacturing facilities of the second-tier subsidiary Shanghai Vei Sheng Auto Parts Manufacturing Co., Ltd were completed.

September 2007 - Public offering of shares was approved by the Financial Supervisory Commission.

October 2007 - Won the Sixteenth “National Award of Outstanding SMEs” of the Ministry of Economic Affairs.

November 2007 - Traded at Taipei Exchange as emerging stock.

March 2008 - Obtained the ROC patent for “programmable universal TPMS and method”

October 2008 - Earnings-transferred capital increase occurred at NTD 12,858 thousand and employee bonus-transferred capital increase occurred at NTD 9,990 thousand, with a cumulative paid-up capital size of NTD 451,447 thousand.

March 2009 - Capital increase in cash occurred at NTD 39,000 thousand, with a cumulative paid-up capital size of NTD 490,447 thousand.

March 2009 - Traded at Taipei Exchange as listed stock.

August 2010 - Earnings-transferred capital increase occurred at NTD 63,803 thousand and capital reserve-transferred capital increase occurred at NTD 45,750 thousand, with a cumulative paid-up capital size of NTD 600,000 thousand.

November 2010 - Traded at Taiwan Stock Exchange.

May 2012 - Employee share subscription warrant-transferred capital increase occurred at NTD 3,475 thousand, with a cumulative paid-up capital size of NTD 603,475 thousand.

September 2012 - Employee share subscription warrant-transferred capital increase occurred at NTD 265 thousand, with a cumulative paid-up capital size of NTD 603,740 thousand.

December 2012 - Employee share subscription warrant-transferred capital increase occurred at NTD 1,607.5 thousand, with a cumulative paid-up capital size of NTD 605,347.5 thousand.

March 2013 - Employee share subscription warrant-transferred capital increase occurred at NTD 542.5 thousand, with a cumulative paid-up capital size of NTD 605,890 thousand.

December 2013 - Employee share subscription warrant-transferred capital increase occurred at NTD 3,750 thousand, with a cumulative paid-up capital size of NTD 609,640 thousand.

March 2014 - Convertible corporate bond-transferred capital increase occurred at NTD 3,918 thousand, with a cumulative paid-up capital size of NTD 613,558 thousand.

August 2014 - Earnings-transferred capital increase occurred at NTD 92,033 thousand and convertible corporate bond-transferred capital increase occurred at NTD 10,453 thousand, with a cumulative paid-up capital size of NTD 716,045 thousand.

December 2014 - Employee share subscription warrant-transferred capital increase occurred at NTD 157 thousand and convertible corporate bond-transferred capital increase occurred at NTD 1,335 thousand,

with a cumulative paid-up capital size of NTD 717,537 thousand

March 2015 - Convertible corporate bond-transferred capital increase occurred at NTD 6,504 thousand, with a cumulative paid-up capital size of NTD 724,042 thousand.

August 2015 - Convertible corporate bond-transferred capital increase occurred at NTD 662 thousand, with a cumulative paid-up capital size of NTD 724,704 thousand.

October 2015 - Earnings-transferred capital increase occurred at NTD 108,606 thousand, with a cumulative paid-up capital size of NTD 833,310 thousand.

November 2015 - Convertible corporate bond-transferred capital increase occurred at NTD 157 thousand, with a cumulative paid-up capital size of NTD 833,468 thousand.

February 2016 - Obtained 51.28% of the shares of Harbinger Technology Corporation.

March 2016 - Convertible corporate bond-transferred capital increase occurred at NTD 777 thousand, with a cumulative paid-up capital size of NTD 834,245 thousand.

May 2016 - Convertible corporate bond-transferred capital increase occurred at NTD 2,186 thousand, with a cumulative paid-up capital size of NTD 836,431 thousand.

May 2016 - “Universal tire pressure monitor and set-up tool” won the Taiwan Excellence Award.

July 2016 - Obtained 53.75% of the shares of the subsidiary CUBTEK INC.

October 2016 - Earnings-transferred capital increase occurred at NTD 83,424 thousand, with a cumulative paid-up capital size of NTD 919,855 thousand.

April 2017 - Cub Group’s BSD passed the international certifying body TUV NORD testing to become the first in the auto industry across the Taiwan Strait to be approved through ISO 17387 testing.

May 2017 - Won the Fourth Taiwan Mittelstand Award.

August 2017 - CUB Group’s forward collision warning system (FCWS) realized through 77Ghz millimeter radar technology passed the international certifying body TUV NORD testing to become the first in the auto industry across the Taiwan Strait to be approved by ISO 15623 and Mainland China GB/T33577testing.

October 2017 - Earnings-transferred capital increase occurred at NTD 91,985 thousand, with a cumulative paid-up capital size of NTD 1,011,840 thousand.

November 2017 - Took part in the capital increase in cash of the subsidiary CUBTEK INC and acquired cumulatively 56.89% of its shares.

May 2018 - Convertible corporate bond-transferred capital increase occurred at NTD 3,553 thousand, with a cumulative paid-up capital size of NTD 1,015,393 thousand.

July 2018 - Earnings-transferred capital increase occurred at NTD 131,539 thousand, with a cumulative paid-up capital size of NTD 1,146,932 thousand.

August 2018 - Convertible corporate bond-transferred capital increase occurred at NTD 456 thousand, with a cumulative paid-up capital size of NTD 1,147,388 thousand.

November 2018 - Convertible corporate bond-transferred capital increase occurred at NTD 2,018 thousand, with a cumulative paid-up capital size of NTD 1,149,406 thousand.

May 2019 - Convertible corporate bond-transferred capital increase occurred at NTD 2,289 thousand, with a cumulative paid-up capital size of NTD 1,151,695 thousand.

July 2019 - Convertible corporate bond-transferred capital increase occurred at NTD 18,933 thousand, with a cumulative paid-up capital size of NTD 1,170,628 thousand.

July 2019 - Earnings-transferred capital increase occurred at NTD 57,585 thousand, with a cumulative paid-up capital size of NTD 1,228,212 thousand.

August 2020 - Cancellation of treasury stock-triggered capital reduction occurred at NTD 33,610 thousand and earnings-transferred capital increase occurred at NTD 24,564 thousand, with a cumulative paid-up capital size of NTD 1,219,166thousand

September 2020 - Took part in the capital increase in cash of the subsidiary Harbinger Technology Corporation and acquired cumulatively 68.86% of its shares.

March 2021 - Gave up the right to take part in the capital increase in cash of the subsidiary CUBTEK INC and acquired cumulatively 44.61% of its shares.

March 2016 - Obtained 59.63% of the shares of 3S System Technology Inc.

October 2021 - Took part in the capital increase in cash of the subsidiary Harbinger Technology Corporation and acquired cumulatively 76.72% of its shares.

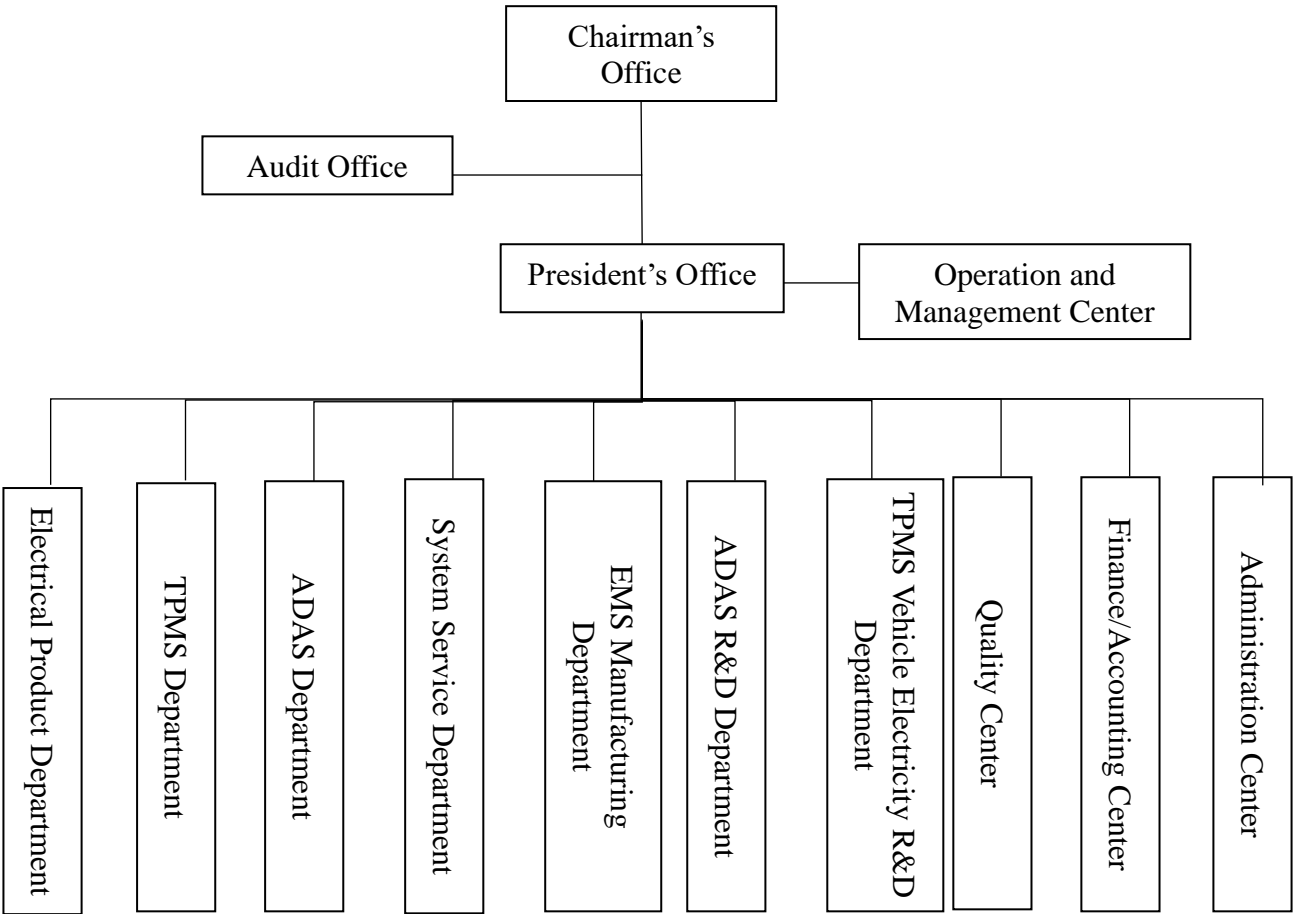
February 2022 - Took part in the capital increase in cash of the subsidiary 3S System Technology

Inc. and acquired cumulatively 73.75% of its shares.

Three. Corporate Governance Report

I. Organizational System

(I) Organizational Structure



(II) Major Departments and Their Scope of Operation

Department		Responsibilities
Audit Office		<ol style="list-style-type: none"> 1. Promotes, prepares, adds, revises, and enforces internal control and the internal control system. 2. Evaluates respective existing systems, regulations/guidelines, plans, and policies and how they are enforced and provides advice on their improvement. 3. Plans, enforces, re-reviews, improves, follows up on, and files online self-inspections. 4. Handles matters included in the Internal Control Declaration and files online. 5. Performs audits periodically based on the defined inspection cycle, prepares the Audit Report upon completion of each inspection, and encloses related documents to show the discovered deficiencies and advice on corrections and continues to follow up on the correction. 6. Periodically reports audit operations to the Audit Committee and appears in the Board of Directors' meeting to give a presentation. 7. Other Matters
President's Office	Operation and Management Center	<ol style="list-style-type: none"> 1. Helps the President define operational strategies, set business goals, and control operational efficiency. 2. Centrally takes care of the preparation, discussion, amendment, and optimization of related policies of the Group. 3. Keeps track of the operational overview and is responsible for compiling and sorting out reported data on operations. 4. Engages in cross-departmental communications and integrates and coordinates resources. 5. Is familiar with the Company Act and applicable regulations and regulatory requirements on intellectual property rights and responsible for communicating information about regulatory requirements and updated regulatory information internally to take appropriate action. 6. Audits if there are operating standards available at respective units in order to evaluate the economic and valid nature of resources such as manpower, equipment, and materials used and whether or not to analyze causes and take corrective actions for low staff efficiency and equipment and materials with a low use rate. 7. Periodically inspects the corporate website and updates the managerial and organizational charts. 8. Assigns tasks and follows up on their implementation status.

Department	Responsibilities
Quality Center	<ol style="list-style-type: none"> 1. Keeps the quality system functioning normally and evaluates, plans, and introduces management systems related to the auto industry. 2. Manages and reviews quality goals and quality systems. 3. Matches and integrates internal/external, customer, and process audits relevant to quality systems. 4. Communicates standards/regulatory information relevant to the quality management system and products and promotes/fulfills standards/regulatory requirements for products. 5. Enforces the quality improvement mechanism and quality improvement activities. 6. Plans and implements educational trainings on ideas about quality or quality-related regulations. 7. Manages procedural documents.
System Service Department	<ol style="list-style-type: none"> 1. Integrates subsidiary development and design products. 2. Integrates projects of subsidiaries or produces/manufactures products. 3. Integrates and plans innovative products reflective of the developmental direction of the Company.
TPMS Department	<ol style="list-style-type: none"> 1. Introduces the Annual Sales Plan of tire pressure monitor-related products, plans and implements global sales strategies, and discusses and revises monthly sales. 2. Represents customers internally and make their demand known while taking responsibilities in bringing back information about trends on the market and customer demand externally and sharing it with related units to improve the competitive advantages of the Company. 3. The scope of operation covers contacting and exploring customers (OES/AM), contacting existing customers, and completing visits, conclusion of related contracts, sample sending, order taking, shipment arrangement, management of quality issues, business talks, and payment collection.
Electrical Product Department	<ol style="list-style-type: none"> 1. Prepares products expected to be sold, the Business Plan, and customers to be visited for the year. 2. Addresses issues encountered in contacting customers and evaluates the credit of customers. 3. Evaluates market information and findings through the new product development survey and provides advice. 4. Addresses customer complaints. 5. Arranges domestic and international shipments. 6. Collects loans and handles commissions. 7. Collects information about competition. 8. Implements, plans, and integrates corporate management strategies and enforces tasks assigned. 9. Prepares the annual product strategies for the development and manufacturing of electrical products, the annual budget, and KPI. 10. Plans required product specifications, creates traceability,

Department	Responsibilities
	<p>and creates the experience-sharing platform.</p> <ol style="list-style-type: none"> 11. Develops electrical products, manages product schedules, and provides technical support. 12. Reviews and supports the implementation of manufacturing-related plans. 13. Implements and reviews quality activities and screens and reviews suppliers. 14. The scope of operation covers the development and manufacturing-related matters at the Electrical Product Department.
ADAS Department	<ol style="list-style-type: none"> 1. Promotes global deployment of business operations for the Group. 2. Plans and implements sales strategies of the Group and manages, operates, and integrates connections available throughout the industry. 3. Plans, sets, and integrates annual sales goals. 4. Plans and implements corporate operational strategies. 5. Plans and manages corporate web pages. 6. Is the main contact window for customers and responsible for addressing customers' needs.
EMS Manufacturing Department	<ol style="list-style-type: none"> 1. Plans tasks concerning TPMS and ADAS manufacture, operation, and management and enforces, supervises, reflects upon, improves, and implements strategies covered in the annual policy. 2. Centrally assigns tasks for the TPMS and ADAS Procurement Department, Materials Department, Production Department, Engineering Department, and the development of mechanisms and the job duties. 3. Manages the manufacturing, transfer, and mass production of new TPMS and ADAS products and develops processes for new products. 4. Forecasts TPMS and ADAS sales, manages product shipments, and improves quality of existing products. 5. Implements and advances automated production, plans overall throughput of the whole plant, and plans tasks concerning the deployment of new lines. 6. Coordinates production and distribution, analyzes and controls cost, supervises and reflects upon the inventory, and makes corrections. 7. Integrates, allocates, and plans EMS resources throughout the Group.
ADAS R&D Department	<ol style="list-style-type: none"> 1. Develops ADAS and millimeter wave radar-related and derivative systems reflective of the Company's strategy. 2. Designs novel parts and accessories for new energy-driven vehicles. 3. Designs the various mechanical and electrical softwares and hardwares derived from contracts. Researches and develops forward-looking technologies. 4. Integrates and plans ADAS product development strategies reflective of the Company's goals. 5. Plans and develops the ADAS product line.

Department		Responsibilities
		<ol style="list-style-type: none"> 6. Manages schedules and procedures for developing ADAS projects and enforces them and manages changes made to product designs. 7. ADAS product testing/qualification, technical service, and after-sales service, and follows up on and resolves technical issues encountered by global customers in the use of ADAS. 8. Assigns tasks in the development of ADAS mechanisms and job duties.
TPMS Vehicle Electricity R&D Department		<ol style="list-style-type: none"> 1. Integrates and plans TPMS and automotive electronics-related product development strategies reflective of the Company's goals. 2. Centrally assigns tasks and job duties for systems, softwares, hardwares, and mechanisms developed for products. 3. TPMS OE sensor new protocol-related developments (including the OBD) and maintains the support coverage for meters used in different types of vehicles. 4. Enhances the design specifications for antennas. 5. Carbody communications engineering analysis and application. 6. Manages and enforces schedules and procedures for the development of TPMS products and automotive electronics-related projects and manages changes to product designs. 7. TPMS and automotive electronics product-related testing/qualification, technical service, and follows up on and resolves technical issues encountered by global customers in the use of the products. 8. Changes the design for product alternatives and cost down. 9. Researches and develops derivative new technologies, such as micro-power generation systems, machine learning, and imaging technology. 10. TPMS development projects to support the demand on the China market.
Administration Center	Information Technology Management Department	<ol style="list-style-type: none"> 1. Prepares IT strategies and plans reflective of the Group's operational and developmental strategies and meet the management demand. 2. Maintains and manages the internal information management system inside the Group. 3. Plans and composes programs needed for various information management systems and their reports. 4. Plans and enforces internal information security policies. 5. Builds and improves IT infrastructures. 6. Maintains and manages IT computer softwares, hardwares, and networks.

Department		Responsibilities
	Human Resources Department	<ol style="list-style-type: none"> 1. Organizes, plans, and configures appropriate manpower reflective of the strategic developments of the Company. 2. Creates thorough personnel management regulations and systems and promotes, manages, controls, and reviews them to ensure successful implementation. 3. Creates a compliant and conforming workplace and serves as the contact window for labor inspections according to labor laws and regulations. 4. Promotes corporate culture and boosts corporate morale. 5. Facilitates communications with employers and employees to ensure harmonious labor-management relations. 6. The scope of operation covers recruitment, hiring, compensation and benefits, performance evaluation, training and development, promotion, discipline, and employee relations, etc.

Department		Responsibilities
	Labor Safety Management Department	<p>Labor Safety</p> <ol style="list-style-type: none"> 1. Plans and manages operations at the Labor Safety Management Department 2. Prepares departmental development strategies 3. Plans for construction and remodeling projects 4. Prepares and implements the Occupational Safety and Health Management Plan and enforces it. 5. Plans ISO 45001 implementation and environmental health and safety projects and gets certified. 6. Sets annual goals, plans, and budget appropriation. 7. Manages waste and changes made to the waste clearance proposal 8. Files environmental protection and occupational hazards. 9. Safety and health educational trainings and inspections 10. Identifies matters subject to environmental protection and occupational security laws and regulations. 11. Inspects dangerous machinery and equipment and troubleshoots. 12. Facilitates internal cross-departmental communications and internal/external audits. 13. Evaluates work safety and risk and defines risk control items. 14. Evaluates the planning, utilization, and management of mechanical safety equipment and investigates safety incidents. 15. Prepares countermeasures to be taken for workplace test findings. 16. Takes care of field support and emergency response of the plant. 17. Centrally organizes workplace monitoring operations and holds the Safety Committee meeting. 18. Classifies and manages chemicals. 19. Manages spontaneous inspections. 20. Files fire prevention-oriented repairs and inspections and related checkpoints and energy inspections. 21. Manages contractor access and constructions. 22. Copes with external competent authorities. 23. Other tasks assigned.

Department		Responsibilities
	Labor Safety Management Department	<p>General Affairs</p> <ol style="list-style-type: none"> 1. Manages dormitory personnel. 2. Manages factory surveillance systems. 3. Manages access control systems. 4. Purchases equipment and signs contracts. 5. Receives customers at the lobby counter and manages conference rooms and telephone extensions. 6. Handles income from the solar power generation systems, vending machines, and subsidiaries and manages per diem, etc. 7. Manages various seals and fixed assets. 8. Takes care of insurance coverage for the plant and business travels. 9. Manages gardening throughout the plant (including Yu's House) and general purchases. 10. Communicates, coordinates with and supervises caterers and centrally orders meals for staff. 11. Handles factory-wide affairs, sending, receiving, and dispatching of mails, and collectibles and payables for uniforms and other fixed assets. 12. Manages outsourced security staff and gateway of the plant. 13. Manages company vehicles and access by staff and vehicles. 14. Cleans and sorts out the internal and external surroundings (including Yu's house) throughout the factory and the restaurant. 15. Takes care of waste throughout the factory. 16. Maintains and cares for public landscape and equipment. 17. Other tasks assigned.

	<p style="text-align: center;">Labor Safety Management Department</p> <p>Factory Affairs</p> <ol style="list-style-type: none"> 1. Monitors the project-based constructions/monitors the construction of water/electricity/air-conditioning/air compression/firefighting systems, supervises and manages their repairs and remodeling, coordinates construction service providers, and manages related constructions. 2. Operates/maintains factory affairs facilities and systems and cares/checks water, electricity, air-conditioning, or air compression systems and secondary constructions. 3. Repairs, services, maintains, cares, and manages public equipment and facilities throughout the factory. 4. Monitors and manages contractors and constructions. 5. Manages sporadic repairs throughout the factory and repairs of the Yu's House. 6. Manages the general engineering outsourcing process. 7. Makes corrections and provides repairs to project-based constructions. 8. Monitors the progress and accepts public constructions. 9. Manages dormitory equipment and repairs. 10. Purchases repair materials and supports general purchases. 11. Handles Welfare Committee-related affairs. 12. Handles matters concerning labor representatives and labor-management meetings. 13. Manages building and engineering draws throughout the factory. 14. Handles and supports environmental health matters throughout the factory. 15. Manages water and electricity consumption throughout the factory. 16. Takes care of emergency response. 17. Sets up and files fire prevention management staffing throughout the factory. 18. Copes with external competent authorities. 19. Other tasks assigned.
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	Labor Safety Management Department	<p>Factory Health Nurse</p> <ol style="list-style-type: none"> 1. Implements the four major plans under the Occupational Safety and Health Act: ergonomic hazard prevention plan, abnormal workload prevention plan, in-service unlawful infringement prevention plan, and maternity protection plan. 2. Implements and enforces the labor health service plan, health checkup, and health management plan, and adaptive work plans for middle-to-hold aged and old-aged people. 3. Collects information for the disease prevention and response plan and updates and revises the plan. 4. Has physicians to provide service on site. 5. Manages the Health Care Room and the Nursery Room and provides health education 6. Manages first-aid kits throughout the factory and purchases them.
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	Labor Safety Management Department	<p>Others</p> <ol style="list-style-type: none"> 1. Plans constructions and remodeling of factories. 2. Assists in organizing shareholders' meetings and Board of Directors meetings. 3. Supports visits by foreign guests. 4. Organizes and plans year-end or spring celebrations. 5. Inspects the factory for deficiencies, if any. 6. Maintains and manages company construction data. 7. Prepares for the ghost festival and resumption of business. 8. Other tasks assigned.
Financial/ Accounting Center	Finance Department	<ol style="list-style-type: none"> 1. Fund-raising, allocation, and utilization and benefit analysis. 2. Cashier income/expenditure, financing, and reviews external guarantees and lending of funds. 3. Capital market fund-raising and long or short-term wealth management investments. 4. Financial institution interaction, funds allocation, and funds differential analysis 5. Delinquent payment collection and credit control. 6. Subsidiary financial management and analysis. 7. Operational analysis. 8. Collects data and plans and implements investments. 9. Plans financial procedures and reviews documents. 10. Stock affairs-related matters. 11. Controls annual budget and prepares the budget table.
	Accounting Department	<ol style="list-style-type: none"> 1. Manages financial statements and certificates and generates vouchers. 2. Generates and manages accounting books. 3. Plans, carries over, and analyzes cost. 4. Creates, evaluates, and enforces the accounting system. 5. Prepares and analyzes financial statements and budget for the decision-making unit to manage and define the policy. 6. Prepares consolidated statements and notes. 7. Plans and files various taxes. 8. Periodically announces or files financial standings. 9. Organizes and manages service operations. 10. Reviews the legitimacy of fees assigned to specific accounting entries. 11. Numbers and reviews fixed assets. 12. Integrates financial data and statements of the SAP system. 13. Provides the statement showing historical accounting entries of respective departments for the specific department's reference while deciding the budget.

II. Profile of Directors, Supervisors, President, Vice President, Assistant Vice President, and Heads of Various Departments and Branches

(I) Directors and Supervisors

1. Profile of Directors and Supervisors

1. Profile of Directors and Supervisors

March 28, 2022

Unit: Share: %

Job Title (Note 1)	Name	Gender/Age	Nationality or registered domicile	Initial date of inauguration (Note 2)	Date elected	Term of office	Shares held upon inauguration		Current shareholding		Shares currently held by the spouse and minor child(ren)		Shares held in someone else's name		Major Experience/Education (Note 3)	Position held in the Company and any other company at present	Other department heads, directors, or supervisors who are the spouse or a relative within the second degree of kinship			Remarks (Note 4)
							Share(s)	Shareholding percentage	Share(s)	Shareholding percentage	Share(s)	Shareholding percentage	Share(s)	Shareholding percentage			Position	Name	Relationship	
Chairman	Jun Chang Investment Co., Ltd.	-	Republic of China	06/28/2006	4/17/2019	3 years	14,522,645	11.91	-	-	14,522,645	11.91	0	-	-	-	-	-	-	The Company mainly deals with the development of new products and expansion of the market. To take the preemptive opportunity, decision-making and implementation have to take place ahead of others for greater efficacy of the Company. As such, a majority of the directors are not also the Company's employees or managers.
	Representative: Yu San-Chuan	Male 65~70	Republic of China	06/28/2006	4/17/2019	3 years	8,053,631	6.61	6,569,783	5.39	8,053,631	6.61	0	-	Fuxing Junior High School - Chairman of CUB ELECPARTS INC.	Chairman of Jun Chang Investment Co., Ltd., Director of Jun Rui Investment Co., Ltd., Chairman of Shanghai Vei Sheng Auto Parts Manufacturing Co., Ltd., Director of Silver Cub Inc., Director of Golden Cub Inc., Director of Royal Cub Inc., Director of Ever Cub Inc., Chairman of ITM Engine Components, Inc., Chairman and President of ITM AUTOPARTS INTERNATIONAL INC.	Representative of Corporate Director of Junbiaorui	Huang Shu-Yuan	Spouse	

Job Title (Note 1)	Name	Gender/Age	Nationality or registered domicile	Initial date of inauguration (Note 2)	Date elected	Term of office	Shares held upon inauguration		Current shareholding		Shares currently held by the spouse and minor child(ren)		Shares held in someone else's name		Major Experience/Education (Note 3)	Position held in the Company and any other company at present	Other department heads, directors, or supervisors who are the spouse or a relative within the second degree of kinship			Remarks (Note 4)
							Share(s)	Shareholding percentage	Share(s)	Shareholding percentage	Share(s)	Shareholding percentage	Share(s)	Shareholding percentage			Position	Name	Relationship	
Director	Jun Rui Investment Co., Ltd.	-	Republic of China	10/23/2007	4/17/2019	3 years	13,739,638	11.27	-	-	13,739,638	11.27	0	-	-	-	-	-	-	-
	Representative of Corporate Director: Huang Shu-Yuan	Female 55~60	Republic of China	10/23/2007	4/17/2019	3 years	6,569,783	5.39	8,053,631	6.61	6,569,783	5.39	0	-	Department of Business English, Mingchuan University Special Assistant, President's Office, CUB ELECPARTS INC.	Chairman of Jun Rui Investment Co., Ltd., Director of Jun Chang Investment Co., Ltd., Director of Shanghai Vei Sheng Auto Parts Manufacturing Co., Ltd, Director of ITM AUTOPARTS INTERNATIONAL INC.	Chairman and President	Yu San-Chuan	Spouse	-
Independent director	Chen, Kuang-Lung	Male 60~65	Republic of China	11/28/2008	4/17/2019	3 years	35,279	0.03	37,775	0.03	0	-	0	-	College of Law, National Taiwan University Judge at Taichung District Court	Attorney at Mingyang Law Firm President of Chen, Kuang-Lung Law Firm	-	-	-	-
Independent director	Chang, Chuan-Li	Male 70~75	Republic of China	4/17/2019	4/17/2019	3 years	4,259	-	8,000	0.01	0	-	0	-	Department of Justice, College of Law, National Taiwan University Completed training at the Academy for the Judiciary Prosecutor at the Prosecutors Office of Taiwan Taichung District Court Judge at District Courts in Taichung, Hsinchu, Taoyuan, Banqiao, and Taipei Judge/Presiding Judge at the Criminal Court, Taiwan High Court	Independent Director of Yuanta Securities Co., Ltd. Independent Director of AMIDA Technology, Inc.	-	-	-	-
Independent director	Chang, Kung-Pi	Male 60~65	Republic of China	4/17/2019	4/17/2019	3 years	0	-	0	-	0	-	0	-	Master of Administration, National Chiayi University	Independent Director of LUXE ELECTRIC CO., LTD.	-	-	-	-
															Sales Vice President (Assistant Vice President), Corporation Department of EnTrust Securities President of Sunny Securities Director/President of Taichung Bank Securities Director/President of AC&C	Independent Director of Yeashin Construction Co., Ltd. Supervisor of Corporate Representative of POWERTECH INDUSTRIAL CO., LTD.				

Job Title (Note 1)	Name	Gender/Age	Nationality or registered domicile	Initial date of inauguration (Note 2)	Date elected	Term of office	Shares held upon inauguration		Current shareholding		Shares currently held by the spouse and minor child(ren)		Shares held in someone else's name		Major Experience/Education (Note 3)	Position held in the Company and any other company at present	Other department heads, directors, or supervisors who are the spouse or a relative within the second degree of kinship			Remarks (Note 4)
							Share(s)	Shareholding percentage	Share(s)	Shareholding percentage	Share(s)	Shareholding percentage	Share(s)	Shareholding percentage			Position	Name	Relationship	
															INTERNATIONAL CO., LTD. (6631) Sales Vice President (Senior Assistant Vice President), Operation Department, Mega Securities					
Director	Hsieh, Hsiu-Chi	Female 65~70	Republic of China	6/17/2013	4/17/2019	3 years	0	-	0	-	0	-	0	-	EMBA, National Hsing Chung University Chairman of DEPO AUTO PARTS IND. CO., LTD.	Director of Director, DEPO AUTO PARTS IND. CO., LTD. (Kunshan), Director of Mingyu Investment Co., Ltd., Supervisor of Mingzheng Investment Co., Ltd., Supervisor of Zhang Ging Investment Co., Ltd., Director of Maxzone Vehicle Lighting, Director of Depo Transportation Device (Kunshan) Limited, Director of Jiangsu Chenyang Traffic Equipment Limited Company, Director of Depo Transportation Device (Hefei) Limited, Supervisor of Depo Transportation Device (Danyang) Limited, Supervisor of Ningpo Depo Transportation Device Limited.	-	-	-	-
Director	Chang, Tzu-Hsiung	Male 65~70	Republic of China	10/23/2007	4/17/2019	3 years	0	-	0	-	0	-	0	-	Department of Mechanical Engineering, Ming Technical Commercial Vocational School of LANDWIN ELECTRONIC CORPORATION; President of Hu Lane Electronics (Shezhen)	Chairman of Hu Lane Associate Inc., Chairman of Hu Lane Electronics (Shenzhen) Limited, Chairman of Hu Lane Electronics (Nanjing) Limited, President of Hu Lane Electronics (Shenzhen) Limited, Director of Shanghai Shenyu Electric Wire Co., Ltd., Director of Chongqing Chang'an Automobile Electric Appliance Co., Ltd., Director of Pt. Delta Hulane Pacific, Person in Charge of Full Loyal International Co., Ltd., Person in Charge of Evervalue Investments	-	-	-	-

Job Title (Note 1)	Name	Gender/Ag e	Nationalit y or registered domicile	Initial date of inauguratio n (Note 2)	Date elected	Term of offic e	Shares held upon inauguration		Current shareholding		Shares currently held by the spouse and minor child(ren)		Shares held in someone else's name		Major Experience/Education (Note 3)	Position held in the Company and any other company at present	Other department heads, directors, or supervisors who are the spouse or a relative within the second degree of kinship			Remarks (Note 4)
							Share(s)	Shareholdin g percentage	Share(s)	Shareholdin g percentage	Share(s)	Shareholdin g percentage	Share(s)	Shareholdin g percentage			Position	Name	Relationshi p	
																Limited, Person in Charge of Telford Investments Limited, Representative of Corporate Shareholder of Joy Treasure Investments Limited.				

Note 1: For corporate shareholders, names of corporate shareholders and representatives shall be listed separately (for a representative of a corporate shareholder, the name of the corporate shareholder shall be specified) and Table 1 below shall be completed.

Note 2: For the duration as director or supervisor of the Company for the first time, any disruption shall be noted and specified.

Note 3: Experience relevant to the current position. The title and the duties shall be specified for any position held during the said period in the CPA firm or any of its affiliates.

Note 4: When the chairman and president or someone charged with equivalent responsibilities (the highest-ranking manager) are the same person, are each other's spouse, or are relatives of the first degree of kinship, the reason, legitimacy, necessity, and countermeasures shall be stated (such as addition of independent directors and with a majority of directors who are not also employees or managers).

2. Major shareholders of corporate shareholders

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Name of corporate shareholder (Note 1)	Major shareholders of corporate shareholder (Note 2)	Shareholding ratio
Jyun Chang Investment Co., Ltd.	Yu San-Chuan	50%
	Yu Yu-Shih	50%
Jyun Ruei Investment Co., Ltd.	Yu Jie Investment Co., Ltd.	100%

Note 1: When the director/supervisor is a corporate shareholder, the name of the said corporate shareholders shall be provided.

Note 2: The names of major shareholders (those with a holding ratio among Top 10) and their holding ratios shall be provided. If their major shareholders are also corporations, the following table shall be completed, too.

Note 3: When a corporate shareholder is not a corporation/an organization, the names and holding ratios of the shareholders indicated in the foregoing whose information shall be disclosed will be the name and the funding ratio or donation ratio of the funder or donor.

3. Corporate shareholders whose major shareholders are also corporate shareholders

March 28, 2022

Name of corporation (Note 1)	Major shareholders of corporation (Note 2)	Shareholding ratio
Yu Jie Investment Co., Ltd.	San Eagle Co., Ltd.	100%

Note 1: If a major shareholder shown in the table above is a corporation, the name of the corporation shall be provided.

Note 2: The names of major shareholders (those with a holding ratio among Top 10) and their holding ratios shall be provided.

Note 3: When a corporate shareholder is not a corporation/an organization, the names and holding ratios of the shareholders indicated in the foregoing whose information shall be disclosed will be the name and the funding ratio or donation ratio of the funder or donor.

4. Professionalism and Independence of Directors:

① Professionalism and Independence of Directors/Supervisors

Qualification Name	Professionalism and experience (Note 1)	Fulfillment of independence (Note 2)	Number of other public offering companies serving as independent directors
Jun Chang Investment Co., Ltd. Representative: Yu San-Chuan	Chairman of CUB ELECPARTS INC. None of the conditions indicated under Article 30 of the Company Act	—	—
Jun Rui Investment Co., Ltd. Representative: Huang, Shu-Yuan	Department of Business English, Mingchuan University Special Assistant, President's Office, CUB ELECPARTS INC. None of the conditions indicated under Article 30 of the Company Act	—	—
Chang, Tzu-Hsiung	Department of Mechanical Engineering, Kai Ming Senior Technical and Commercial Vocational School; Chairman of Landwin Electronic Corporation; President of Hu Lane Electronics (Shezhen) None of the conditions indicated under Article 30 of the Company Act	—	—
Hsieh, Hsiu-Chi	EMBA, National Chung Hsing University Chairman of Depo Auto Parts Ind. Co., Ltd. None of the conditions indicated under Article 30 of the Company Act	—	—

Chen, Kuang-Lung (Independent director)	College of Law, National Taiwan University Judge at Taichung District Court	Fulfilled	0
Chang, Kung-Pi (Independent director)	Master of Administration, National Chiayi University Sales Vice President (Assistant Vice President), Corporation Department of Entrust Securities President of Sunny Securities Director/President of Taichung Bank Securities Director/President of AC&C INTERNATIONAL CO., LTD. (6631) Sales Vice President (Senior Assistant Vice President), Operation Department, Mega Securities None of the conditions indicated under Article 30 of the Company Act	Fulfilled	2
Chang, Chuan-Li (Independent director)	Department of Justice, College of Law, National Taiwan University Completed training at the Academy for the Judiciary Prosecutor at the Prosecutors Office of Taiwan Taichung District Court Judge at District Courts in Taichung, Hsinchu, Taoyuan, Banqiao, and Taipei Judge/Presiding Judge at the Criminal Court, Taiwan High Court None of the conditions indicated under Article 30 of the Company Act	Fulfilled	2

② Diversification and Independence of Board of Directors

A. Diversification of Board of Directors:

Diversification Core item	Nationality	Gender	Operational judgment	Accounting and finance	Operation and management	Crisis management	Industrial knowledge	International market views	Leadership and decision-making
Name of director									
Representative of Jun Chang Investment Co., Ltd.: Yu San-Chuan	Republic of China	Male	V	V	V	V	V	V	V

Representative of Corporate Director of Jun Rui Investment Co., Ltd.: Huang Shu-Yuan	Republic of China	Female	V	V	V		V	V	
Chang, Tzu-Hsiung	Republic of China	Male	V	V	V	V	V	V	V
Hsieh, Hsiu-Chi	Republic of China	Female	V	V	V	V	V	V	V
Chen, Kuang-Lung	Republic of China	Male	V			V	V	V	
Chang, Chuan-Li	Republic of China	Male	V			V	V	V	
Chang, Kung-Pi	Republic of China	Male	V	V	V		V	V	

Directors who are also employees of the Company account for 0% of all directors; independent directors account for 43% of all directors and females 29% in the Company. One of the independent directors has served for the Company for more than 9 years and 2 around 3 years. Four directors are 58 to 60 years old and 3 are 65 to 73 years old.

The Company cares about gender equality in the composition of its Board of Directors and the members' specialty in accounting and finance. The ratio of female directors remains above the target, which is 20%, and that of independent directors above 40%.

B. Independence of Board of Directors:

There are three independent directors and they account for 42.85% of all directors. The Board of Directors is independent and is free of the conditions indicated in Article 26-3 Paragraphs 3 and 4 of the Securities and Exchange Act. The independent directors are not each other's spouse or relative within the second degree of kinship.

Note 1: Professionalism and experience: Specify the professionalism and experience of individual directors and supervisors. For those who are Audit Committee members with accounting or financial expertise, for example, the accounting or financial background and work experience shall be specified. Meanwhile, presence or not of the conditions under Article 30 of the Company Act shall be indicated.

Note 2: For independent directors, the status of independence shall be specified, including, without limitation, whether or not the independent director himself/herself, his/her spouse, or a relative within the second degree of kinship is serving as the director, supervisor of, or working for the Company or any of its affiliates, the number and weight of shares the independent director himself/herself, his/her spouse, or a relative within the second degree of kinship holds, whether or not the independent director himself/herself, his/her spouse, or a relative within the second degree of kinship is serving as the director, supervisor of, or working for a company in a specific relationship with the Company (refer to the requirements in Article 3 Paragraph 1 Sub-paragraphs 5-8 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies, and the amount of rewards received for corporate commerce, legal affairs, financial affairs, and accounting services provided over the past two years to the Company or any of its affiliates.

(II) Profile of President, Vice President, Assistant Vice President, and Heads of Respective Departments and Branches

March 28, 2022

Unit: Share: %

Position	Name	Gender	Nationality	Date inaugurated	Shareholding		Shares currently held by the spouse and minor child(ren)		Shares held in someone else’s name		Major experience/education	Position held in any other company at present	Manager who is the spouse or a relative within the second degree of kinship			Remarks (Note 3)
					Share(s)	Shareholding percentage	Share(s)	Shareholding percentage	Share(s)	Shareholding percentage			Position	Name	Relationship	
Chairman and President	Yu San-Chuan	Male	Republic of China	11/01/2011	8,053,631	6.61	6,569,783	5.39%	0	0	Fuxing Junior High School Chairman of the Company	Chairman of Jun Chang Investment Co., Ltd., Director of Jun Rui Investment Co., Ltd., Chairman of Shanghai Vei Sheng Auto Parts Manufacturing Co., Ltd, Director of Silver Cub Inc., Director of Golden Cub Inc., Director of Royal Cub Inc., Director of Ever Cub Inc. Chairman of ITM Engine Components, Inc., Chairman and President of ITM AUTOPARTS INTERNATIONAL INC.	-	-	-	The Company mainly deals with the development of new products and expansion of the market. To take the preemptive opportunity, decision-making and implementation must take place ahead of others for greater efficacy of the Company. As such, most of the directors are not also the Company’s employees or managers.
Vice President-equivalent Special Assistant, Operation and Management Center	Lai Tung-Po	Male	Republic of China	7/17/2017	0	0	0	0	0	0	Master of Business Operation, Tatung University Vice President, Underwriting Department, First Securities Inc.		-	-	-	-
President of Shanghai Vei Sheng Auto Parts Manufacturing Co., Ltd	Lin Tung-Feng	Male	Republic of China	10/18/2010	0	0	0	0	0	0	Graduate Institute of Chemical Engineering, National Tsing Hua University Associate Manager, SBR Project Department, Universal Scientific Industrial Co., Ltd.	-	-	-	-	-
Executive Vice President	Hung Yuan-Tung	Male	Republic of China	03/01//2022	8	—	—	—	—	—	Graduate Institute of High-molecular Materials, National Taiwan University of Science and Technology Vice President of CUB ELECPARTS INC. President of Shanghai Vei Sheng Auto Parts Manufacturing Co., Ltd		-	-	-	-
Vice President	Lin Kun-Sheng	Male	Republic of China	03/01//2022	0	0	0	0	0	0	EMBA, Tunghai University Vice President of P-Duke Technology Co., Ltd. Program Design Manager of Retail System Co., Ltd.		-	-	-	-
Special Assistant at the Chairman’s Office, Director at the Products Management Department	Chi, Ya-Ling	Female	Republic of China	09/01/2015	0	0	0	0	0	0	Department of Information Technology Management, Chaoyang University of Technology Manager of MiTAC INCORPORATED Senior Manager of ISCOM ONLINE INTERNATIONAL INFORMATION INC.		-	-	-	-
Director at Operation Department 1	Ho Meng-Yu	Male	Republic of China	8/16/2017	0	0	0	0	0	0	Department of Business Administration, Chaoyang University of Technology Director at the Operation Department, CUBTEK INC. Senior Manager, Auto Integration Business		-	-	-	-

Position	Name	Gender	Nationality	Date inaugurated	Shareholding		Shares currently held by the spouse and minor child(ren)		Shares held in someone else’s name		Major experience/education	Position held in any other company at present	Manager who is the spouse or a relative within the second degree of kinship			Remarks (Note 3)
					Share(s)	Shareholding percentage	Share(s)	Shareholding percentage	Share(s)	Shareholding percentage			Position	Name	Relationship	
											Group of Hon Hai Precision					
Director of Operation Department 2	Wu Hsiao-Wei	Female	Republic of China	04/01/2021	0	0	0	0	0	0	UT Dallas-MBA Marketing Sales Manager of LSD Window Orange, MITAC INTERNATIONAL CORPORATION		-	-	-	-
Director, EMS Manufacturing Department and Electrical Parts Manufacturing Department	Lin, yu-shun	Male	Republic of China	08/01/2018	0	0	0	0	0	0	Department of Mechanical Engineering, Chienkuo Technology University R&D Manager, CUBTEK INC. R&D Manager, CUB ELECPARTS INC. Senior Section Head, MORETEK Biomechatronics CO., LTD.		-	-	-	-
Vice Director, R&D Department	Wei Chuan-Chi	Male	Republic of China	10/01/2019	0	0	0			0	Graduate Institute of Electrical and Mechanical Engineering, National Tsing Hua University Manager, R&D Department, AUTOLAND SCIENTECH CO., LTD. Section Head, X100 Division, Information and Communications Research Laboratories, ITRI		-	-	-	-
Senior Director, Institution Department	Pump, Kuo	Male	Republic of China	04/01/2021	0	0	0	0	0	0	Graduate Institute of Mechanical Engineering, National Sun Yat-Sen University Vice President of Product Engineering, Sunspring Assistant Vice President of R&D Design, Keyarrow (Taiwan) Co., Ltd. Director, New Business Development Department, Jabil Green Point		-	-	-	-
Quality Center Manager	Huang Ya-Chuan	Female	Republic of China	04/01/2021	0	0	0	0	0	0	Polytechnic University-MS in Management Manager of Product Management, Green Point Precision Components Co., Ltd. Information Consultant, Academia Sinica Computing Center		-	-	-	-
Chief Financial Officer, Finance/Accounting Center	Lee, Kuei-Tsung	Male	Republic of China	09/14/2020	0	0	0	0	0	0	Graduate Institute of Technology Management, Chung Hua University Special Assistant, Chairman’s Office, Niko Semiconductor Co., Ltd. Chief Financial Officer, SINOX COMPANY LTD. Senior Manager, Accounting Department of ADATA Technology Co., LTD.		-	-	-	-
Manager, Accounting Department	Liu Wan-Hua	Female	Republic of China	11/18/2011	103	0.00	0	0	0	0	Department of Business, National Open University Associate Manager of Finance of the Company Section Head of Finance of the Company	-	-	-	-	-
Head of Audit	Yang Ying-Miao	Female	Republic of China	11/09//2021	0	0	0	0	0	0	Master, Graduate Institute of Accounting and Public Finance, Feng Chia University Auditor, Deloitte Taiwan Auditor, Etron Technology, Inc. Internal Control Manager, Pou Chen Group Assistant Manager, President’s Office, Pou Chen Group	-	-	-	-	-

Position	Name	Gender	Nationality	Date inaugurated	Shareholding		Shares currently held by the spouse and minor child(ren)		Shares held in someone else’s name		Major experience/education	Position held in any other company at present	Manager who is the spouse or a relative within the second degree of kinship			Remarks (Note 3)
					Share(s)	Shareholding percentage	Share(s)	Shareholding percentage	Share(s)	Shareholding percentage			Position	Name	Relationship	
Manager, Information Technology Management Department	Ray Hsieh	Male	Republic of China	04/20/2020	0	0	0	0	0	0	University of Massachusetts Computer Science Manager, Tymphany Acoustic Technology Limited Manager, TES Touch Embedded Solutions Inc.	-	-	-	-	-
Senior Manager, Human Resources Department and Labor Safety Management Department	Gillian	Female	Republic of China	09/16/2019	0	0	0	0	0	0	Graduate Institute of Administration, Tunghai University Professional Manager, China Petrochemical Development Corporation (CPDC) Manager of Human Resources, Amkor Technology Manager of Human Resources, Innolux Corporation					-

Note 1: It shall include the profile of the President, Vice President, Assistant Vice President, and heads of respective departments and branches; that of any one holding a position equivalent to President, Vice President, or Assistant Vice President, regardless of the title, shall be disclosed, too.

Note 2: Experience relevant to the current position. The title and the duties shall be specified for any position held during the said period in the CPA firm or any of its affiliates.

Note 3: When the President or someone charged with equivalent responsibilities (the highest-ranking manager) and the chairman of the Company are the same person, are each other's spouse, or are relatives of the first degree of kinship, the reason, legitimacy, necessity, and countermeasures (such as the increase in the number of independent directors and a majority of the directors who are not employees or managers, for example) shall be stated.

(III) Remuneration Paid to General Directors and Independent Directors, President, and Vice President over the Past Year

1. Remuneration paid to general directors and independent directors in 2022

(1) Remuneration to directors (including independent directors) (overview and range, with disclosure of the names)

Unit: In thousands of NTD

Position	Name	Remuneration to directors								Ratio of the sum of A, B, C, and D to net profit after tax (Note 10)		Related remuneration to those who are also employees						Ratio of the sum of A, B, C, D, E, F, and G to net profit after tax (Note 10)		Compensation Paid to Directors from the Parent Company or an Invested Company Other than the Company's Subsidiary (Note 11)
		Reward (A) (Note 2)		Retirement and pension (B)		Remuneration for directors (C) (Note 3)		Operational expenditure (D) (Note 4)				Salary, bonus, and special expenditure (E) (Note 5)		Retirement and pension (F)		Remuneration to employees (G) (Note 6)				
		The Company	All companies include	The Company	All companies included in the	The Company	All companies include	The Company	All companies include			The Company	All companies include	The Company	All companies include	The Company	All companies included in the financial statement (Note 7)			

			d in the financi al state ments (Note 7)		financial statement (Note 7)		d in the financi al state ment (Note 7)		d in the financi al state ment (Note 7)		in the financial statement (Note 7)		d in the financi al state ment (Note 7)		in the financial statement (Note 7)	Cash value	Amount in Stock	Cash value	Amount in Stock		in the financial statemen t (Note 7)	
Chairman	Jun Chang Investment Co., Ltd. Representative: Yu San-Chuan	0	0	0-	0	4,098	4,098	80	80	0.81%	0.81%	1,555	1,555	0	0	0-	0	0-	0	1.11%	1.11%	0
Director	Jun Rui Investment Co., Ltd. Representative: Huang Shu-Yuan																					
Director	Hsieh Hsiu-Chi																					
Director	Chang Tzu-Hsiung	0	0	0-	0	2,400	2,400	60	60	0.46%	0.46%	0	0	0	0	0-	0	0-	0	0.48%	0.48%	0
Independe nt director	Chang Chuan-Li																					
Independe nt director	Chen, Kuang-Lung																					
Independe nt director	Chang Kung-Pi																					

1. Please describe the payment policy, system, criteria, and structure of remuneration for independent directors and the association between factors such as responsibilities assigned, risks, and time spent, among others, and the value of the rewards paid:

Article 5 of the Company's "Scope of Responsibilities and Rules for Independent Directors" stipulates that the compensation and fees to independent directors are paid according to Article 25 of the Articles of Incorporation. Also, considering the duties, risks, and time devoted of independent directors, besides the additional transportation reimbursement for them to attend functional committee meetings, remuneration no less than 1% and no greater than 5% shall be set aside and paid to directors/supervisors according to Clause 28 of the Articles of Incorporation should there be profits (that is, the interest before tax and before the remuneration to employees and that to directors and supervisors are subtracted). It is to be paid reflective of the involvement of independent directors in corporate operation and their contribution following evaluation and discussions by the Compensation and Remuneration Committee and then a decision made by the Board of Directors.

2. Besides those disclosed in the above table, remuneration paid to directors in the most recent year for having provided services to all companies covered in the financial statement (such as working as a consultant who is not an employee): None.

Remuneration bracket table

Bracket by which remuneration is paid to individual directors of the Company	Name of director			
	Sum of the first four types of remuneration (A+B+C+D)		Sum of the first seven types of remuneration (A+B+C+D+E+F+G)	
	The Company (Note 8)	All companies included in the financial statement (Note 9) H	The Company (Note 8)	All companies included in the financial statement (Note 9) I
Below \$1,000,000.00	Chen, Kuang-Lung, Chang Chuan-Li, Chang Kung-Pi, Hsieh Hsiu-Chi, Chang Tzu-Hsiung, Representative Huang Shu-Yuan of Jun Rui Investment Co., Ltd.	Chen, Kuang-Lung, Chang Chuan-Li, Chang Kung-Pi, Hsieh Hsiu-Chi, Chang Tzu-Hsiung, Representative Huang Shu-Yuan of Jun Rui Investment Co., Ltd.	Chen, Kuang-Lung, Chang Chuan-Li, Chang Kung-Pi, Hsieh Hsiu-Chi, Chang Tzu-Hsiung, Representative Huang Shu-Yuan of Jun Rui Investment Co., Ltd.	Chen, Kuang-Lung, Chang Chuan-Li, Chang Kung-Pi, Hsieh Hsiu-Chi, Chang Tzu-Hsiung, Representative Huang Shu-Yuan of Jun Rui Investment Co., Ltd.
\$1,000,000.00 (inclusive) ~ \$2,000,000.00 (exclusive)	-	-	-	-
\$2,000,000.00 (inclusive) ~ \$3,500,000.00 (exclusive)	Representative Yu San-Chuan of Jun Chang Investment Co., Ltd.	Representative Yu San-Chuan of Jun Chang Investment Co., Ltd.	Representative Yu San-Chuan of Jun Chang Investment Co., Ltd.	Representative Yu San-Chuan of Jun Chang Investment Co., Ltd.
\$3,500,000.00 (inclusive) ~ \$5,000,000.00 (exclusive)	-	-	-	-
\$5,000,000.00 (inclusive) ~ \$10,000,000.00 (exclusive)	-	-	-	-
\$10,000,000.00 (inclusive) ~ \$15,000,000.00 (exclusive)	-	-	-	-
\$15,000,000.00 (inclusive) ~ \$30,000,000.00 (exclusive)	-	-	-	-
\$30,000,000.00 (inclusive) ~ \$50,000,000.00 (exclusive)				
\$50,000,000.00 (inclusive) ~ \$100,000,000.00 (exclusive)				
Over NTD 100,000,000	-	-	-	-

Total	7	7	7	7
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Note 1: Names of directors shall be listed separately (both the name of the institution and its representative shall be listed for an institutional shareholder) and general and independent directors shall be listed separately and individual payments made shall be summarized and disclosed accordingly. If a director is also the President or the Vice President, this table and Table (3-1) below or Tables (3-2-1) and (3-2-2) below shall be completed.

Note 2: Remuneration to directors for the past year (including salaries for directors, differential pays, severance pays, various types of bonuses, and rewards, etc.)

Note 3: The remuneration to directors assigned as approved by the Board of Directors from the most recent year.

Note 4: Related operational expenditure incurred by directors in the most recent year (including transportation, special expenditure, various allowances, dormitory, and company cars, among other supplies in kind) When houses, automobiles, and other transportation tools or expenses that are specific to individuals are provided, the nature and cost of the assets provided, the actual or market-value-based rental, the cost of gasoline, and other payments shall be disclosed. If a driver is assigned, too, please also indicate in the note related compensation payable by the Company to the driver, which, however, is not included as part of the remuneration.

Note 5: The salaries for directors, differential pays, severance pays, various types of bonuses, rewards, transportation, special expenditure, various allowances, dormitory, and company cars, among other supplies in kind, among others to directors who are also employees in the most recent year (including the President, Vice President, other managers, and employees). When houses, automobiles, and other transportation tools or expenses that are specific to individuals are provided, the nature and cost of the assets provided, the actual or market-value-based rental, the cost of gasoline, and other payments shall be disclosed. If a driver is assigned, too, please also indicate in the note related compensation payable by the Company to the driver, which, however, is not included as part of the remuneration. In addition, the value of compensation recognized according to IFR2 "share-based payment", including employee stock option certificate, restricted employee shares, and shares subscribed upon increased capital in cash, shall be included in the calculation of remuneration, too.

Note 6: For directors who are also employees in the most recent year (including the President, Vice President, other managers, and employees), to receive employee rewards (including stock and cash), the value of employee rewards assigned as approved by the Board of Directors from the most recent year shall be disclosed. If it is impossible to estimate the value, the value that intends to be assigned this year shall be calculated proportionally according to the actual value distributed last year and Table 1-3 shall be completed, too.

Note 7: The total value of various types of remuneration paid to the Company's directors by all companies (including the Company) in the consolidated statement shall be disclosed.

Note 8: For the total value of various remuneration paid to each director by the Company, disclose the name of the director in the respective bracket.

Note 9: The total value of various types of remuneration paid to each of the Company's directors by all companies (including the Company) in the consolidated statement shall be disclosed; the name of the director shall be disclosed in the bracket he/she belongs.

Note 10: Net profit after tax refers to that in the most recent year. When the International Financial Reporting Standard is already adopted, net profit after tax refers to that shown in the individual financial statement over the past year.

Note 11: a. For this field, the value of related remuneration from re-invested businesses other than the subsidiaries or the parent company that the Company's directors received shall be specified. (If none, indicate "N/A".)

b. If the Company's directors received related remuneration from re-invested businesses other than the subsidiaries or the parent company, such remunerations shall be consolidated in Field I of the bracket table and the field name shall be changed to "parent company and all re-invested businesses."

c. Remuneration is the compensation, rewards (including employees, directors, and supervisors), and payments from performing duties at work received by the Company's directors for serving as director, supervisor, or manager in a re-invested business other than the subsidiaries or the parent company.

* The remuneration disclosed herein differs from the idea of income as indicated in the Income Tax Act. Therefore, this table is meant for information disclosure only, not for taxation.

(2) Remuneration to supervisors (overview and range, with disclosure of the names)

Unit: In thousands of NTD

Position	Name (Note 1)	Remuneration to supervisors						Ratio of the sum of A, B and C to net profit after tax (Note 8)		Compensation Paid to Directors from the Parent Company or an Invested Company Other than the Company's Subsidiary (Note 9)
		Reward (A) (Note 2)		Remuneration (B) (Note 3)		Operational expenditure (C) (Note 4)				
		The Company	All companies included in the financial statement (Note 5)	The Company	All companies included in the financial statement (Note 5)	The Company	All companies included in the financial statement (Note 5)	The Company	All companies included in the financial statement (Note 5)	

The Company established its Audit Committee in 2019 and hence there is no remuneration to supervisors.	-	-	-	-	-	-	-	-	None
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Remuneration bracket table

Bracket by which remuneration is paid to individual supervisors of the Company	Name of supervisor	
	Sum of the first three types of remuneration (A+B+C)	
	The Company (Note 6)	All companies included in the financial statement (Note 7) D
Below \$1,000,000.00	-	-
\$1,000,000.00 (inclusive) ~ \$2,000,000.00 (exclusive)	-	-
\$2,000,000.00 (inclusive) ~ \$3,500,000.00 (exclusive)	-	-
\$3,500,000.00 (inclusive) ~ \$5,000,000.00 (exclusive)	-	-
\$5,000,000.00 (inclusive) ~ \$10,000,000.00 (exclusive)	-	-
\$10,000,000.00 (inclusive) ~ \$15,000,000.00 (exclusive)	-	-
\$15,000,000.00 (inclusive) ~ \$30,000,000.00 (exclusive)		
\$30,000,000.00 (inclusive) ~ \$50,000,000.00 (exclusive)		
\$50,000,000.00 (inclusive) ~ \$100,000,000.00 (exclusive)	-	-
Over NTD 100,000,000	-	-
Total	0	0

Note 1: Names of supervisors shall be listed separately (both the name of the institution and its representative shall be listed for an institutional shareholder) and individual payments made shall be summarized and disclosed accordingly.

Note 2: Remuneration to supervisors over the past year (including salaries for directors, differential pays, severance pays, various types of bonuses, and rewards, etc.)

Note 3: The remuneration to supervisors assigned as approved by the Board of Directors over the past year.

Note 4: Related operational expenditure paid to supervisors over the past year (including transportation, special expenditure, various allowances, dormitory, and company cars, among other supplies in kind) When houses, automobiles, and other transportation tools or expenses that are specific to individuals are provided, the nature and cost of the assets provided, the actual or market-value-based rental, the cost of gasoline, and other payments shall be disclosed. If a driver is assigned, too, please also indicate in the note related compensation payable by the Company to the driver, which, however, is not included as part of the remuneration.

Note 5: The total value of various types of remuneration paid to the Company's supervisors by all companies (including the Company) in the consolidated statement shall be disclosed.

Note 6: For the total value of various types of remuneration paid to each supervisor by the Company, disclose the name of the supervisor in the respective bracket.

Note 7: The total value of various types of remuneration paid to each of the Company's supervisors by all companies (including the Company) in the consolidated statement shall be disclosed; the name of the supervisor shall be disclosed in the bracket he/she belongs.

Note 8: Net profit after tax refers to that in the most recent year. When the International Financial Reporting Standard is already adopted, net profit after tax refers to that shown in the individual financial statement over the past year.

Note 9:

- a. For this field, the value of related remuneration from re-invested businesses other than the subsidiaries or the parent company that the Company's supervisor received shall be specified. (If none, indicate "N/A".)
 - b. If the Company's supervisors received related remuneration from re-invested businesses other than the subsidiaries or the parent company, such remunerations shall be consolidated in Field D of the bracket table and the field name shall be changed to "parent company and all re-invested businesses."
 - c. Remuneration is the compensation, rewards (including employees, directors, and supervisors), and payments from performing duties at work received by the Company's supervisors for serving as director, supervisor, or manager in a re-invested business other than the subsidiaries or the parent company.
- * The remuneration disclosed herein differs from the idea of income as indicated in the Income Tax Act. Therefore, this table is meant for information disclosure only, not for taxation.

2. Remuneration to the President and Vice President in 2021:

(1) Remuneration to the President and Vice President (overview and range, with disclosure of the names)

Unit: In thousands of NTD

Position	Name	Salary (A) (Note 2)		Retirement and pension (B)		Prize and special expenditure, etc. (C) (Note 3)		Employee remuneration (D)(Note 4)				Ratio of the sum of A, B, C, and D to net profit after tax (%) (Note 8)		Compensation Paid to Directors from the Parent Company or an Invested Company Other than the Company's Subsidiary (Note 9)
		The Company	All companies included in the financial statement (Note 5)	The Company	All companies included in the financial statement (Note 5)	The Company	All companies included in the financial statement (Note 5)	The Company		All companies included in the financial statement (Note 5)		The Company	All companies included in the financial statement (Note 5)	
								Cash value	Amount in Stock	Cash value	Amount in Stock			
President	Yu San-Chuan	6,628	14,601	215	458	966	3,902	0	0	0	0	3.19%	7.75%	0
President of Subsidiary	Lin Tung-Feng													
President of Subsidiary	Chen Jing-Ming													
President of Subsidiary	Lee Cai-Rong													
President of Subsidiary	Lee Cheng-Hung													
Vice President of Subsidiary	Huang Kuo-Shou													
Vice President of Subsidiary	Chen Hsin-Lun													
Senior Vice President of Subsidiary	Chung Shih-Chung													

* Regardless of the title, any position equivalent to President, Vice President (such as President, Chief Executive Officer, Executive Director, etc.) should be disclosed.

Remuneration bracket table

Bracket by which remuneration is paid to individual President and Vice Presidents of the Company	Name of President and Vice President	
	The Company (Note 6)	All companies included in the financial statement (Note 7) E.
Below \$1,000,000.00	—	—
\$1,000,000.00 (inclusive) ~ \$2,000,000.00 (exclusive)	Yu San-Chuan	Yu San-Chuan
\$2,000,000.00 (inclusive) ~ \$3,500,000.00 (exclusive)	Lin Tung-Feng	Chung Shih-Chung, Lee Cheng-Hung, Lin Tung-Feng, Huang Kuo-Shou, Chen Hsin-Lun, Lee Cai-Rong
\$3,500,000.00 (inclusive) ~ \$5,000,000.00 (exclusive)	—	—
\$5,000,000.00 (inclusive) ~ \$10,000,000.00 (exclusive)	—	Chen Jing-Ming
\$10,000,000.00 (inclusive) ~ \$15,000,000.00 (exclusive)	—	—
\$15,000,000.00 (inclusive) ~ \$30,000,000.00 (exclusive)	-	-
\$30,000,000.00 (inclusive) ~ \$50,000,000.00 (exclusive)	-	-
\$50,000,000.00 (inclusive) ~ \$100,000,000.00 (exclusive)	-	-
Over NTD 100,000,000	-	-
Total	6	6

Note 1: Names of the President and Vice President shall be listed separately and individual payments made shall be summarized and disclosed accordingly. If a director is also the President or Vice President, this table and Tables (1-1) and (1-2-1) and (1-2-2) above should be completed.

Note 2: The salaries, differential pays, and severance pays of the President and the Vice President over the past year shall be provided.

Note 3: Various types of bonuses, rewards, transportation, special expenditure, various allowances, dormitory, and company cars, among other supplies in kind paid to the President and Vice President over the past year and other rewards shall be provided. When houses, automobiles, and other transportation tools or expenses that are specific to individuals are provided, the nature and cost of the assets provided, the actual or market-value-based rental, the cost of gasoline, and other payments shall be disclosed. If a driver is assigned, too, please also indicate in the note related compensation payable by the Company to the driver, which, however, is not included as part of the remuneration. In addition, the value of compensation recognized according to IFR2 “share-based payment”, including employee stock option certificate, restricted employee shares, and shares subscribed upon increased capital in cash, shall be included in the calculation of remuneration, too.

Note 4: Employee remuneration (including stock and cash) distributed to the President and Vice President through the Board of Directors in recent years. If it is impossible to estimate the value planned to be distributed this year, follow the actual value distributed last year and calculate proportionally and Exhibit 1-3 shall be completed, too. After-tax net profit refers to that in the most recent year. When the International Financial Reporting Standard is already adopted, after-tax net profit refers to that shown in the individual financial statement of the most recent year.

Note 5: The total value of various types of remuneration paid to the Company's President and Vice President by all companies (including the Company) in the consolidated statement shall be disclosed.

Note 6: For the total value of various types of remuneration paid to each president and vice president by the Company, disclose the name of the president and vice president in the respective bracket.

Note 7: The total value of various types of remuneration paid to each of the Company's president and vice president by all companies (including the Company) in the consolidated statement shall be disclosed; the name of the president and vice president shall be disclosed in the bracket he/she belongs.

Note 8: Net profit after tax refers to that in the most recent year. When the International Financial Reporting Standard is already adopted, net profit after tax refers to that shown in the individual financial statement over the past year.

Note 9:

- a. For this field, the value of related remuneration from re-invested businesses other than the subsidiaries or the parent company that the Company's president and vice president received shall be specified. (If none, indicate "N/A").
 - b. If the Company's president and vice president received related remuneration from re-invested businesses other than the subsidiaries or the parent company, such remuneration shall be consolidated in Field E of the bracket table and the field name shall be changed to "parent company and all re-invested businesses."
 - c. Remuneration is the compensation, rewards (including employees, directors, and supervisors), and payments from performing duties at work received by the Company's President and Vice President for serving as director, supervisor, or manager in a re-invested business other than the subsidiaries or the parent company.
- * The remuneration disclosed herein differs from the idea of income as indicated in the Income Tax Act. Therefore, this table is meant for information disclosure only, not for taxation.

(2) Names of managers assigned with employee remuneration and the distribution in 2021:

Unit: NTD thousand; March 31, 2022

	Job Title (Note 1)	Name (Note 1)	Amount in Stock (Note 2)	Amount in Cash (Note 2)	Total (Note 2)	Ratio of sum to net profit after tax (%)
Manager (Note 3)	President	Yu San-Chuan	0	54	54	0.01%
	Vice President of Shanghai Vei Sheng Auto Parts Manufacturing Co., Ltd	Lin Tung-Feng				
	Chief Financial Officer and also Head of Finance, Finance/Accounting Center	Lee, Kuei-Tsung				
	Manager, Accounting Department	Liu Wan-Hua				

Note 1: Individual names and titles shall be disclosed yet the the profits were distributed may be summarized.

Note 2: Employee remuneration (in stock and in cash) distributed to managers as approved by the Board of Directors over the past year. If it is impossible to estimate the value, the value that intends to be assigned this year shall be calculated proportionally according to the actual value distributed last year. Net profit after tax refers to that in the most recent year. When the International Financial Reporting Standard is already adopted, net profit after tax refers to that shown in the individual financial statement over the past year.

Note 3: The scope of application for managers is based on the Taiwan Finance Certificate III No. 0920001301 letter dated March 27, 2003. It is as follows:

- (1) President and equivalent
- (2) Vice President and equivalent
- (3) Assistant Vice President and equivalent
- (4) Head of Finance Department
- (5) Head of Accounting Department
- (6) Other people entitled to manage affairs and sign on behalf of the Company

Note 4: If directors, the President, and the Vice President receive the remuneration to employees (in stock and in cash), besides Exhibit 1-2, this table shall be completed as well.

(VI) Compare and describe separately the analysis of ratios of the total remuneration paid to directors, supervisors, the President, and the Vice President of the Company by the Company and all companies in the consolidated statement to net profit after tax as shown in the entity's or the stand-alone financial statement over the past two years and describe correlation among the remuneration payment policy, standards and combination, remuneration establishment procedures, and management efficacy and risks in the future.

1. Analysis of ratios of total remunerations paid to directors supervisors, the President, and the Vice President of the Company to net profit after tax as shown in the entity's or the stand-alone financial statement over the past two years:

Unit: In thousands of NTD, %

Position	2021				2020			
	Total remuneration		Ratio of sum to net profit after-tax (%)		Total remuneration		Ratio of sum to net profit after-tax (%)	
	The Company	All companies included in the consolidated	The Company	All companies included	The Company	All companies included in the consolidated	The Company	All companies included in

		statement		in the consolidat ed statement		statement		the consolidated statement
Director	8,193	8,193	1.58	1.58	4,842	4,842	1.98	1.98
Supervis or (Note 1)	-	-	-	-	-	-	-	-
President and Vice President	13,356	35,817	2.58	7.34	7,809	18,961	3.19	7.75

Note: The remuneration indicated above includes transportation, rewards, compensation from distribution of earnings, bonuses, and other payments.

Note 1: The Company established its Audit Committee in 2019 and hence there is no remuneration to supervisors.

2. Remuneration payment policy, criteria, and combination:

(1) Director

The remuneration to directors includes transportation, operational expenditure, and compensation from distribution of earnings. The rewards available to the directors are based on the Articles of Incorporation and the Board of Directors is authorized to define them reflective of the involvement of directors in corporate operations and their contribution as well as the industrial criteria. The distribution criteria follow the Articles of Incorporation and are to be presented in the shareholders' meeting once they are brought forth to and approved by the Board of Directors.

(2) President and Vice President

The remuneration to the President and the Vice President includes salary and employee bonus, among others. The salary criteria are based on their contribution to the Company and reflective of the industrial criteria. For the remuneration to employees distributed in stock (treasury stock or new shares issued) or cash, it may include the employees of an affiliate meeting certain level of duty and performance requirements. The criteria are be presented in the shareholders' meeting once they are brought forth to and approved by the Board of Directors.

3. Procedure for deciding the remuneration:

The remuneration to directors and that to managers need to be set by the Compensation and Remuneration Committee and be approved by the Board of Directors before they are processed.

4. Correlation with operational performance:

(1) Directors: The ratio of distribution for the remuneration to directors is based on the requirements in Clause 28 of the Articles of Incorporation. After the cumulative deficits are offset with the profit before tax for the current year, no less than 1% and no greater than 5% shall be set aside to be the remuneration to directors and the Company's operational goals, financial standings, and duties of the directors shall be sufficiently considered reflective of the Board of Directors Performance Evaluation Guidelines and the performance evaluation outcome.

(2) Managers: The ratio of distribution for the remuneration to managers is based on the requirements in Clause 28-1 of the Articles of Incorporation. After the cumulative deficits are offset with the profit before tax, no less than 2% and no greater than 8% shall be set aside to be the remuneration. The remuneration to managers includes the salary and the bonus. The salary takes into account the industrial criteria and other factors such as level of duty, education/experience, professionalism, and job

responsibilities. The bonus, on the other hand, is provided after the performance of each manager is considered; the amount is calculated and reasonably assigned after financial indicators (such as the fulfillment of operating gross profit) and non-financial indicators (such as corporate strategic goals and departmental goals and other special contributions) are considered as a whole. Meanwhile, performance evaluation items and the remuneration system are to be reflected upon adequately according to the actual operational conditions and applicable laws and regulations from time to time.

5. Correlation with future risks:

Important decisions are made by the management of the Company after respective risk factors are weighed. The efficacy of these important decisions is reflected in the Company's profitability and has to do with the compensation and remuneration of the management; in other words, the compensation and remuneration of the Company's directors, Chairman, President, and Vice President have to do with the efficacy in the control of risks in the future.

III. Status of Corporate Governance

(1) Operational Status of the Board of Directors

The Board of Directors met a total of 8 times (A) over the past year (2021) and the attendance is given below:

Attendance and seated rates of directors are as follows: Start and end dates of the term in office of directors and supervisors of the 13th intake: April 17, 2019 through April 16, 2022.

December 31, 2021

Position	Name (Note 1)	Actual attendance (seated) frequency B	Attendance by proxy	Actual attendance (seated) rate (%) (B/A) (Note 2)	Remarks
Chairman	Jun Chang Investment Co., Ltd.	8	0	100%	Term in office extended upon re-election on April 17, 2019.
	Representative: Yu San-Chuan				
Director	Jun Rui Investment Co., Ltd.	8	0	100%	Term in office extended upon re-election on April 17, 2019.
	Representative: Huang Shu-Yuan				

Director	Chang, Tzu-Hsiung	8	0	100%	Term in office extended upon re-election on April 17, 2019.
Director	Hsieh, Hsiu-Chi	8	0	100%	Term in office extended upon re-election on April 17, 2019.
Independent director	Chen, Kuang-Lung	8	0	100%	Term in office extended upon re-election on April 17, 2019.
Independent director	Chang, Chuan-Li	8	0	100%	Term in office extended upon re-election on April 17, 2019.
Independent director	Chang, Kung-Pi	8	0	100%	Term in office extended upon re-election on April 17, 2019.

Other details to be documented:

- I. For matters listed in Article 14-3 of the Securities Exchange Act and other resolutions reached in Board of Directors' meetings objected to or with reservations expressed by independent directors that are recorded or documented in written statements rectors in a written statement, the date, session No., details of proposals, opinions of all independent directors, and how the Company addressed opinions of independent directors in the Board of Directors' meeting shall be stated:

(I) Matters specified in Article 14-3 of the Securities and Exchange Act:

Board of directors	Contents of the proposal and subsequent management	Matters specified in Article 14-3 of the Securities and Exchange Act:	Objection or reservation of independent directors	Opinions from independent directors	How the Company addressed opinions from independent directors
First of 2021 03/26//2021	Description of Proposal: Intended acquisition of 2,500 thousand to 4,300 common stock shares of 3S System Technology Inc. in cash and intended acquisition as specific person of 16,000 thousand common stock shares involved in the capital increase in cash of 3S System Technology Inc.; the expected total value of the investment comes to NTD 407 million to NTD 446.6 million. Decision made: The proposals were approved as is by all attending directors consulted by the chairperson.	Yes	No	No	No
First of 2021 03/26//2021	Description of proposal: Intended increase in funds lent to the subsidiary Harbinger Technology Corporation worth NTD 280,000 thousand to meet operational development demand. Decision made: The proposals were approved as is by all attending directors consulted by the chairperson.	Yes	No	No	No
First of 2021 03/26//2021	Description of Proposal: Intended extension of the endorsement/guarantee contract worth NTD 200,000 thousand with the subsidiary Harbinger Technology Corporation. Decision made: The proposals were approved as is by all attending directors consulted by the chairperson.	Yes	No	No	No
Third of 2021 08/12//2021	Description of Proposal: Intended extension of the endorsement/guarantee contract worth NTD 350,000 thousand with the subsidiary Harbinger Technology Corporation; it is	Yes	No	No	No

Board of directors	Contents of the proposal and subsequent management	Matters specified in Article 14-3 of the Securities and Exchange Act:	Objection or reservation of independent directors	Opinions from independent directors	How the Company addressed opinions from independent directors
	brought forth for discussion.				
	Decision made: The proposals were approved as is by all attending directors consulted by the chairperson.				
Third of 2021 08/12//2021	Description of Proposal: Intended addition of the endorsement/guarantee worth NTD 150,000 thousand with the subsidiary 3S System Technology Inc. Decision made: The proposals were approved as is by all attending directors consulted by the chairperson.	Yes	No	No	No
Fifth of 2021 10/01//2021	Description of Proposal: Intended participation in the capital increase in cash of the subsidiary Harbinger Technology Corporation; it is brought forth for discussion. Decision made: The proposals were approved as is by all attending directors consulted by the chairperson.	Yes	No	No	No
Sixth of 2021 11/09//2021	Description of Proposal: Intended extension of the endorsement/guarantee contract worth USD 900 thousand with the subsidiary ITM Engine Components, Inc. Decision made: The proposals were approved as is by all attending directors consulted by the chairperson. Decision made: The proposals were approved as is by all attending directors consulted by the chairperson. Decision made: The proposals were approved as is by all attending directors consulted by the chairperson. Decision made: The proposals were approved as is by all attending directors consulted by the chairperson.	Yes	No	No	No

(II) Besides the foregoing, other resolutions reached in Board of Directors' meetings objected to or with reservations expressed by independent directors that are recorded or documented in written statements of independent directors in a written statement: None.

II. For the enforcement of recusal upon conflicts of interest among directors, the name of the director, details of the proposal, reason for the recusal, and participation in the voting process or not shall be described: None.

III. TWSE/TPEX listed companies shall disclose the evaluation cycle and duration, and scope, approach, and content of the evaluation, among other information, of the reviews performed independently by the Board of Directors or peer reviews and complete the implementation status of Board of Directors reviews in Exhibit 2(1):

(I) Implementation of Board of Directors Evaluations

Evaluation Cycle (Note 1)	Evaluated Period (Note 2)	Scope of Evaluation (Note 3)	Evaluation Method (Note 4)	Highlights of Evaluation (Note 5)
Once a year	The performance of the Board of Directors between January 1, 2021 and December 31, 2021 was evaluated.	It included the review of the performance of the Board of Directors, review of its members (self-review or peer review), and the review of the performance of the functional committee, the Compensation and Remuneration Committee.	The evaluation was done independently.	<p>(I) All members of the Board of Directors independently completed the “Self-evaluation Questionnaire for the Performance of Board of Directors” that covered five major domains, namely: 1. Involvement in corporate operations. 2. Improved decision-making quality of the Board of Directors. 3. Composition and structure of Board of Directors. 4. Election of its directors and continuing education for them. 5. Internal control; 45 items in total.</p> <p>(II) All members of the Board of Directors independently completed the “Self-evaluation Questionnaire for Members of the Board of Directors (Self-evaluation or Peer-evaluation)” that covered six major domains, namely : 1. Keeping track of corporate goals and missions. 2. Awareness of the duties as a director. 3. Involvement in corporate operations. 4. Management of internal relations and communication. 5. Director's professionalism and continuing education. 6. Internal control; 23 items in total.</p> <p>(III) The “Self-evaluation Questionnaire for the Performance of Functional Committee - Compensation and Remuneration Committee” was completed by the convener of the functional committee and covered five major domains, namely: 1. Involvement in corporate operations. 2. Awareness of the duties of functional committees. 3. Decision-making quality of functional committees. 4. Composition and election of members of functional committees. 5. Internal control; 26 items in total.</p> <p>The Company finished filing the Board of Directors’ performance evaluation findings by the deadline, March 31, 2022, and the results were prevented during the Board of Directors meeting on March 8, 2022.</p>

Note 1: The cycle by which the Board of Directors evaluation is performed, such as once a year, is to be provided.

Note 2: The period covered in the Board of Directors evaluation is to be provided. Example: The performance of the Board of Directors between January 1, 2019 and December 31, 2019 was evaluated.

Note 3: The scope of evaluation includes the performance evaluations of the Board of Directors, individual directors and the functional committees.

Note 4: The evaluation method includes internal assessment of the Board of Directors, self-assessment of Board members, and outsourced performance evaluations by external professional institutions, experts, or in other appropriate ways.

Note 5: The highlights of evaluation include at least the following according to the scope of evaluation.

- (1) Board of Directors performance evaluation shall at least cover the involvement in corporate operations, decision-making quality of the Board of Directors, the composition and structure of the Board of Directors, the election and continuing education of directors, internal control, etc.
- (2) Individual Board member performance evaluation deals with involvement in the Company's operation, internal relations management and communication, professional and continuing education for directors, internal control, etc.
- (3) Functional committee performance evaluation includes the involvement in the Company's operation, awareness of the duties of the functional committee, decision-making quality of the functional committee, composition of the functional committee and the election of its members, internal control, etc.

IV. Evaluation of the goals to be achieved in the reinforcement of the Board of Directors' function (such as setup of the Audit Committee and improved information transparency) and their implementation for the specific year and over the most recent year: To boost the function of the Board of Directors, the primary goals include continued revisions of effective and appropriate internal control systems, proactive review of corporate management decision-making and operational plans, establishment and maintenance of corporate image and fulfillment of social responsibilities for the sake of enhancing the function of the Board of Directors. The Company has independent directors in place. They all perform duties in compliance with applicable regulatory requirements and the requirements indicated in the Articles of Incorporation. Meanwhile, there is a sound information disclosure system to ensure that shareholders will receive the latest news of the Company for improved information transparency.

Note 1: When a director is a corporation, the name of the corporate shareholder and its representative shall be disclosed.

Note 2: (1) In the event that directors or supervisors resign before the end of a fiscal year, the date of resignation shall be indicated in the remarks field. The ratio of attendance (seated) in person (%) is calculated by the number of Board of Directors meetings held during service and the actual attendance in person.

- (2) In the event that directors or supervisors are re-elected before the end of a fiscal year, both the new and old directors and supervisors shall be listed and whether one is new or old or is serving a second term and the date of the re-election shall be indicated in the remarks field. The ratio of attendance (seated) in person (%) is calculated by the number of Board of Directors meetings held during service and the attendance in person.

(I) Operation of Audit Committee:

The Audit Committee met 7 times (A) in total over the past year and attendance of the members is provided below:

December 31,

2021

Position	Name	Actual attendance (seated)	Attendance by proxy	Actual attendance (seated) rate (%) (B/A) (Note 2)	Remarks
		frequency B	frequency		
Independent director	Chen, Kuang-Lung	7	0	100%	Newly elected on April 17, 2019
Independent director	Chang, Chuan-Li	7	0	100%	Newly elected on April 17, 2019
Independent director	Chang, Kung-Pi	7	0	100%	Newly elected on April 17, 2019

Other details to be documented:

I. When the Audit Committee is found with one of the following conditions, the date of the Audit Committee meeting, session No., details of proposals, adverse opinions, qualified opinions, or major suggestions from independent directors, decisions made by the Audit Committee, and how the Company addressed opinions from the Audit Committee shall be specified.

- (i) Matters specified in Article 14-5 of the Securities and Exchange Act: None
- (ii) Besides those mentioned in the foregoing, other resolutions with approval by two-thirds and more of all directors despite the failure to be approved by the Audit Committee: None

II. For the recusal upon conflicts of interest among independent directors, the name of the independent director, details of the proposal, reason for the recusal, and participation in the voting process or not shall be described: None

III. Communication among the independent directors, the head of internal audit, and the CPAs (important matters communicated, method, and results of the communication over the financial standing and business operation of the Company, etc.).

Assistance periodically provided by the Company in assisting and arranging independent directors to communicate with the internal audit officer and the CPAs:

1. Besides periodically reporting audit operations to the Audit Committee, the audit officer was seated in the Board of Director's meetings to give a presentation on audit operations and reinforced the audit procedure as advised by the members of the Audit Committee.
2. The audit officer submitted the completed Audit Report and the Follow-up Report to the members of the Audit Committee for them to review by the end of the following month. The members of the Audit Committee did not express opposing opinions.
3. The CPAs attended the Board of Directors meeting periodically to give additional information about findings from the audit or review of financial statements for the current quarter and communicated face to face with independent directors each year key matters being audited, highlights of the annual audit to be planned, and the corporate governance presentation. The independent directors gave advice and the plan was prepared. The Company was aware of them and had handled them accordingly.

(III) Corporate Governance Implementation Status and Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed

Companies and Reasons:

Evaluation item	Operational status (Note 1)			Deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Brief Description	
I. Does the Company establish and disclose its corporate governance principles in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies?	✓		<ol style="list-style-type: none"> 1. The Company has the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” in place that are precisely followed. 2. The Company has set up its website (http://www.cubelec.com.tw) where related financial operations and information about corporate governance are sufficiently disclosed. Meanwhile, the information is available on the Market Observation Post System as required by the competent authority for the general public investors’ reference. 	Requirements of the Corporate Governance Best Practice Principles for TWSE/TPEX-Listed Companies are fulfilled.

Evaluation item	Operational status (Note 1)			Deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Brief Description	
II. Shareholding Structure and Shareholder Equity	✓		(I) The Company has spokespersons and acting spokespersons in place to handle shareholder suggestions and disputes, among other issues, and their contact information is provided in the Annual Report and on the Company's website to facilitate shareholders providing their suggestions.	Requirements of the Corporate Governance Best Practice Principles for TWSE/TPEX-Listed Companies are fulfilled.
(I) Does the Company establish internal operating procedures for handling shareholder suggestions, questions, disputes or lawsuits and implement the procedures?	✓		(II) The Company has a professional stock affairs agency to take charge and also specialists internally to handle related matters; a list of major shareholders with actual control over the Company can be kept track of effectively.	
(II) Does the Company have a list of major shareholders that have actual control over the Company and a list of ultimate owners of those major shareholders?	✓		(III) There are the “Regulations for Monitoring Subsidiaries” and the “Regulations for Transactions with Related Parties, Enterprises within the Group, and Specific Companies” for the transactions between the Company and any of its affiliates and auditors are providing supervision periodically.	
(III) Has the Company established and implemented risk management and firewall mechanisms with its affiliates?	✓		(IV) The Company has the Anti-Insider Trading Regulations in place to prevent against trading of securities by insiders taking advantage of information yet to be released on the market.	
(IV) Has the Company established internal rules against insiders trading with undisclosed information?				

Evaluation item	Operational status (Note 1)			Deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons																																																																																
	Yes	No	Brief Description																																																																																	
III. Composition and Responsibilities of the Board of Directors (I) Has the Board of Directors developed diversification policies, substantial management goals and enforced them?	✓		<div>(I) It is specified in Article 20 of the “Corporate Governance Best Practice Principles” that at least five appropriate directors shall be available and the composition of the Board of Directors shall be decided reflective of the operational and developmental scale of the Company and the shareholding status of primary shareholders after practical operational needs are properly weighed. Members of the Board of Directors shall possess the knowledge, skills and attainments needed to perform their duties. In order to fulfill the ideal goals of corporate governance, the Board of Directors as a whole shall be capable of operational judgment, accounting and financial analyses, operation and management, crisis management, industrial knowledge, international market views, and leadership/decision-making. Fulfillment of the diversification policy on the composition of the Board of Directors by individual directors of the 13th intake:</div> <table><tr><th><div>Core items of diversification</div><div>Name of director</div></th><th>Nationality</th><th>Gender</th><th>Operational indulgent</th><th>Accounting and finance</th><th>Operation and management</th><th>Crisis knowledge</th><th>Industrial market</th><th>International</th><th>Leadership and</th></tr><tr><td>Representative of Jun Chang Investment Co., Ltd.: Yu San-Chuan</td><td>Republic of China</td><td>Male</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td></tr><tr><td>Representative of Corporate Director of Jun Rui Investment Co., Ltd.: Huang Shu-Yuan</td><td>Republic of China</td><td>Female</td><td>V</td><td>V</td><td>V</td><td></td><td>V</td><td>V</td><td></td></tr><tr><td>Chang, Tzu-Hsiung</td><td>Republic of China</td><td>Male</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td></tr><tr><td>Hsieh, Hsiu-Chi</td><td>Republic of China</td><td>Female</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td></tr><tr><td>Chen, Kuang-Lung</td><td>Republic of China</td><td>Male</td><td>V</td><td></td><td></td><td>V</td><td>V</td><td>V</td><td></td></tr><tr><td>Chang, Chuan-Li</td><td>Republic of China</td><td>Male</td><td>V</td><td></td><td></td><td>V</td><td>V</td><td>V</td><td></td></tr><tr><td>Chang, Kung-Pi</td><td>Republic of China</td><td>Male</td><td>V</td><td>V</td><td>V</td><td></td><td>V</td><td>V</td><td></td></tr></table>	<div>Core items of diversification</div> <div>Name of director</div>	Nationality	Gender	Operational indulgent	Accounting and finance	Operation and management	Crisis knowledge	Industrial market	International	Leadership and	Representative of Jun Chang Investment Co., Ltd.: Yu San-Chuan	Republic of China	Male	V	V	V	V	V	V	V	Representative of Corporate Director of Jun Rui Investment Co., Ltd.: Huang Shu-Yuan	Republic of China	Female	V	V	V		V	V		Chang, Tzu-Hsiung	Republic of China	Male	V	V	V	V	V	V	V	Hsieh, Hsiu-Chi	Republic of China	Female	V	V	V	V	V	V	V	Chen, Kuang-Lung	Republic of China	Male	V			V	V	V		Chang, Chuan-Li	Republic of China	Male	V			V	V	V		Chang, Kung-Pi	Republic of China	Male	V	V	V		V	V		Some of the requirements of the Corporate Governance Best Practice Principles for TWSE/TPEX-Listed Companies are not fulfilled.
<div>Core items of diversification</div> <div>Name of director</div>	Nationality	Gender	Operational indulgent	Accounting and finance	Operation and management	Crisis knowledge	Industrial market	International	Leadership and																																																																											
Representative of Jun Chang Investment Co., Ltd.: Yu San-Chuan	Republic of China	Male	V	V	V	V	V	V	V																																																																											
Representative of Corporate Director of Jun Rui Investment Co., Ltd.: Huang Shu-Yuan	Republic of China	Female	V	V	V		V	V																																																																												
Chang, Tzu-Hsiung	Republic of China	Male	V	V	V	V	V	V	V																																																																											
Hsieh, Hsiu-Chi	Republic of China	Female	V	V	V	V	V	V	V																																																																											
Chen, Kuang-Lung	Republic of China	Male	V			V	V	V																																																																												
Chang, Chuan-Li	Republic of China	Male	V			V	V	V																																																																												
Chang, Kung-Pi	Republic of China	Male	V	V	V		V	V																																																																												

Evaluation item	Operational status (Note 1)			Deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Brief Description	
<p>(II) Does the Company voluntarily establish other functional committees in addition to the Compensation and Remuneration Committee and the Audit Committee that are established as required by laws?</p> <p>(III) Has the Company established standards and method for evaluating the performance of the Board of Directors, and does the Company implement the performance evaluation periodically and submit results of the performance evaluation to the Board of Directors, and use them for reference while deciding compensation and rewards for individual directors and nominating them for a second term in office?</p> <p>(IV) Does the Company regularly evaluate the independence of CPAs?</p>	✓	✓	<p>Directors who are also employees of the Company account for 0% of all directors; independent directors account for 43% of all directors and females 29% in the Company. One of the independent directors has served for the Company for more than 9 years and 2 around 3 years. Four directors are 58 to 60 years old and 3 are 65 to 73 years old. The Company cares about gender equality in the composition of its Board of Directors and the members' specialty in accounting and finance. The ratio of female directors remains above the target, which is 20%, and that of independent directors above 40%.</p> <p>(II) Besides the Compensation and Remuneration Committee and the Audit Committee that are available now, the Company has three independent directors, the various functional evaluations and reinforcement of the function of the Board of Directors can be fulfilled.</p> <p>(III) The Company already has the Board of Directors Performance Evaluation Guidelines in place, which are followed and enforced.</p> <p>(IV) The CPAs hired are not related to the Company. Before the contract is signed with each CPA each year, the CPA shall present the Independence Declaration. The most recent evaluation performed by the Company was reported to the Audit Committee on March 8, 2022 and to the Board of Directors also on March 8, 2022. The Independence Declaration provided by each CPA is acquired and kept for record, too. The evaluation covered the following:</p> <ol style="list-style-type: none"> 1. Is there any direct or significant indirect financial interest between the CPA and the Company. 2. Is there any financing or guarantee between the CPA and the Company or the directors/supervisors of the Company? 3. Does the CPA consider the possibility of losing customers? 4. Is the CPA in a close business relationship with the Company? 5. Is the CPA in a potential employer-employee relationship with the Company? 6. Does the CPA collect public expenses, if any, concerning the case being audited? 	<p>(II) Deviation and clarification:</p> <p>Except for the Compensation and Remuneration Committee and the Audit Committee, the Company does not have other functional committees in place. Primary members of the Board of Directors are capable for respective functional evaluations and functions and precisely enforce them.</p>

Evaluation item	Operational status (Note 1)			Deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Brief Description	
			<p>7. Is any member of the audit group serving as the Company's director, supervisor, or manager or holding a position with significant impacts on the case being audited or have he/she served the said role or held the said position over the past two years?</p> <p>8. Does the CPA provide non-audit services to the Company that may directly impact the audit?</p> <p>9. Does the CPA promote or broker shares or other securities issued by the Company?</p> <p>10. Has the CPA acted in the defense capacity or acted on behalf of and in the name of the Company in the mediation of disputes between the Company and a third party?</p> <p>11. Is the CPA a relative of the Company's director, supervisor, or manager or someone that can with a significant influence on the case being audited?</p> <p>12. Is a co-practicing CPA that resigned less than a year ago serving as the Company's director, supervisor, manager, or a role with a significant influence on the case being audited?</p> <p>13. Has the CPA accepted an offering or gift of significant value from the Company or the director, supervisor, or manager?</p> <p>14. Is the CPA asked to accept improper choices made about accounting policies or improper disclosure made in financial statements by the management?</p> <p>15. Is pressure exerted on the CPA with reduced public expenses so as to make him/her cut down the expected scope of work to be completed for the audit?</p>	

Evaluation item	Operational status (Note 1)			Deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Brief Description	
IV. For TWSE/TPEX listed companies, is there an exclusive (combined) unit or person for corporate governance to take charge of related matters (including without limitation providing directors and supervisors with materials required for them to carry out their duties at work, helping directors and supervisors follow laws and regulations organizing Board of Directors meeting and shareholders' meetings as required by law, completing Company registration and change registration, and preparing minutes of the Board of Directors meetings and the shareholders' meetings)?	✓		<p>The Company may set up a full-time (part-time) corporate governance unit or specialist to take charge of corporate governance-related affairs and assign a high-ranking officer responsible for the supervision. They shall be qualified attorneys or CPAs or have handled legal affairs, finance, or stock affairs in public offering companies for at least three years.</p> <p>The corporate governance-related affairs mentioned in the preceding paragraph shall cover, at a minimum, the following:</p>	Requirements of the Corporate Governance Best Practice Principles for TWSE/TPEX-Listed Companies are fulfilled.
			<ol style="list-style-type: none"> 1. Company registration and change registration 2. Organizing Board of Directors meetings and shareholders' meetings and assisting the Company in following applicable laws and regulations on Board of Directors meetings and shareholders' meetings. 3. Preparing minutes of the Board of Directors meetings and shareholders' meetings. 4. Providing directors and supervisors with the materials for them to fulfill their duties at work and latest regulatory developments concerning corporation operations to help directors/supervisors follow regulatory requirements. 5. Affairs concerning investor relations. 6. Other matters described or established in the Articles of Incorporation or contracts. 	

Evaluation item	Operational status (Note 1)			Deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Brief Description	
V. Has the Company established channels for the communications with the stakeholders (including but not limited to the shareholders, employees, customers, and suppliers), and the section for the shareholders on the official website of the Company to respond to all concerns of the stakeholders on corporate social responsibility?	✓		The Company has spokespersons and acting spokespersons in place and their contact information is provided in the Annual Report and on the Company's website; shareholders and stakeholders may keep proper communications with the Company by phone or email.	Requirements of the Corporate Governance Best Practice Principles for TWSE/TPEX-Listed Companies are fulfilled.
(VI) Does the Company designate a professional stock affairs agency to deal with affairs relating to shareholders meetings?	✓		The Company authorizes the Registrar of First Securities Inc. to handle matters concerning shareholders' meetings.	Requirements of the Corporate Governance Best Practice Principles for TWSE/TPEX-Listed Companies are fulfilled.
VII. Disclosure of Information (I) Has the company established a corporate website to disclose information regarding its financial, business and corporate governance status?	✓		(I) The Company has set up its website (http://www.cubelec.com.tw) where related financial operations and information about corporate governance are sufficiently disclosed. Meanwhile, the information is available on the Market Observation Post System as required by the competent authority for the general public investors' reference.	Some of the requirements of the Corporate Governance Best Practice Principles for TWSE/TPEX-Listed Companies are not fulfilled.
(II) Does the Company adopt other ways of disclosing information (e.g., maintaining an English website, appointing responsible people	✓		(II) The Company currently discloses information that should be disclosed on the "Market Observation Post System" and has assigned spokespersons and acting spokespersons familiar with the overall operation, finance, and business of the Company to speak to the	

Evaluation item	Operational status (Note 1)			Deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Brief Description	
<p>to handle information collection and disclosure, creating a spokesperson system, webcasting investor conference on company website)?</p> <p>(III) Does the Company announce and declare its Annual Financial Statement within two months after a fiscal year ends and announce and declare the financial statements for the first, second, and third quarters and operational status of each month earlier than the required deadline?</p>		✓	<p>public to ensure real-time and adequate disclosures as required.</p> <p>(III) The Company announces and files annual financial statements within two months after the end of the fiscal year reflective of the manpower forecast and planned for coming years. Financial statements for the first, second, and third quarters and operational status of each month are announced and filed by the deadline as required.</p>	<p>(III) Deviation and clarification: The Company failed to announce and file annual financial statements within 2 months after the end of the fiscal year. Human resources will be integrated in the future to help fulfill the said goal.</p>
<p>VIII. Is there any other important information available to facilitate a better understanding of the Company's corporate governance operational status (including without limitation employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, continuing education of directors and supervisors, the implementation of risk</p>	✓		<p>The operational status is detailed in the table below:</p>	<p>Requirements of the Corporate Governance Best Practice Principles for TWSE/TPEX-Listed Companies are fulfilled.</p>

Evaluation item	Operational status (Note 1)			Deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Brief Description	
management policies and risk evaluation standards, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?				
(I) Clarification on the rights of employees, employee care, investor relations, supplier relations, and rights of stakeholders:				
Social responsibility item	Implementation status			Detailed information on enforcement or planning
	Not enforced	Enforced	Being planned	
1. Rights of employees				
(1) Sufficient educational training		✓		For the sake of improving the attainments and skills at work of the employees and to enhance work efficiency and quality, the Management Department of the Company prepares annual training programs according to the “Educational Training Regulations” to be fulfilled by respective departments on a monthly or quarterly basis so that employees are entitled to sufficient educational training.
(2) Sufficient right to express opinions		✓		The Company holds meetings from time to time, such as labor-management meetings, employee workshops, Welfare Committee meetings, Occupational Safety and Health Committee meetings, and have the employee poll box in place so that staff at respective departments regardless of their level of duty can express their opinions fully.
(3) Others		✓		The Company follows the requirements of the Labor Standards Act and other laws and regulations. Besides allocating related welfare funds, there is the Welfare Committee and employees are offered the opportunity to purchase welfare items. In addition, bonuses and festival gift monies are available with the Company’s earnings.
2. Employee care				
(1) Safe workplace		✓		The Company has the “Safety and Health Regulations” in place to allow proper planning of facilities and equipment and

Evaluation item		Operational status (Note 1)				Deviation from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
		Ye s	No	Brief Description		
						ensure a safe environment for its people. In addition, for the safety of people at work, there is the Occupational Safety and Health Management Unit to carry out tasks concerning safety and health at work.
	(2) Written polices on labor health and safety			✓		The Company has the “Emergency Handling Regulations”, “Operating Standards for Labor Safety and Health Education and Emergency Response Training Plans”, and “Labor Safety and Health Education and Emergency Response Training Materials” in place to ensure the health and safety of its people and they are available on the bulletin boards for the review of all employees.
	(3) Others (such as the emphasis over physical and mental developments of workers and their family life)			✓		The Company has the “Employee Welfare Committee” and the “Education Committee” in place to organize employee travels and provide subsidies to club events or meal-based gatherings, which will help employees get relaxed physically and mentally to boost coherence towards the Company.
3. Investor Relations						
	(1) Enhanced operational transparency			✓		The Company releases its financial and operation information on the “Market Observation Post System” as required by applicable laws and regulations in order to protect the basic rights of investors.
	(2) Emphasis over corporate governance			✓		For a normalized corporate system, the Company enhances the efficacy of its directors and supervisors according to the “Corporate Governance Best Practice Principles for TWSE/TPEx-Listed Companies”; it helps reinforce the operational transparency of the Company and protect shareholder equity.
	(3) Others			✓		The Company has its own website and spokespersons and acting spokespersons and releases important decisions from time to time so that investors can keep track of how the Company is doing in real time.
4. Supplier Relations						
	(1) Emphasis over reasonable purchase prices			✓		The Company has the “Purchase Regulations” in place and enters into purchase contracts to ensure that materials and supplies purchased meet the requirements. Smooth communication channels are maintained with suppliers to

Evaluation item		Operational status (Note 1)				Deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
		Yes	No	Brief Description		
						protect the rights of both parties on the basis of mutual trust and reciprocity.
	(2) Others			✓		Staff in charge of purchases makes price inquiries and compares/negotiates prices from time to time for materials and parts whose prices are relatively volatile in order to fulfill reasonable purchase prices and control the costs of materials and parts. There is also the “Supplier Environmental Management Operating Procedure” to evaluate green suppliers and jointly enhance corporate social responsibilities.
	5. Rights with the stakeholders					
	(1) Respect for intellectual property rights			✓		The Company respects intellectual property rights and encourages colleagues to seek innovations and apply for patent rights. So far, the Company and its people have applied for and obtained multiple patents.
	(2) Emphasis over customer relations (such as protection of consumer rights, emphasis over the quality, safety, and innovation of products, emphasis and immediate processing of complaints, and provision complete product information, etc.)			✓		The Company has defined its “Customer Complaint Management Regulations”, the “Customer Satisfaction Survey Regulations”, and the “Customer Supplies Regulations”, among other written regulations. The operation department is devoted to addressing issues raised by customers as quickly as possible.
	(3) Compliance with regulatory requirements			✓		The Company always has regulatory law firm attorneys and legal affairs specialists to keep track of regulatory changes and to protect the rights of the Company.
	(4) Others (such as the fulfillment status of social responsibility policies disclosed on the corporate website)			✓		The Company discloses fulfillment status of social responsibilities in the Prospectus and the Annual Report. All the computer softwares used by the Company are lawfully licensed and do not involve tort.

Continuing education of directors and supervisors:

Position	Name	Date inaugurated	Date elected	Date of continuing education		Organizer	Course title	Hours involved	Total hours acquired for the specific year	Remarks
				Start	End					

Evaluation item				Operational status (Note 1)				Deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons			
				Yes	No	Brief Description					
Director	Chang, Tzu-Hsiung	04/17//2019	10/23//2007	08/06//2021	08/06//2021	Taiwan Institute of Directors	ESG New Perspective: Carbon Neutrality Milestone	3	6	The 6 hours of continuing education required each year for directors/supervisors are fulfilled.	
				05/07//2021	05/07//2021	Taipei Foundation Of Finance	Corporate Governance - Financial Statement Analysis and Taxation Strategy from the Perspectives of Corporate Operation Characteristics and Operational Inheritance	3			
Director	Huang Shu-Yuan	04/17//2019	09/01//2000	10/27//2021	10/27//2021	Taiwan Academy of Banking and Finance	Corporate Governance and Corporate Sustainable Operation Workshop (17th Term)	3	6	The 6 hours of continuing education required each year for directors/supervisors are fulfilled.	
				10/15//2021	10/15//2021	Securities and Futures Institute	2021 Promotional Workshop on Compliance with Law and Regulations Governing Equity Trading of Insiders	3			
Independent director	Chen, Kuang-Lung	04/17//2019	11/28//2008	10/20//2021	10/20//2021	Securities and Futures Institute	2021 Promotional Workshop on Compliance with Law and Regulations Governing Equity Trading of Insiders	3	6	The 6 hours of continuing education required each year for directors/supervisors are fulfilled.	
				09/01//2021	09/01//2021	Financial Supervisory Commission	The 13th Taipei Corporate Governance Forum	3			
Independent director	Chang, Kung-Pi	04/17//2019	04/17//2019	09/01//2021	09/01//2021	Financial Supervisory Commission	The 13th Taipei Corporate Governance Forum	3	6	The 6 hours of continuing education required each year for directors/supervisors are fulfilled.	
				05/11//2021	05/11//2021	Securities and Futures Institute	Practical Advanced Workshop for Directors and Supervisors (Including Independent Ones) and Corporate Governance Officers	3			
Independent director	Chang, Chuan-Li	04/17//2019	04/17//2019	05/04//2021	05/04//2021	Taiwan Securities Association	Practice and Case Study of Anti-Money Laundering and Counter-Terrorist Financing	3	12	The 6 hours of continuing education required each year for directors/supervisors	
				08/03//2021	08/03//2021	Taiwan Securities Association	Information Security Challenges and	3			

Evaluation item				Operational status (Note 1)				Deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons		
				Yes	No	Brief Description				
							Countermeasures			s are fulfilled.
				09/07//2021	09/07//2021	Taiwan Securities Association	Sustainable Finance Innovation and Management	3		
				10/05//2021	10/05//2021	Taiwan Securities Association	Introduction to the Financial Consumer Protection Act and What to Do	3		
Representative of Corporate Director	Yu San-Chuan	04/17//2019	11/10//1993	07/20//2021	07/20//2021	R.O.C. Accounting Research and Development Foundation	New Corporate Sustainable Development Policies and Climate Governance	3	6	The 6 hours of continuing education required each year for directors/supervisors are fulfilled.
				09/01//2021	09/01//2021	Financial Supervisory Commission	The 13th Taipei Corporate Governance Forum	3		
Director	Hsieh, Hsiu-Chi	04/17//2019	06/17//2013	09/01//2021	09/01//2021	Financial Supervisory Commission	The 13th Taipei Corporate Governance Forum	3	6	The 6 hours of continuing education required each year for directors/supervisors are fulfilled.
				10/20//2021	10/20//2021	Securities and Futures Institute	2021 Promotional Workshop on Compliance with Law and Regulations Governing Equity Trading of Insiders	3		
(III) Recusal of directors upon conflicts of interest in proposals being discussed: The Company's directors are highly self-disciplined and will not take part in the voting session for proposals concerning their own interest.										
(IV) Seating of directors in the Board of Directors meeting: Unless they are out of the country or for major matters, directors and supervisors take part in the Board of Directors meetings in person.										
(V) Purchase of liability insurance for directors: The Company has included purchase of liability insurance for directors/supervisors in its Articles of Incorporation and has purchased liability insurance for its directors/supervisors.										

Evaluation item	Operational status (Note 1)			Deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Brief Description	
IX. Please explain the improvements already made by the Company according to the governance evaluation results released in the past year by the corporate governance center of Taiwan Stock Exchange and matters and measures to be prioritized. (Not required if not included in the evaluation)	✓		The Company has completed its corporate governance self-assessment report and has improved in information that should be disclosed based on the items evaluated. In case of any deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX-listed Companies, the Company already updated it on the corporate website and added clarifications to the Annual Report for action items yet to be disclosed and has planned corrective actions. No major deficiencies have been found.	Requirements of the Corporate Governance Best Practice Principles for TWSE/TPEX-Listed Companies are fulfilled.

Note 1: “Yes” or “No”, clarifications shall be provided in the field for “brief description” of operations.

(IV) Composition, Responsibilities, and Operations of the Compensation and Remuneration Committee, If Available:

1. Profile of Compensation and Remuneration Committee Members

Status	Qualification Name	Professionalism and experience	Independence (Note 1)	Number of other public offering companies serving as independent directors
Independent Director (Convener)	Chen, Kuang-Lung	College of Law, National Taiwan University Judge at Taichung District Court	Fulfilled	0
Independent director	Chang, Kung-Pi	Master of Administration, National Chiayi University Sales Vice President (Assistant Vice President), Corporation Department of Entrust Securities President of Sunny Securities Director/President of Taichung Bank Securities Director/President of AC&C INTERNATIONAL CO., LTD. (6631) Sales Vice President (Senior Assistant Vice President), Operation Department, Mega Securities	Fulfilled	2
Independent director	Chang, Chuan-Li	Department of Justice, College of Law, National Taiwan University Completed training at the Academy for the Judiciary Prosecutor at the Prosecutors Office of Taiwan Taichung District Court Judge at District Courts in Taichung, Hsinchu, Taoyuan, Banqiao, and Taipei Judge/Presiding Judge at the Criminal Court, Taiwan High Court	Fulfilled	2

- (1) Note 1: Please specify years of work experience, professionalism, and experience and status of independence of individual members of the Compensation and Remuneration Committee in the table. For independent directors, notes may be added. Refer to (I) of Exhibit 1 Profile of directors and supervisors on Page OO for related information. Provide "independent director" or "other" for "Status" (add a note for the convener).
- (2) Note 2: **Professionalism and experience:** Specify the professional qualifications and experience of individual members of the Compensation and Remuneration Committee.
- (3) Note 2: **Status of Independence:** Specify the status of independence of the members of the Compensation and Remuneration Committee, including, without limitation, whether or not a member himself/herself, his/her spouse, or a relative within the second degree of kinship is serving as the director, supervisor of, or working for the Company or any of its affiliates, the number and weight of shares the member himself/herself, his/her spouse, or a relative within the second degree of kinship holds, whether or not the member himself/herself, his/her spouse, or a relative within the second degree of kinship is serving as the director, supervisor of, or working for a company in a specific relationship with the Company (refer to the

requirements in Article 6 Paragraph 1 Sub-paragraphs 5-8 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange), and the amount of rewards received for corporate commerce, legal affairs, financial affairs, and accounting services provided over the past two years to the Company or any of its affiliates.

- (4) Note 4: For the disclosure method, refer to the best practice reference example available on the website of the corporate governance center of Taiwan Stock Exchange.

2. Information on the operational status of the Compensation and Remuneration Committee

- (1) The Company's Compensation and Remuneration Committee consists of 3 members in total.
- (2) Current members will serve from March 23, 2019 to the end of the current term. The Compensation and Remuneration Committee met 3 times (A) in the past year. Qualification and attendance of the members are as follows:

Position	Name	Actual attendance frequency (B)	Attendance through proxy	Actual attendance rate (%) (B/A)(Note)	Remarks
Convener	Chen, Kuang-Lung	3	0	100.00	-
Member	Chang, Kung-Pi	3	0	100.00	-
Member	Chang, Chuan-Li	3	0	100.00	-

Other details to be documented:

- In the event that the Board of Directors does not adopt or revises advice from the Compensation and Remuneration Committee, the date, session number, details of proposals, decisions made by the Board of Directors, and how the Company addressed opinions from the Compensation and Remuneration Committee shall be stated (in the event that the compensation and remuneration approved by the Board of Directors are better than as advised by the Compensation and Remuneration Committee, the difference and the reason shall be specified): None
- For decisions made by the Compensation and Remuneration Committee, as long as there are members objecting or having their reservations that are recorded or stated in writing, the date of the Compensation and Remuneration Committee meeting, the session number, contents of the proposal, and how opinions from all members and from opposing members are handled should be described: None
- Proposals discussed and decisions made over the past year during Compensation and Remuneration Committee meetings and how the Company address opinions from the members:

	Compensation and Remuneration Committee	Proposal and decision made	
	The 5 th meeting of the Fourth Intake March 26, 2021	Proposal: 1. Allocation of the remuneration to directors and supervisors and that to employees for 2020 of the Company; it is brought forth for a resolution.	
		Comments from the members: No objection or qualified opinion. Resolution: The proposal was approved as is unanimously by all attending members consulted by the chairperson. How the Company addressed opinions from the Compensation and Remuneration Committee: It was brought forth to the Board of Directors and was approved by all attending directors.	
	The 6 th meeting of the Fourth Intake November 9, 2021	Proposal: 1. Respective compensation and remuneration items for directors and managers of 2022; they are brought forth for a resolution. 2. 2022 Action Plan of the Compensation and Remuneration Committee; it is brought forth for a resolution.	
		Opinions from the members: No objection or qualified opinion. Resolution: The proposal was approved as is unanimously by all attending members consulted by the chairperson. How the Company addressed opinions from the Compensation and Remuneration Committee: It was brought forth to the Board of Directors and was approved by all attending directors.	
	The 7 th meeting of the Fourth Intake December 06, 2021	Proposal: 1. List of managers entitled to the employee share subscription warrants issued and the number of warrants involved: it is brought forth for discussion. 2. List of managers entitle 2021 year-end bonuses and the value involved: It is brought forth for discussion.	
		Opinions from the members: No objection or qualified opinion. Resolution: The proposal was approved as is unanimously by all attending members consulted	

		<p>by the chairperson.</p> <p>How the Company addressed opinions from the Compensation and Remuneration Committee: It was brought forth to the Board of Directors and was approved by all attending directors.</p>	
	<p>The 8th meeting of the Fourth Intake March 08, 2022</p>	<p>Proposal:</p> <ol style="list-style-type: none"> 1. Contribution plan for the remuneration to directors and supervisors and that to employees for 2021; it is brought forth for a resolution. 2. Distribution plan for the remuneration to directors and supervisors for 2021; it is brought forth for a resolution. 3. Change of Executive Vice President; it is brought forth for a resolution. 4. Change of Vice President; it is brought forth for a resolution. <p>Opinions from the members: No objection or qualified opinion.</p> <p>Resolution: The proposal was approved as is unanimously by all attending members consulted by the chairperson.</p> <p>How the Company addressed opinions from the Compensation and Remuneration Committee: It was brought forth to the Board of Directors and was approved by all attending directors.</p>	

Note:(1) In the event that members of the Compensation and Remuneration Committee resign before the end of a fiscal year, the date of resignation shall be indicated in the remarks field. The actual attendance rate (%) is calculated by the number of Compensation and Remuneration Committee meetings held during service and the actual attendance frequency in the meetings.

(2) In the event that members of the Compensation and Remuneration Committee are re-elected before the end of a fiscal year, both the new and old members of the Compensation and Remuneration Committee shall be listed and whether one is new or old or is serving a second term and the date of the re-election shall be indicated in the remarks field. The actual attendance rate (%) is calculated by the number of Compensation and Remuneration Committee meetings held during service and the actual attendance frequency in the meetings.

(V) Promotion of sustainable development and its implementation status and deviations from Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and reasons:

Evaluation item	Operational status (Note 1)			Deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Brief Description (Note 2)	
I. Does the Company have the governance framework in place to help promote sustainable developments and have a unit that specializes (or is involved) in promoting sustainable developments and have the Board of Directors to empower high-ranking management to take care of it and report the progress to the Board of Directors?	✓		<p>1. The Operation and Management Center (Legal Affairs Department) is in charge of carrying out ethical corporate management tasks and is responsible for helping the Board of Directors and the management define and supervise the implementation of ethical corporate management policies and safeguard measures to ensure fulfillment of the Ethical Corporate Management Best Practice Principles.</p> <p>2. Related implementation in 2021 of the ethical corporate management policy enforced by the Company:</p> <p>A. Educational training: The Ethical Corporate Management Best Practice Principles are communicated to and educational training is provided to supervisors and general employees and the employee Code of Conduct is defined and signed by employees after it is read.</p> <p>B. Whistle-blowing system and protection for the whistle-blower: The detailed whistle-blowing system is defined in the “Employee Complaint-filing Procedure” and the “Guidelines for Reporting Illegal Acts” to protectively prevent against unethical behaviors and to encourage internal and external people to report unethical or improper acts. The Human Resources Department and the Operation and Management Center (Legal Affairs Department) are the responsible units for processing such reports of unethical acts found of colleagues. Suppliers are provided with the same whistle-blowing access on the supplier platform, too. If conditions reported involve directors or high-ranking supervisors, they will be reported to independent directors. The procedures and guidelines also include protection of the whistle-blower. The identity and information about the whistle-blower are kept in strict confidence. It is promised that the whistle-blower will not be treated unfairly as a result of whistle-blowing. No whistle-blowing occurred in 2021 and there was no violation of the Ethical Corporate Management Best Practice Principles, either. The implementation and the processing status was reported to the Board of Directors on March 8, 2022, too.</p>	No major deviations

Evaluation item	Operational status (Note 1)			Deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Brief Description (Note 2)	
II. Does the Company perform risk assessments when dealing with environmental, social, and corporate governance-related issues that concern the Company's operations according to the materiality principle and define related risk management policies or strategies?	✓		The Company already had its "Corporate Social Responsibility Best Practice Principles" approved by the Board of Directors on March 23, 2020 and the implementation efficacy is reflected upon from time to time taking into consideration the developmental trends for corporate social responsibilities domestically and internationally and their correlation with the core corporate operation and improvements are constantly made in order to ensure that corporate social responsibility policies are fulfilled. Respected departments will perform risk assessments and prepare countermeasures reflective of their responsibilities and reflect upon them periodically. It is expected to set up the Corporate Governance Officer in the future and related risk assessments will be presented during the Corporate Governance Committee meeting and then submitted to the Board of Directors.	No major deviations

Evaluation item	Operational status (Note 1)			Deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Brief Description (Note 2)	
<p>III. Environmental Issues</p> <p>(I) Has the Company developed an appropriate environmental management system reflective of the industrial characteristics?</p> <p>(II) Is the Company devoted to improving the efficacy in the utilization of various resources and using renewable materials with minimal impacts on the environment?</p> <p>(III) Does the Company evaluate potential risks and opportunities now and in the future brought about by climate change for the corporation and adopts responsive measures to climate-related issues?</p> <p>(IV) Does the Company tally the total greenhouse gas emissions, water usage, and waste generated over the past two years and have energy conservation and carbon reduction, greenhouse gas reduction, water reduction, or other waste management policies in place?</p>			<p>(I) A suitable environmental management system is currently in place reflective of the governmental laws and regulations and industrial characteristics and the EMS Environmental Management Committee is formed as required by ISO 14001 to enforce and monitor environmental management.</p> <p>The Company's environmental safety and health policies are as follows:</p> <p>I. Abide by environmental safety laws and regulations, enforce them, and constantly improve them</p> <p>II. Enforce environmental protection and prevent against accidents</p> <p>III. Conserve energy and resources and promote waste reduction campaign</p> <p>IV. Plenary counseling and communication to create a healthy workplace</p> <p>(II) Effectively recycle resources and follow ISO 14001 requirements and audit and screen green suppliers to choose raw materials and supplies with minimal impacts on the environment.</p> <p>(III) Turn on air-conditioning considering the weather and improve the air-conditioning system to introduce fresh air as part of the energy-conserving and carbon reduction effort and to protect the overall environment of the country.</p> <p>(IV) The Company follows the government's energy conservation and carbon reduction policy and the Ministry of Economic Affairs "Requirements for Energy Users to Set Energy Conservation Goals and Implementation Plans". For electricity consumption, related mid-to-long-term, long-term, and persistent measures are set to reduce electricity by up to 1.22% a year on average from 2015 to 2021 and to minimize impacts on the environment and achieve energy conservation performance.</p> <p>Between 2020 and 2021, the CO2 emissions reduced because of electricity conservation came to 54.77 tons and 48.47 tons, respectively. Compared to 2020, CO2 emissions dropped slightly by 6.3 tons. Nevertheless, the criterion of 1% of electricity saved a year set by the Ministry of Economic Affairs was fulfilled.</p>	No major deviations
<p>IV. Social Issues</p> <p>(I) Has the Company developed related management</p>	✓		<p>(I) The Company has developed related management policies and procedures in accordance with applicable laws and</p>	No major deviations

Evaluation item	Operational status (Note 1)			Deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons											
	Yes	No	Brief Description (Note 2)												
<p>policies and procedures in accordance with applicable laws and regulations and the International Bill of Human Rights?</p> <p>(II) Does the Company define and enforce reasonable employee welfare measures (including compensation, leave, and other benefits, among others) and the operational performance or accomplishments are adequately reflected in the employees' compensation?</p> <p>(III) Does the Company provide employees with a safe and healthy work as well as periodic safety and health education?</p> <p>(IV) Has the Company established an effective training program that helps employees develop skills over the course of their career?</p> <p>(V) Does the Company comply with laws and international standards concerning customer health and safety, customer privacy, marketing, and labeling of products and services and define related policies and complaint-filing procedures to protect the rights of consumers?</p> <p>(VI) Does the Company define supplier management policies and require that suppliers follow applicable regulations in issues such as environmental protection, occupational safety and health, or human rights of workers and how are they implemented?</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>		<p>regulations.</p> <p>(II)</p> <p>1. The Company has reasonable compensation, promotion, and performance review management systems in place and they are announced on the internal information platform and are reflected upon and optimized from time to time and are adjusted to meet operational demand.</p> <p>2. The variable compensation provided by the Company is linked with the overall operational performance of the Company, internal organizational performance, and personal performance. The compensation strategy of “high performance high incentive” is being developed on the basis of “same pay for same work”.</p> <p>3. The Company offered employee share subscription warrants in 2020 and 2021. They were planned and distributed according to each colleague’s contribution, performance, and significance in order to inspire and retain talent.</p> <p>(III) The Company has an occupational safety and health management unit in place to periodically inspect the workplace and regularly provide safety and health educational training according to the internal regulations.</p> <p>Workplace Environmental Monitoring</p> <p>The planning, sampling, monitoring, and analysis that take place in order to keep track of the actual situation in the workplace and exposure of workers in the field. To protect workers from hazards in the workplace and provide them with a healthy and comfortable environment at work, workplace environmental monitoring take place twice in March and in September to help understand the actual exposure at work.</p> <p>Industrial safety accomplishments over the past three years - statistics of employee disabling injuries</p> <table><tr><td>Year</td><td>Death</td><td>Disability</td></tr><tr><td>2019</td><td>Male:0 Female:0</td><td>Male:2 Female:2</td></tr><tr><td>2020</td><td>Male:0 Female:0</td><td>Male:0 Female:2</td></tr><tr><td>2021</td><td>Male:0 Female:0</td><td>Male:1 Female:2</td></tr></table> <p>(IV) There are internal and external trainings available to help with career empowerment training as part of the human</p>	Year	Death	Disability	2019	Male:0 Female:0	Male:2 Female:2	2020	Male:0 Female:0	Male:0 Female:2	2021	Male:0 Female:0	Male:1 Female:2
Year	Death	Disability													
2019	Male:0 Female:0	Male:2 Female:2													
2020	Male:0 Female:0	Male:0 Female:2													
2021	Male:0 Female:0	Male:1 Female:2													

Evaluation item	Operational status (Note 1)			Deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Brief Description (Note 2)	
			<p>resource upgrade program being promoted by the government.</p> <p>(V) The Company follows applicable laws and regulations and international guidelines in the marketing and labeling of products and services and they have obtained national and national or trademark certifications around the world.</p> <p>(VI) The Company enforces TS-16949 supplier management requirements and performs evaluations and audits and screens green suppliers as required by ISO 14001. The Company specifically stipulates that violations applicable under the Supplier Regulations are subject to termination of any agreement.</p>	
V. Does the Company prepare the Corporate Social Responsibility Report or other reports disclosing non-financial information of the Company by referring to international general principles or guidelines in the preparation of reports? Are there opinions from a third-party qualification unit to validate or guarantee the said reports?	✓		<p>(I) The Company releases information concerning the Company and other significant information on the Market Observation Post System as required by applicable laws and regulations and provides links to its website: http://www.cubelec.com.tw.</p>	No major deviations
<p>VI. If the Company has established its own CSR principles according to the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies, please describe the differences between its implementation and the established principles:</p> <p>The Company already had its “Corporate Social Responsibility Best Practice Principles” approved by the Board of Directors on March 23, 2020 and has been promoting various types of corporate social activities after having taken into consideration the developmental trends for corporate social responsibilities domestically and internationally and their correlation with the overall operational activities of the Company itself and other businesses within the Group. The Company periodically makes improvements after having examined the operational status according to the Principles and no major deviations have occurred so far.</p>				

Evaluation item	Operational status (Note 1)			Deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Brief Description (Note 2)	
VII. Other Important Information to Help Understand Utilization of Corporate Social Responsibilities:				
Social responsibility item	Implementation status			Detailed information on enforcement or planning
	Not enforced	Enforced	Being planned	
1. Environmental protection				
(1) Preparation of written environmental protection policies		✓		The Company has the “Environmental Policy Preparation Procedure” in place to help enforce environmental protection policies.
(2) Compliance with applicable environmental protection laws and regulations		✓		The Company is ISO 14001 certified and continues to reinforce environmental protection.
(3) Others (such as development of technologies, equipment, and activities to help conserve energy, reduce pollution, and prevent against pollution; reutilization of resources, recycling and reduction of waste, and banned use of hazardous substances, etc.)		✓		The Company has the “Waste Treatment and Control Operational Guide” in place and energy conservation continues to be promoted, such as waste classification and recycling and reusable dining ware to fulfill the goal of reducing waste and recycling resources.
2. Community involvement				
(1) Community involvement and charity event		✓		The Company answers to charity events to help the minorities from time to time and proactively takes part in other relevant events to be a friendly neighbor.
(2) Others (such as community support and investment, in terms of manpower, resources, knowledge, and skills, etc., to ensure health and safety in the community, etc.)		✓		Same as above.

Evaluation item		Operational status (Note 1)			Deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons
		Yes	No	Brief Description (Note 2)	
	Social responsibility item	Implementation status			Detailed information on enforcement or planning
		Not enforced	Enforced	Being planned	
	3. Community contributions				
	(1) Donations to charities and educational, medical, and artistic events		✓		The Company answers to charity events to help the minorities from time to time and proactively takes part in other relevant events to be a friendly neighbor.
	(2) Others (such as helping underdeveloped countries and providing job opportunities for the minorities, etc.)		✓		Same as above.
	4. Community service				
	(1) Promotion of social welfare		✓		The Company answers to charity events to help the minorities from time to time and proactively takes part in other relevant events to be a friendly neighbor.
	(2) Others		✓		Same as above.
	5. Human right				
	(1) Fulfillment of applicable regulatory requirements for workers under the Labor Standards Act		✓		Requirements of applicable personnel laws and regulations (such as the "Personnel Regulations") meet the requirements of the Labor Standards Act and there are specialized people to take care of related matters for the sake of protecting the fundamental rights of employees.
	(2) Others (such as protecting equal opportunities of employees and job seekers and protecting employees against harassment and discrimination, etc.)		✓		Regulations governing the protection of applicable rights of employees and job seeker are available in the Company's "Employee Code of Conduct" and a gender equity-based work environment laid out in the said Code is based on the "Sexual Harassment Prevention Act".
<p>VII. If the corporate social responsibility report contains qualifications by related qualifying bodies, they shall be specified: The Company has not prepared its Corporate Social Responsibility Report yet the Company is IATF-16949 and ISO 14000, ISO 26262, and ISO 45001-certified.</p>					

Note 1: If "Yes" is checked for the operational status, please explain the important policy, strategy, measures, and implementation status adopted; if "No" is checked, please explain why and explain the plan to adopt related policies, strategies, and measures in the future.

Note 2: If the Company has the Corporate Social Responsibility Report in place, the brief description may be replaced by noting “Refer to the Corporate Social Responsibility Report” and indexing the page number.

Note 3: Materiality principle refers to the fact that applicable environmental, social, and corporate governance issues have material impacts on the Company's investors and other stakeholders.

(VI) Fulfillment of Ethical Corporate Management and Deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies and Reasons:

Evaluation item	Operational status (Note 1)			Deviation from Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Brief Description	
<p>I. Establishment of Ethical Corporate Management Policy and Proposal</p> <p>(I) Has the Company defined ethical corporate management policies approved by the Board of Directors and declared its ethical corporate management policies and procedures as well as the commitment of its Board of Directors and high-ranking management to implementing the management policies in its rules and external documents?</p> <p>(II) Does the Company have a mechanism in place to evaluate risk of unethical behavior, periodically analyze and evaluate operating activities within the scope of operation at higher risk of unethical behavior, and define solutions to prevent against the unethical behavior that at least covers the preventive measures against respective conditions under Article 7 Paragraph 2 of the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEX-Listed Companies"?</p> <p>(III) Does the Company define operating procedures, behavioral guide, and the disciplinary and complaint-filing system against violators in its solutions to prevent against unethical behaviors, and enforced them, and periodically reflect upon and amend the foregoing solution?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>(I) The Company has defined its ethical corporate management policy. In honor of the ethical corporate management principle, the Company follows the Company Act, the Securities and Trade Act, the Commercial Accounting Act, applicable regulations governing listing on the TWSE/TPEX, or other laws and regulations on business behavior while preventing against unethical behavior through corporate governance, risk control measure, and sound internal regulations in order to create an optimal sustainable operating environment.</p> <p>(II) The Company has defined its "Operating Procedure for and Behavioral Guide to Ethical Corporate Management Best Practice" and "Ethical Code of Conduct" and has made training and communication efforts for newcomers in order to boost behavioral and ethical norms. For the sake of promoting and communicating ethical behavior, the Company holds reading and sharing sessions periodically for the core competencies specified in the Career Development Handbook and examples of related acts; they help reinforce ideas about integrity and self-discipline. Applicable rewards and penalties and complaints are available in the "Operating Procedure for and Behavioral Guide to Ethical Corporate Management Best Practice" and the "Ethical Code of Conduct", too.</p> <p>(III) All the contracts signed by the Company need the signature and review of the legal affairs unit in order to prevent against any illegal content.</p>	<p>The Company has the "Ethical Corporate Management Best Practice Principles", the "Operating Procedure for and Behavioral Guide to Ethical Corporate Management Best Practice", and the "Ethical Code of Conduct" in place and the regulatory requirements are being fulfilled.</p>
<p>II. Consolidation of Ethical Corporate Management</p> <p>(I) Has the Company evaluated the ethical records of parties it does business with and stipulated ethical conduct clauses in business contracts?</p>	<p>✓</p>		<p>(I) For business activities, the Company's Operation Department reviews and rates customers. The</p>	<p>Requirements of the Ethical Corporate Management Best Practice Principles for</p>

Evaluation item	Operational status (Note 1)			Deviation from Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Brief Description	
(II) Has the Company established a dedicated unit under the Board of Directors to promote ethical corporate management and report its ethical management policy and solution to prevent against unethical behaviors and the status of implementation to the Board of Directors periodically (at least once a year)?	✓		purchase unit and the quality assurance unit, on the other hand, are responsible for reviewing suppliers. The legal affairs unit reviews the terms and conditions of contracts to be signed in order to avoid transactions with anyone with a history of unethical behavior. In addition, the Company specifies in its Code of Conduct and applicable employee disciplinary personnel regulations that it is prohibited for employees to provide, accept, or demand gifts of value while performing duties at work and that suppliers may not spontaneously provide gifts or bribes. Any violation is subject to immediate discontinuation of business to ensure the most reasonable quotations and best quality and soundest services.	TWSE/TPEX-Listed Companies are fulfilled.
	✓		(II) The Company is devoted to creating a sound Board of Directors governance system with normal supervisory function and reinforced management mechanisms through ethical corporate management. The Rules of Procedures for Board of Directors Meetings were hence prepared to be followed. The Company has not set up an exclusive unit to take charge of promoting ethical corporate management now. Related departments are to take their responsibilities by enforcing and promoting ethical corporate management policies during operation.	
(III) Has the Company established policies to prevent against conflicts of interest, provided appropriate channels for filing related complaints and implemented the policies accordingly?			(III) All applicable regulations throughout the Company are announced on the internal platform of the Company and colleagues will be informed of their revisions. In addition, the recusal system in case of conflicting interests for directors is defined in the Company's Rules of Procedure for the Board of Directors' Meetings. In cases of conflicting interests for the director or the corporation represented by the director in any matters discussed in the Board of Directors' meeting that is likely to harm the interests of the Company, the proposer may state opinions and answer questions but may not take part in the discussions or cast a vote and	

Evaluation item	Operational status (Note 1)			Deviation from Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Brief Description	
(IV) Has the Company created effective accounting and internal control systems to consolidate ethical corporate management and does the internal audit unit stipulates related audit plans according to the evaluation results of unethical behavioral risks and inspect compliance with the solution to prevent against unethical behaviors or authorize the CPAs to perform inspections?	✓		<p>shall be excused during discussion and voting and the director may not exercise voting rights on behalf of any other director.</p> <p>The Company has prepared the “Anti-Insider Trading Regulations” and the “Important Message Announcement Regulations” where it is specified that directors, supervisors, managers, and employees may not disclose significant internal information that they became aware of to someone else, may not inquire about or collect significant internal information yet to be released by the Company from someone who is familiar with such information, or disclose significant internal information yet to be released by the Company.</p> <p>(IV) The Company has established a valid accounting system and internal control system with applicable operating guidelines in place and reflects upon and amends them as required by law or to meet the actual operational demand.</p>	
(V) Does the Company hold internal and external educational trainings on ethical management regularly?	✓		<p>The Company’s managers, respective internal units, and subsidiaries and audit unit shall at least check the internal control system on their own once a year and prepare a report; self-inspections of the internal control system are precisely performed.</p> <p>The audit unit strictly follows the Annual Audit Plan approved by the Board of Directors while performing inspections. The Audit Officer submits the report in the next month following completion of the audit (or follow-up) for review by the supervisors and is seated in the Board of Directors meeting to give a presentation on the audit performed.</p> <p>(V) The Company holds internal and external educational trainings on ethical corporate management each year periodically.</p>	
III. Whistle-blowing System of the Company 1. Does the Company have substantial reporting and incentive systems in place, provide convenient reporting channels, and assign appropriate specialists investigate reported matters?	✓		<p>(I) The Company has substantial reporting and incentive systems in place and provides convenient reporting channels and provides its email on the corporate</p>	Requirements of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies are fulfilled.

Evaluation item	Operational status (Note 1)			Deviation from Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Brief Description	
(II) Has the Company established any standard operating procedures, subsequent measures to be adopted after the investigation is completed, or confidentiality mechanisms for handling reported matters?	✓		website, and assigns specialists to address reported matters: http://www.cubelec.com.tw 。	
(III) Does the Company assure employees who reported on malpractices that they will not be improperly treated for making such reports?	✓		(II) The Company has multiple whistle-blowing and complaint-filing channels available, such as email, employee poll box, labor-management meetings, and applicable requirements and standard operating procedures and related confidentiality mechanisms are available. (III) The Company specifically defines applicable regulations and penalties for violators and had adopted related protective measures.	
IV. Reinforced Information Disclosure (I) Does the Company disclosure information regarding its ethical corporate management principles and implementation status on its website and the MOPS?	✓		(I) The Company releases information concerning the Company and other significant information on the Market Observation Post System as required by applicable laws and regulations and related information is disclosed on the corporate website, too: http://www.cubelec.com.tw . (II) The Company will proactively prepare and discuss the disclosure of information on ethical corporate management.	The Company has the “Ethical Corporate Management Best Practice Principles” in place and the regulatory requirements are being fulfilled.
V. If the company has its own Ethical Management Principles established according to the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, please describe the differences between its implementation and the principles: The operation of the Company shows no deviation from the defined principles.				

Evaluation item	Operational status (Note 1)			Deviation from Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Brief Description	
VI. Other important information that helps understand the implementation of ethical corporate management of the company: The Company reflects upon and amends the Principles timely according to current laws and regulations.				

Note 1: “Yes” or “No”, clarifications shall be provided in the field for “brief description” of operations.

(VII) If the Company has prepared the Corporate Governance Best-Practice Principles and applicable regulations, how they may be found shall be disclosed: The Company has established Corporate Governance Best-Practice Principles and such information may be found on the corporate website under Investor Information: <http://www.cubelec.com.tw>

(VIII) Other important information that is enough to boost knowledge of corporate governance may also be disclosed:

1. Are employee behavioral or ethical conduct regulations in place? The Company has prepared its “Code of Conduct - Personnel Regulations” to govern the behavior of employees while serving the Company.
2. Are the operating procedures for processing significant internal information defined? The Company has prepared the “Significant Information Announcement Regulations and Anti-insider Trading Management Regulations” in place to ensure consistency and accuracy of information disclosed to the public by the Company and to ensure prevention against insider-trading.
3. Other related information is disclosed on the Market Observation Post System: <http://mops.twse.com.tw>.

(IX) Implementation of Internal Control System

1. Internal Control System Declaration

CUB ELECPARTS INC.



Internal Control System Declaration

Date: March 8, 2022

For the Company's internal control system of 2021, it is hereby declared as follows according to self-assessment findings:

- I. The Company knows that establishing, enforcing, and maintaining an internal control system is the responsibility of the Company's Board of Directors and managers and has such a system in place already. It is meant to reasonably ensure fulfillment of the operational efficacy and efficiency (including profits, performance, and protection of asset security), reporting reliability, timeliness, transparency, and compliance with applicable regulations and laws and regulatory requirements, among other goals.
- II. The internal control system has its inherited restrictions that cannot be overcome with improved design. An effective internal control system can also only reasonably ensure the fulfillment of the three goals stated above and its effectiveness may change as the environment or situation changes. There is a self-surveillance mechanism, however, built inside the internal control system of the Company that helps the Company take a corrective action against deficiencies confirmed.
- III. The Company determines the effectiveness of the design and implementation of its internal control system in accordance with the items in "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter called "Governing Regulations") that are related to the effectiveness of internal control systems. The items adopted in the Governing Regulations for determining the internal control system are the five constitutional elements of the internal control system divided according to the management and control process: 1. control environment, 2. risk assessment, 3. control process, 4. information and communication, and 5. supervision. Each element further encompasses several items. For the above-mentioned items, refer to the requirements in the "Governing Regulations".
- IV. The Company has already adopted the aforesaid items to evaluate the effectiveness in the design and implementation of its internal control system.
- V. Based on the foregoing evaluation findings, the Company believes that its internal control system as of December 31, 2021 (including its supervision and management of subsidiaries) was valid in terms of design and implementation as it could reasonably ensure fulfillment of the above-mentioned goals, including the knowledge of operational effectiveness and efficiency, fulfillment of goals, reliable, timely, and transparent reports, and compliance with applicable specifications and related laws and regulations.
- VI. This Declaration constitutes a major part of the Company's Annual Report and the Company's Prospectus that are made available to the public. In case of falsification or concealment, among other illegal conditions, with the above-mentioned released contents, liabilities under Articles 20, 32, 171, and 174 of the Securities and Exchange Act will be sought.
- VII. This Declaration was approved through the Board of Director's meeting on March 8, 2022 with no directors expressing dissent out of the 7 Directors in attendance.

CUB ELECPARTS INC.

Chairman and President: Yu San-Chuan



Signature/Seal

2. If review of the internal audit disciplinary systems is outsourced to CPAs as an exception, the CPA Review Report shall be Post System appeal: None

(X) Any penalties imposed upon the Company or internal personnel by laws, or punishment imposed by the Company on internal personnel for violation of the Company's internal control system regulations, details on the punishment if it might have significant impact on the shareholders' equity or securities prices, major defects and corrective action thereof over the past year up to the date when the Annual Report was printed: None

(XI) Important decisions reached in shareholders' meetings and made by the Board of Directors over the past year up to the date when the Annual Report was printed

1. Important resolutions reached in the shareholders' meeting

April 30, 2022

Date	Important matters for a decision	Implementation status
08/30/2021 2021 General Shareholders' Meeting	● Ratifications and discussions	
	(1) 2020 statements and reports for ratification	Related statements and reports have been filed for reference and announced and declared with the competent authority as required by applicable laws and regulations such as the Company Act.
	(2) Distribution of 2020 earnings for ratification	Cash dividends worth NTD 1.2 per share were distributed on October 20, 2021.

2. Important decisions of the Board of Directors

Date	Important matters for a decision	Implementation status
03/08/2021	<ul style="list-style-type: none"> ● Ratifications and discussions 1. 2020 remuneration to employees and that to directors/supervisors, brought forth for discussion. 2. 2020 Business Report, brought forth for discussion. 3. 2020 Financial Statements and Consolidated Financial Statements, brought forth for deliberation. 4. Distribution of 2020 earnings, brought forth for discussion. 5. Intended 2021 General Shareholders' Meeting 6. Proposals made by shareholders with a holding ratio of 1% and above for the 2021 General Shareholders' Meeting, brought forth for discussion. 7. Intended acquisition of 2,500 thousand to 4,300 common stock shares of 3S System Technology Inc. in cash and intended acquisition as specific person of 16,000 thousand common stock shares involved in the capital increase in cash 	The decisions made during the current Board of Directors meeting did not differ from what were actually enforced.

	<p>of 3S System Technology Inc.; the expected total value of the investment comes to NTD 407 million to NTD 446.6 million, brought forth for discussion.</p> <p>8. Intended increase in funds lent to the subsidiary Harbinger Technology Corporation worth NTD 280,000 thousand to meet operational development demand, brought forth for discussion.</p> <p>9. Intended extension of the endorsement/guarantee contract worth NTD 200,000 thousand with the subsidiary Harbinger Technology Corporation, brought forth for discussion.</p> <p>10. Request for providing 2020 Internal Control Declaration, brought forth for discussion.</p> <p>11. Intended amendment to the Operating Procedure for Lending to Others, brought forth for discussion.</p> <p>12. Intended amendment to the Rules of Procedure for Shareholders' Meetings and the Board Directors Election Regulations, brought forth for discussion.</p> <p>13. Intended amendment to the Rules of of Procedure for the Board of Directors' Meetings, brought forth for discussion.</p> <p>14. Intended addition of the "Board of Directors Performance Evaluation Guidelines" and amendment to the Scope of Responsibilities and Rules for Independent Directors, brought forth for discussion.</p> <p>15. Intended additions for the line of credit from banks; refer to the appendixes for details, brought forth for discussion.</p> <p>16. Intended extensions of contracts on line of credit with banks; refer to the appendixes for details, brought forth for discussion.</p>	
05/05/2021	<p>● Ratifications and discussions</p> <p>1. Intended cancellation of the endorsement/guarantee limits worth NTD 500,000 thousand with the subsidiary Harbinger Technology Corporation and CNY 20,000 thousand with the second-tier subsidiary CUBTEK INC. (Shanghai), brought forth for discussion.</p> <p>2. Amendment to the "Audit Committee Organic Regulations", brought forth for a resolution.</p> <p>3. Intended additions for the export OA short-term loan limits, brought forth for discussion.</p>	The decisions made during the current Board of Directors meeting did not differ from what were actually enforced.
08/12/2021	<p>● Ratifications and discussions</p> <p>1. Intended resubmission of proposals for 2021 General Shareholders' Meeting in response to the delay of General Shareholders' Meetings as a result of the COVID-19 pandemic announced by the Taiwan Stock Exchange, brought forth for discussion.</p> <p>2. Intended extension of the endorsement/guarantee contract worth NTD 350,000 thousand with the subsidiary Harbinger Technology Corporation, brought forth for discussion; correction plan for the subsidiary Harbinger Technology Corporation exceeding endorsement/guarantee limits, brought forth for discussion.</p> <p>3. Intended addition of the endorsement/guarantee worth NTD 150,000 thousand with the subsidiary 3S System Technology Inc., brought forth for discussion.</p>	The decisions made during the current Board of Directors meeting did not differ from what were actually enforced.
09/10/2021	<p>● Ratifications and discussions</p> <p>1. Deciding the base date and payout date for the distribution of cash dividends with 2020 earnings, brought forth for discussion.</p>	The decisions made during the current Board of Directors meeting did not differ from what were actually enforced.
10/01/2021	<p>● Ratifications and discussions</p> <p>1. Intended participation in the capital increase in cash of the subsidiary Harbinger</p>	The decisions made during the

	Technology Corporation, brought forth for discussion.	current Board of Directors meeting did not differ from what were actually enforced.
11/09/2021	<ul style="list-style-type: none"> ● Ratifications and discussions 1. Intended issuance of employee share subscription warrants for 800,000 shares and preparation of the “Regulations for Issuance and Subscription of Employee Share Subscription Warrants”, brought forth for discussion. 2. Intended extension of the endorsement/guarantee contract worth USD 900 thousand with the subsidiary ITM Engine Components, Inc. 3. Intended cancellation of the funds lent to the subsidiary Harbinger Technology Corporation worth NTD 150,000 thousand, brought forth for discussion. 4. Information on new Audit Officer, brought forth for discussion. 5. Amendment to the “Internal Audit Enforcement Rules”, brought forth for a resolution. 6. Addition of the “Internal Control System” and the “Internal Audit Operating Procedure”, brought forth for a resolution. 7. Intended additions for the line of credit from banks, brought forth for discussion. 8. Intended extensions of contracts on line of credit with banks, brought forth for discussion. 9. Intended additions for the export OA limits, brought forth for discussion. 	The decisions made during the current Board of Directors meeting did not differ from what were actually enforced.
12/06/2021	<ul style="list-style-type: none"> ● Ratifications and discussions 1. Intended amendment to the “Regulations for Issuance and Subscription of Employee Share Subscription Warrants” as required by the competent authority, brought forth for discussion. 2. List of managers entitled to the employee share subscription warrants issued and the number of warrants involved, brought forth for discussion. 3. List of Non managers entitled to the employee share subscription warrants issued and the number of warrants involved, brought forth for discussion. 	The decisions made during the current Board of Directors meeting did not differ from what were actually enforced.
12/29/2021	<ul style="list-style-type: none"> ● Ratifications and discussions 1. Intended “2022 Business Plan and Financial Budget”, brought forth for discussion. 2. 2022 Audit Plan, brought forth for discussion. 3. Intended amendment to the “Regulations for Acquisition or Disposal of Assets”, brought forth for discussion. 4. Intended amendment to the “Anti-insider Trading Management Regulations”, brought forth for discussion. 5. Intended extensions of contracts on line of credit with banks, brought forth for discussion. 6. Intended additions for the line of credit from banks, brought forth for discussion. 7. Intended establishment of a branch office in the United States, brought forth for discussion. 	The decisions made during the current Board of Directors meeting did not differ from what were actually enforced.

02/21/2022	<ol style="list-style-type: none"> 1. Intended addition of the endorsement/guarantee worth NTD 60,000 thousand with the subsidiary 3S System Technology Inc., brought forth for discussion. 2. Intended participation in the capital increase in cash of the subsidiary 3S System Technology Inc., brought forth for discussion. 3. Intended extensions of contracts on line of credit with banks, brought forth for discussion. 4. Intended additions for the line of credit from banks, brought forth for discussion. 	The decisions made during the current Board of Directors meeting did not differ from what were actually enforced.
03/08/2022	<ol style="list-style-type: none"> 1. 2021 Financial Statements and Consolidated Financial Statements, brought forth for deliberation 2. 2021 Business Report, brought forth for discussion. 3. Distribution of 2021 earnings, brought forth for discussion 4. Earnings transferred capital increase and issuance of new shares, brought forth for discussion. 5. Distribution of 2021 remuneration to employees and that to directors/supervisors, brought forth for discussion 6. Change of Executive Vice President, brought forth for a resolution 7. Change of Vice President, brought forth for a resolution. 8. Request for providing 2021 Internal Control Declaration, brought forth for discussion 9. Intended 2022 General Shareholders' Meeting, brought forth for discussion. 10. Proposals made by shareholders with a holding ratio of 1% and above for the 2022 General Shareholders' Meeting, brought forth for discussion. 11. Intended extension of the endorsement/guarantee contract worth NTD 200,000 thousand with the subsidiary Harbinger Technology Corporation, brought forth for discussion. 12. Full re-election of directors and independent directors, brought forth for discussion. 13. Related procedures for nominating director and independent director candidates, brought forth for discussion. 14. Related procedures for nominating director and independent director candidates, brought forth for discussion. 15. Lifting of business strife limitation for new directors, brought forth for discussion. 16. Intended issuance of domestic unsecured convertible corporate bonds for the third time domestically, brought forth for review. 17. Intended amendment to the Rules of Procedure for Shareholders' Meetings, brought forth for the for discussion. 18. Intended amendment to the "Regulations for Endorsement and Guarantee", brought forth for discussion. 19. Intended extensions of contracts on line of credit with banks, brought forth for discussion. 	The decisions made during the current Board of Directors meeting did not differ from what were actually enforced.

(XII) Main contents of different opinions of directors or supervisors that are recorded and stated in writing on important decisions made by the Board of Directors over the past year up to the date when the Annual Report was printed: None.

(XIII) Summary of resignations and dismissals of the Company's Chairman, President, head of accounting, head of finance, head of internal audit, head of corporate governance, and head of R&D over the past year up to the date when the Annual Report was printed:

3. Summary of resignations and dismissals of related staff of the Company

April 30, 2021

Position	Name	Date Inaugurated	Date Dismissed	Cause of resignation or dismissal
Internal Audit Officer	Yang Ying-Miao	11/09//2021		To strengthen the organizational operation of the Group
Internal Audit Officer	Chen Yi-Chien		11/09//2021	Duty adjustment
Executive Vice President	Hung Yuan-Tung	03/01//2022		New
Vice President	Lin Kun-Sheng	03/01//2022		To take advantage of his specialty given the fact that he has been devoted to the manufacturing sector over the long term and his abundant experience in team management and leadership as well as administration for enhanced production efficiency and quality of products

4. Information on Public Expenditure on CPAs

Name of Accounting Firm	Name of CPA		Duration of audit	Remarks
KPMG	Chen Cheng-Xue	Zhang Zi-Xin	1100101~1101231	

Currency: NTD thousand

Public expenditure Value bracket		Audit public expenditure	Non-audit public expenditure	Total
1	Below \$2,000,000.00		✓	✓
2	\$2,000,000.00 (inclusive) ~ \$4,000,000.00	✓		✓
3	\$4,000,000.00 (inclusive) ~			

	\$6,000,000.00			
4	\$6,000,000.00 (inclusive) ~ \$8,000,000.00			
5	\$2,000,000.00 (inclusive) ~ \$4,000,000.00			
6	Above \$10,000,000.00 (inclusive)			

Information on Public Expenditure on CPAs

Name of Accounting Firm	Name of CPA	Audit public expenditure	Non-audit public expenditure					Duration of audit	Remarks
			System design	Business registration	Human resources	Others (Note 1)	Subtotal		
KPMG	Chen Cheng-Xue Zhang Zi-Xin	2,790	0	0	0	120	120	01/01/2021 12/31/2021	Note 1: Review of the declaration form for employee share subscription warrants issued

The public expenditure on CPAs shall be disclosed under one of the following circumstances:

- (I) When the non-audit public expenditure paid to CPAs, their firms, and their associated enterprises accounts for more than one-fourth of the audit public expenditure, the values of both audit and non-audit public expenditures and contents of non-audit services shall be disclosed: None.
- (II) When the accounting firm is changed and the audit public expenditure in the year of replacement is reduced compared to that in the preceding year, the amount, ratio, and cause of the reduction in audit public expenditure shall be disclosed: None.
- (III) When the audit public expenditure is reduced by more than 15% from the preceding year, the value reduced, the ratio, and the cause shall be disclosed: None.

5. The Company reported to the Board of Directors on March 8, 2022 and evaluates

the independence of CPAs regularly each year. KPMG issued the Independence Declaration that covered the independence of each member (financial interest, financing guarantee, employment, etc.), business relations with customers, CPA rotation system, and non-audit service policies and procedures and the results showed that independence was fulfilled in every way.

6. Disclosure of the name, position, and duration of service at the firms or their affiliates that the Company's Chairman, President, or managers in charge of financial or accounting affairs over the past year, if any: None.
7. Changes in the transfer and pledge of equity among directors, supervisors, managers, and shareholders with a holding ratio exceeding 10% in the past year and up to the date the Annual Report was printed:

(I) Changes in the Equity of Directors, Supervisors, Managers, and Major Shareholders

Unit: Share

Position	Name	2020		2021		2022 up to March 31	
		Increase/Decrease in the number of shares held	Increase/Decrease in the number of shares pledged	Increase/Decrease in the number of shares held	Increase/Decrease in the number of shares pledged	Increase/Decrease in the number of shares held	Increase/Decrease in the number of shares pledged
Major Shareholders	Jun Chang Investment Co., Ltd.	(226,895)	3,550,000	(252,000)	—	(27,000)	—
Director and Major Shareholder	Jun Rui Investment Co., Ltd.	(169,633)	(4,500,000)	(204,000)	—	(11,000)	—
Chairman	Yu San-Chuan	167,727	—	—	4,200,000	—	—
Director	Hsieh, Hsiu-Chi	—	—	—	—	—	—
Director	Chang, Tzu-Hsiung	—	—	—	—	—	—
Independent director	Chen, Kuang-Lung	761	—	—	—	—	—
Independent director	Chang, Kung-Pi	—	—	—	—	—	—
Independent director	Chang, Chuan-Li	4,853	—	—	—	—	—
Vice President	Hung Yuan-Tung	Note 1				—	—
Vice President	Lin Kun-Sheng	Note 1				—	—
Vice President	Yu Yu-Tao	(161,050)	600,000	Note 2			
Head of Finance	Lee, Kuei-Tsung	Note 3		—	—	—	—

Position	Name	2020		2021		2022 up to March 31	
		Increase/Decrease in the number of shares held	Increase/Decrease in the number of shares pledged	Increase/Decrease in the number of shares held	Increase/Decrease in the number of shares pledged	Increase/Decrease in the number of shares held	Increase/Decrease in the number of shares pledged
Head of Accounting	Liu Wan-Hua	(488)	—	—	—	—	—
Spokesperson	Chi, Ya-Ling	—	—	—	—	—	—

Note 1: Inaugurated on March 1, 2022.

Note 2: Retired on January 1, 2021.

Note 3: Inaugurated on September 14, 2020.

(II) Information on Transfer of Equity: No equity was transferred to related parties and hence it is not applicable.

(III) Information on Pledge of Equity: None.

8. Information of relationship among Top 10 shareholders who are related, spouses, or relatives within the second degree of kinship:

Unit: Share; March 28, 2022

NAME	Shares Held By The Shareholder		Shares Currently Held By The Spouse And Minor Child(Ren)		Total Shares Held In Someone Else'S Name		The Title Or Name And Relationship Among Shareholders In The Top Shareholding List Who Are Related, Spouse To Each Other, Or Relatives Within The Second Degree Of Kinship		Remarks
	Share(s)	Shareholding Percentage	Share(S)	Shareholding Percentage	Share(S)	Shareholding Percentage	Name	Relationship	
Jun Chang Investment Co., Ltd. Representative: Yu San-Chuan	14,522,645	11.91%	Not applicable.	Not applicable.	-	-	Yu San-Chuan Huang Shu-Yuan Yu Ya-Chin Yu Yu-Shih Yu Yu-Tao	Chairman of the company Director of the Company Relative of the Chairman within the first degree of kinship Relative of the Chairman within the first degree of kinship Relative of the Chairman within the first degree of kinship	-
	8,053,631	6.61%	6,569,783	5.39%	-	-	Huang Shu-Yuan Yu Ya-Chin Yu Yu-Shih	Spouse Relative within the first degree of kinship	-

NAME	Shares Held By The Shareholder		Shares Currently Held By The Spouse And Minor Child(Ren)		Total Shares Held In Someone Else'S Name		The Title Or Name And Relationship Among Shareholders In The Top Shareholding List Who Are Related, Spouse To Each Other, Or Relatives Within The Second Degree Of Kinship		Remarks
	Share(s)	Shareholding Percentage	Share(S)	Shareholding Percentage	Share(S)	Shareholding Percentage	Name	Relationship	
							Yu Yu-Tao	Relative within the first degree of kinship Relative within the first degree of kinship	
Jun Rui Investment Co., Ltd. Representative: Huang, Shu-Yuan	13,739,638	11.27%	Not applicable.	Not applicable.	-	-	Huang Shu-Yuan Yu San-Chuan Yu Yu-Shih Yu Yu-Tao Yu Ya-Chin	Chairman of the company Chairman of the Company Relative of the Chairman within the first degree of kinship Relative of the Chairman within the first degree of kinship Relative of the Chairman within the first degree of kinship	-
	6,569,783	5.39%	8,053,631	6.61%	-	-	Yu San-Chuan Yu Yu-Shih Yu Yu-Tao Yu Ya-Chin	Spouse Relative within the first degree of kinship Relative within the first degree of kinship Relative within the first degree of kinship	-
Yu Yu-Tao	9,356,727	7.67%	Not applicable.	Not applicable.	-	-	Yu San-Chuan Huang Shu-Yuan Yu Ya-Chin Yu Yu-Shih	Relative within the first degree of kinship Relative within the first degree of kinship Relative within the second degree of kinship Relative within the second degree of kinship	-
Yu Yu-Shih	9,157,348	7.51%	-	-	-	-	Yu San-Chuan Huang Shu-Yuan Yu Ya-Chin Yu Yu-Tao	Relative within the first degree of kinship Relative within the first degree of kinship Relative within the second degree of kinship Relative within the second degree of	

NAME	Shares Held By The Shareholder		Shares Currently Held By The Spouse And Minor Child(Ren)		Total Shares Held In Someone Else'S Name		The Title Or Name And Relationship Among Shareholders In The Top Shareholding List Who Are Related, Spouse To Each Other, Or Relatives Within The Second Degree Of Kinship		Remarks
	Share(s)	Shareholding Percentage	Share(S)	Shareholding Percentage	Share(S)	Shareholding Percentage	Name	Relationship	
								kinship	
Yu San-Chuan	8,053,631	6.61%	6,569,783	5.39%	-	-	Huang Shu-Yuan Yu Ya-Chin Yu Yu-Shih Yu Yu-Tao	Spouse Relative within the first degree of kinship Relative within the first degree of kinship Relative within the first degree of kinship	-
Huang Shu-Yuan	6,569,783	5.39%	8,053,631	6.61%	-	-	Yu San-Chuan Yu Yu-Shih Yu Yu-Tao Yu Ya-Chin	Spouse Relative within the first degree of kinship Relative within the first degree of kinship Relative within the first degree of kinship	-
Yu Ya-Chin	2,911,065	2.39%	-	-	-	-	Yu San-Chuan Huang Shu-Yuan Yu Yu-Shih Yu Yu-Tao	Relative within the first degree of kinship Relative within the first degree of kinship Relative within the second degree of kinship Relative within the second degree of kinship	-
Unicorn Securities Company Limited Investment Account in the custody of Capital Securities Corporation	1,735,015	1.42%	-	-	-	-	No	No	-
Broad Universal Investment Limited	1,529,472	1.25%	-	-	-	-	No	No	-
Fully Authorized Capital Investment Trust Corporation Investment Account of Mercuries Life Insurance	1,276,513	1.05%	-	-	-	-	No	No	-

Note 1: All Top 10 shareholders shall be listed. When a director is a corporation, the name of the corporate shareholder and its representative shall be listed, separately.

Note 2: The shareholding ratio calculated includes the shares held in one's own name, by the spouse or underage child, or in someone else's name.

Note 3: Shareholders listed in the foregoing include corporations and natural persons. Their relations with one another shall be disclosed as required by the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

9. Number of shares held by the Company, the Company's directors, supervisors, managers, and directly or indirectly controlled businesses and the consolidated general holding ratio

(I) Combined shareholding ratio

Unit: Thousand shares

Re-invested business (Note)	Investment made by the Company		Investment by the directors, supervisor, manager, and directly or indirectly controlled business		Comprehensive investment	
	Share(s)	Shareholding ratio	Share(s)	Shareholding ratio	Share(s)	Shareholding ratio
Silver Cub Inc.	7,110	100%	-	-	7,110	100%
Royal Cub Inc.	1,919	70%	-	-	1,919	70%
ITM AUTOPARTS INTERNATIONAL INC.	1,050	70%	-	-	1,050	70%
Harbinger Technology Corporation	44,534	76.72%	-	-	44,534	76.72%
CUBTEK INC.	40,595	44.61%	69	0.08%	40,664	44.69%
3S System Technology Inc.	18,707	59.63%	-	-	18,707	59.63%

Note: It is the long-term investment of the Company using the equity method

Four. Fund-raising

I. Capital and Shares

(I) Source of Capital Stock

1. Generation of capital stock

Unit: thousand shares; NTD: in thousands

MM/YY YY	Issue price	Approved capital stock		Paid-in capital stock		Remarks		
		Share(s)	Amount	Share(s)	Amount	Source of capital stock	Using propertie s other than cash to write off stock value	Others
78.01	10,000	3	30,000	3	30,000	Capital stock created	No	Note 1
81.01	10,000	1.2	12,000	1.2	12,000	Capital decrease by \$18,000 thousand	No	Note 2
82.12	10,000	1.5	15,000	1.5	15,000	Capital increase by \$3,000 thousand	No	Note 3
93.10	10,000	2.175	21,750	2.175	21,750	Capital increase in cash by \$6,750 thousand	No	Note 4
93.12	10,000	3.1	31,000	3.1	31,000	Capital increase in cash by \$9,250 thousand	No	Note 5
94.07	10	20,000	200,000	20,000	200,000	Capital reserve transferred capital increase by \$144,000 thousand Earnings transferred capital increase by \$25,000 thousand	No	Note 6
95.09	10	50,000	500,000	30,136	301,360	Earnings transferred capital increase by \$100,000 thousand Employee bonus transferred capital increase by \$1,360 thousand	No	Note 7
96.06	10	50,000	500,000	42,860	428,599	Earnings transferred capital increase by \$120,544 thousand Employee bonus transferred capital increase by \$6,695 thousand	No	Note 8
96.10	10	70,000	700,000	42,860	428,599	Increased rated capital stock to \$700,000 thousand	No	Note 9
97.10	10	70,000	700,000	45,145	451,447	Earnings transferred capital increase by \$12,858 thousand Employee bonus transferred capital increase by \$9,990 thousand	No	Note 10
98.04	10	70,000	700,000	49,045	490,447	Capital increase in cash by \$39,000 thousand	No	Note 11
99.08	10	120,000	1,200,000	60,000	600,000	Increased rated capital stock to \$1,200,000 thousand Earnings transferred capital increase NTD 63,803 thousand Capital reserve transferred capital increase by \$45,750 thousand	No	Note 12
101.05	10	120,000	1,200,000	60,347.5	603,475	Employee share subscription warrants-converted common stock shares worth \$3,475 thousand	No	Note 13

MM/YY YY	Issue price	Approved capital stock		Paid-in capital stock		Remarks		
		Share(s)	Amount	Share(s)	Amount	Source of capital stock	Using propertie s other than cash to write off stock value	Others
101.10	10	120,000	1,200,000	60,374	603,740	Employee share subscription warrants-converted common stock shares worth \$265 thousand	No	Note 14
101.12	10	120,000	1,200,000	60,534.75	605,347.5	Employee share subscription warrants-converted common stock shares worth \$1,607.5 thousand	No	Note 15
102.03	10	120,000	1,200,000	60,589	605,890	Employee share subscription warrants-converted common stock shares worth \$542.5 thousand	No	Note 16
102.12	10	120,000	1,200,000	60,964	609,640	Employee share subscription warrant-transferred capital increase by \$3,750 thousand	No	Note 17
103.03	10	120,000	1,200,000	61,356	613,558	Convertible corporate bond-transferred capital increase by \$3,918 thousand	No	Note 18
103.08	10	120,000	1,200,000	71,604.481	716,044.81	Earnings transferred capital increase by \$92,034 thousand Convertible corporate bond-transferred capital increase by \$10,453 thousand	No	Note 19
103.12	10	120,000	1,200,000	71,753.779	717,537.79	Employee share subscription warrants-converted common stock shares worth \$157.5 thousand Convertible corporate bond-transferred capital increase by \$1,335.48 thousand	No	Note 20
104.03	10	120,000	1,200,000	72,404.278	724,042.78	Convertible corporate bond-transferred capital increase by \$6,504.99 thousand	No	Note 21
104.08	10	120,000	1,200,000	72,470.439	724,704.39	Convertible corporate bond-transferred capital increase by \$662 thousand	No	Note 22
104.10	10	120,000	1,200,000	83,331.08	833,310.80	Employee bonus transferred capital increase by \$108,606 thousand	No	Note 23
104.11	10	120,000	1,200,000	83,346.78	833,467.80	Convertible corporate bond-transferred capital increase by \$157 thousand	No	Note 24
105.03	10	120,000	1,200,000	83,424.48	834,244.80	Convertible corporate bond-transferred capital increase by \$777 thousand	No	Note 25
105.05	10	120,000	1,200,000	83,643.10	836,431.05	Convertible corporate bond-transferred capital increase by \$2,186 thousand	No	Note 26
105.10	10	120,000	1,200,000	91,985.55	919,855.53	Earnings transferred capital increase by \$83,424 thousand	No	Note 27
106.10	10	120,000	1,200,000	101,184.11	1,011,841.08	Earnings transferred capital increase by \$91,985 thousand	No	Note 28
107.05	10	120,000	1,200,000	101,539.38	1,015,393.80	Convertible corporate bond-transferred capital increase by \$3,553 thousand	No	Note 29
107.07	10	120,000	1,200,000	114,738.92	1,147,389.19	Earnings transferred capital increase by \$131,539 thousand	No	Note 30
107.08	10	120,000	1,200,000	101,584.99	1,015,849.85	Convertible corporate bond-transferred	No	Note

MM/YY YY	Issue price	Approved capital stock		Paid-in capital stock		Remarks		
		Share(s)	Amount	Share(s)	Amount	Source of capital stock	Using propertie s other than cash to write off stock value	Others
						capital increase by \$456 thousand		31
107.11	10	120,000	1,200,000	114,940.66	1,149,406.62	Convertible corporate bond-transferred capital increase by \$2,018 thousand	No	Note 32
108.05	10	200,000	2,000,000	115,169.47	1,151,695	Convertible corporate bond-transferred capital increase by \$2,289 thousand	No	Note 33
108.07	10	200,000	2,000,000	117,062.77	1,170,628	Convertible corporate bond-transferred capital increase by \$18,933 thousand	No	Note 34
108.07	10	200,000	2,000,000	122,821.24	1,228,212	Earnings transferred capital increase by \$57,585 thousand	No	Note 35
109.08	10	200,000	2,000,000	121,916.66	1,219,166	Earnings transferred capital increase by \$24,564 thousand and cancellation of treasury stock worth \$33,610 thousand	No	Note 36

Notes:

1. Approved through the Jing-(1989)-Shang No. 001155 letter dated January 9, 1989 from the Ministry of Economic Affairs.
2. Approved through the Jing-San-Geng No. 147551 letter dated January 23, 1992 from the Ministry of Economic Affairs.
3. Approved through the Jing-San No. 494281 letter dated December 17, 1993 from the Ministry of Economic Affairs.
4. Approved through the Jing-Shou-Zhong No. 09332792600 letter dated October 5, 2004 from the Ministry of Economic Affairs.
5. Approved through the Jing-Shou-Zhong No. 09333159690 letter dated December 7, 2004.
6. Approved through the Jing-Shou-Zhong No. 09432445100 letter dated July 8, 2005 from the Ministry of Economic Affairs.
7. Approved through the Jing-Shou-Zhong No. 09532905630 letter dated September 28, 2006 from the Ministry of Economic Affairs.
8. Approved through the Jing-Shou-Zhong No. 09632304710 letter dated June 22, 2007, from the Ministry of Economic Affairs.
9. Approved through the Jing-Shou-Zhong No. 09632995380 letter dated October 31, 2007 from the Ministry of Economic Affairs.
10. Approved through the Jing-Shou-Zhong No. 09733268940 letter dated October 16, 2008 from the Ministry of Economic Affairs.
11. Approved through the Jing-Shou-Zhong No. 09832071100 letter dated April 13, 2009, from the Ministry of Economic Affairs.
12. Approved through the Jing-Shou-Shang No. 09901188500 letter dated August 18, 2010 from the Ministry of Economic Affairs.
13. Approved through the Jing-Shou-Zhong No. 10101094390 letter dated May 25, 2012 from the Ministry of Economic Affairs.
14. Approved through the Jing-Shou-Shang No. 10101215810 letter dated October 17, 2012 from the Ministry of Economic Affairs.
15. Approved through the Jing-Shou-Shang No. 10101265700 letter dated January 02, 2013 from the Ministry of Economic Affairs.
16. Approved through the Jing-Shou-Zhong No. 10201054080 letter dated March 27, 2013 from the Ministry of Economic Affairs.

17. Approved through the Jing-Shou-Shang No. 10201245210 letter dated December 03, 2013 from the Ministry of Economic Affairs.
18. Approved through the Jing-Shou-Shang No. 10301043620 letter dated March 13, 2014 from the Ministry of Economic Affairs.
19. Approved through the Jing-Shou-Shang No. 10301171050 letter dated August 11, 2014 from the Ministry of Economic Affairs.
20. Approved through the Jing-Shou-Shang No. 10301249080 letter dated December 11, 2014 from the Ministry of Economic Affairs.
21. Approved through the Jing-Shou-Shang No. 10401045500 letter dated March 18, 2015 from the Ministry of Economic Affairs.
22. Approved through the Jing-Shou-Shang No. 10401180940 letter dated August 25, 2015 from the Ministry of Economic Affairs.
23. Approved through the Jing-Shou-Shang No. 10401225360 letter dated October 27, 2015 from the Ministry of Economic Affairs.
24. Approved through the Jing-Shou-Shang No. 10401244900 letter dated November 20, 2015 from the Ministry of Economic Affairs.
25. Approved through the Jing-Shou-Shang No. 10501036830 letter dated March 02, 2016 from the Ministry of Economic Affairs.
26. Approved through the Jing-Shou-Shang No. 10501112490 letter dated May 27, 2016 from the Ministry of Economic Affairs.
27. Approved through the Jing-Shou-Shang No. 10501252440 letter dated October 27, 2016 from the Ministry of Economic Affairs.
28. Approved through the Jing-Shou-Shang No. 10601153430 letter dated November 08, 2017 from the Ministry of Economic Affairs.
29. Approved through the Jing-Shou-Shang No. 10701054300 letter dated May 24, 2018 from the Ministry of Economic Affairs.
30. Approved through the Jing-Shou-Shang No. 10701101870 letter dated August 22, 2018 from the Ministry of Economic Affairs.
31. Approved through the Jing-Shou-Shang No. 10701113810 letter dated October 04, 2018 from the Ministry of Economic Affairs.
32. Approved through the Jing-Shou-Shang No. 10701152990 letter dated December 06, 2018 from the Ministry of Economic Affairs.
33. Approved through the Jing-Shou-Shang No. 10801061560 letter dated May 27, 2019 from the Ministry of Economic Affairs.
34. Approved through the Jing-Shou-Shang No. 10801074000 letter dated July 02, 2019 from the Ministry of Economic Affairs.
35. Approved through the Jing-Shou-Shang No. 10801085820 letter dated July 18, 2019 from the Ministry of Economic Affairs.
36. Approved through the Jing-Shou-Shang No. 10901145240 letter dated August 21, 2020 from the Ministry of Economic Affairs.

2. Types of shares issued

Unit: Share; April 16, 2021

Type of share	Approved capital stock			Remarks
	Outstanding shares (Note)	Shares yet to be issued	Total	
Registered common stock	121,916,665	78,083,335	200,000,000	-

3. Information on shelf registration: N/A.

(II) Shareholder Structure

Unit: Person, Share; March 28, 2022

Shareholder Structure Quantity	Government agency	Financial institution	Individual	Other corporations	Foreign institution and outsider	Total
Number of people	0	18	12,628	49	93	12,788
Number of Shares Held	0	3,217,967	78,085,032	31,811,090	8,802,576	121,916,665
Holding ratio (%)	0	2.64	64.05	26.09	7.22	100.00%

Note: The first TWSE/TPEX-listed company shall have the ratios of shares held by Mainland China investors disclosed; Mainland China investors are the people, corporations, groups, other institutions, or other companies with investments in a third area of Mainland China as specified in Article 3++ of the Regulations Governing Approval for People of Mainland China to Invest in Taiwan.

(III) Diversification of Equity

Unit: Share; March 28, 2022

Shareholding classification	Number of shareholders	Number of Shares Held	Holding ratio (%)
1 ~ 999	4,177	549,461	0.45%
1,000 ~ 5,000	7,257	13,210,314	10.84%
5,001 ~ 10,000	721	5,248,575	4.31%
10,001 ~ 15,000	199	2,454,330	2.01%
15,001 ~ 20,000	111	1,967,063	1.61%
20,001 ~ 30,000	115	2,829,729	2.32%
30,001 ~ 40,000	52	1,823,730	1.49%
40,001 ~ 50,000	32	1,445,972	1.18%
50,001 ~ 100,000	61	4,170,954	3.42%
100,001 ~ 200,000	26	3,304,679	2.71%
200,001 ~ 400,000	13	3,707,987	3.04%
400,001 ~ 600,000	3	1,532,441	1.26%
600,001 ~ 800,000	0	0	0%
800,001 ~ 1,000,000	6	5,371,991	4.41%
1,000,001 and more	15	74,299,439	60.95%
Total	12,788	121,916,665	100.00%

(VI) List of Major Shareholders

Unit: Share; March 28, 2022

Name of Major Shareholder	Share	Number of Shares Held	Holding ratio (%)
Jyun Chang Investment Co., Ltd.		14,522,645	11.91%
Jyun Ruei Investment Co., Ltd.		13,739,638	11.27%

Name of Major Shareholder	Share	Number of Shares Held	Holding ratio (%)
Yu Yu-Tao		9,356,727	8.36%
Yu Yu-Shih		9,157,348	7.51%
Yu San-Chuan		8,053,631	6.61%
Huang Shu-Yuan		6,569,783	5.39%
Yu Ya-Chin		2,911,065	2.39%
Unicorn Securities Company Limited Investment Account in the custody of Capital Securities Corporation		1,735,015	1.42%
Broad Universal Investment Limited		1,529,472	1.25%
Fully Authorized Capital Investment Trust Corporation Investment Account of Mercuries Life Insurance		1,276,513	1.05%

(V) Market price per share, net worth, earnings, dividends over the past two years and related data

Unit: NTD thousand; thousand shares

Item			Year	109 years	110 years	The current year up to 2022 up to March 31 (Note 8)
Market price per share (Note 1)	Maximum			257	268	194
	Minimum			85.5	134.50	140
	Average			168.06	188.15	169.74
Net worth per share (Note 2)	Before distribution			25.07		-
	After distribution			25.07	Undistributed	-
Earnings per share (EPS)	Weighted average number of shares			120,473	121,917	-
	Earnings per Share (Note 3)	Before adjustment		2.03	4.23	-
		After adjustment		2.03	Undistributed	-
Dividends per share	Cash dividend			1.2	Undistributed	-
	Free share assignment	Stock dividend from retained earnings		0	Undistributed	-
		Stock dividend with capital reserve		-		-
	Accumulated dividends yet to be paid (Note 4)			-		-
Analysis of	Price-to-earning ratio (Note 5)			82.78	82.78	-
Return on	Price-to-dividend ratio (Note 6)			140.05	Undistributed	-
Investment	Cash dividend yield rate (Note 7)			0.71%	Undistributed	-

* In case of earnings or capital reserve transferred capital increase stock dividends, the information of the market price and cash dividends retroactively adjusted according to the issued shares shall be disclosed, too.

- Note 1: List the highest and lowest market prices of common stock shares each year and calculate the mean market price of each year according to the annual trading value and trading volume.
- Note 2: Please follow the number of shares already issued at the end of the year and provide the information according to the distribution decided through the shareholders' meeting in year that followed.
- Note 3: If retroactive adjustments are required due to free share assignment, the earnings per share before and after the adjustment shall be listed.
- Note 4: If it is specified as part of the equity securities issuance criteria that dividends that are not distributed for the current year may be carried over to the year with earnings, the accumulated dividends yet to be paid up to the current year shall be disclosed separately.
- Note 5: P/E ratio = the average closing price per share of the year/earnings per share.
- Note 6: Price-to-dividend ratio = mean closing price per share of the year/cash dividends per share.
- Note 7: Cash dividends yield rate = cash dividends per share/mean closing price per share of the year.
- Note 8: For the net worth per share and earnings per share, the data from the latest quarter up to the date the Annual Report was printed that have been audited (reviewed and approved) by CPAs shall be provided; for the other fields, the data of the current year up to the date the Annual Report was printed should be provided.

(VI) Company's Dividend Policy and Implementation

1. Dividend policy defined in the Articles of Incorporation

The net profits of the Company as concluded by the annual accounting book close, shall be distributed in the following order:

- I. Pay income tax in accordance with the law.
- II. Make up for prior years' losses.
- III. Set aside 10% to be the legal reserve.
- IV. Appropriate or reverse the special reserve as required by law or as necessary for its operations.

The Board of Directors shall, after deducting the preceding items, prepare a bonus distribution proposal to shareholders based on the remaining balance together with the accumulated undistributed earnings of prior years and submit it to the shareholders' meeting for resolution. Bonuses to shareholders and employees may be paid in the form of stock dividends or cash dividends.

Not less than 2% and not more than 8% of the Company's profits before tax for the year, after making up for the accumulated losses, shall be appropriated as profit sharing remuneration to employees and not less than 1% and not more than 5% as profit sharing remuneration to directors/supervisors. The Company is required to distribute employees' profit sharing remuneration when the Company makes profits, whether or not dividends are distributed to shareholders.

The aforementioned employee profit sharing remuneration may be paid in shares (treasury stock, new shares) or cash to employees of an affiliate who meet certain

criteria such as job rank and performance, and may be approved by the Board of Directors (by special resolution) and reported to the shareholders' meeting.

The Company is at a growing stage and based on capital expenditure, business expansion needs and sound financial planning for sustainable development, the Company's dividend policy is to distribute earnings available for distribution to shareholders in the form of stock dividends and cash dividends based on the Company's future capital expenditure budget and capital requirements and set aside at least 50% to be the bonus for shareholders, with the cash dividend percentage not less than 50% of the total shareholders' bonus.

2. Distribution of dividends intended to be proposed and discussed during the current shareholders' meeting

The distribution of 2021 earnings was approved by the Board of Directors on March 08, 2022 and will be brought forth for ratification during the shareholder's meeting on May 26, 2022.

Unit: NTD \$

Item	Amount
Undistributed retained earnings at the beginning of the period	\$ 319,836,419
	515,927,070
Add: net profit after tax for the year	8,150,287
Less: Provisions of special reserve set aside with deductions from equity	1,198,607
	51,712,568
Add: Remeasurement of defined benefit plans	\$ 777,099,241
Less: Provision of 10% of legal reserve	
Earnings available for distribution	121,916,670
Distributable items:	121,916,660
Shareholders' bonuses - cash dividends (NT\$1 per share)	
Shareholders' bonuses - stock dividends (NT\$1 per share)	\$ 533,265,911
Undistributed earnings at end of term	
Note: Distributed up to NT\$1, with an amount less than NT\$1 rounded off.	

Note: Priority is given to the 2021 earnings for distribution

3. Clarifications shall be provided when major changes are expected on the dividend policy:

There are no major changes to the Company's dividend policy.

(VII) Impacts of free share assignment intended through the current shareholders' meeting on the Company's operational performance and earnings per share

The distribution of 2021 earnings was approved by the Board of Directors on March 08, 2022; it is intended that cash dividends worth

NTD 121,916 thousand and stock dividends worth NTD 121,916 thousand will be distributed. Given the relatively low percentage of dividends to be distributed, the impacts on the Company's operational performance and earnings per share shall be limited.

(VIII) Remuneration to employees and that to directors:

1. Percentage or range of remuneration to employees and that to directors as stated in the Articles of Incorporation:

Not less than 2% and not more than 8% of the Company's profits before tax for the year, after making up for the accumulated losses, shall be appropriated as profit sharing remuneration to employees and not less than 1% and not more than 5% as profit sharing remuneration to directors. The Company is required to distribute employees' profit sharing remuneration when the Company makes profits, whether or not dividends are distributed to shareholders.

2. Accounting measures adopted in case of any difference between the basis for estimating the amount of remuneration to employees and that to directors, basis for calculating the number of shares included in the distribution of remuneration for employees, and the actual value distributed and their estimates of the current term:

The Company estimates the remuneration to employees and that to directors according to prior experience and possible amounts to be distributed in the future. In cases of changes in the actual distributed amounts and estimated amounts, on the other hand, adjustments will be made in the year of distribution for accounting purpose.

3. Approval of distribution of remuneration by the Board of Directors:

- (1) Remunerations to employees and that to directors/supervisors distributed in cash or stock. In cases of differences from the estimated amounts for the year when the fees are recognized, the differences, causes, and how they are addressed shall be disclosed.

- (2) The Company approved through the Board of Directors meeting on March 08, 2022 the intended remuneration to employees worth NTD 12,997 thousand and that to directors worth NTD 6,498 thousand to be set aside for 2021 and distribute them in cash. Once it is approved through the shareholders' meeting, the Chairman is authorized to decide the payout date. Differences between the amounts decided to be distributed as the remuneration to employees and that to directors and those book-kept shall be adjusted under gains and losses for the year of distribution.
 - (3) Ratio of the value of remuneration for employees distributed in stock and the sum of after-tax income and total value of remuneration for employees in the entity or standalone financial statements of the current term: The Company distributes the remuneration to employees in cash and hence it is not applicable.
4. When there is difference between the actual distributed amount of remunerations for employees, directors, and supervisors (including the number, value, and price of shares distributed) and the recognized remunerations for employees, directors, and supervisors in the preceding year, the difference, cause for the difference, and how it is handled shall also be specified.

The Company distributed the remuneration to employees with 2020 earnings worth NTD 5,833 thousand and that to directors worth NTD 2,916 thousand, which showed no difference from the remunerations to employees, directors, and supervisors recognized for 2020.

(IX) Buyback of the Company's Shares:

(1) Buyback of the Company's shares (completed)

No.	First of 2020
Date approved by the Board of Directors	03/24//2020
Purpose of the buyback	Assignment of shares to employees
Buyback period	03/25/2020~05/24/2020
Buyback price range	(Per share in New Taiwan Dollar) \$90~ \$140
Type and quantity of shares already bought back	Common share 3,361,000 shares
Value of shares already bought back	NTD 431,160,000.00
Number of shares bought back/Number of shares expected to be bought back (%)	NTD 128.28
Number of shares already written off and assigned	3,361,000 shares
Cumulative quantity of	0 shares

shares of the Company held	
Ratio of cumulative quantity of shares of the Company held to the total number of outstanding shares (%)	0%

(2) Buyback of the Company's shares (ongoing): None

V. Organization of corporate bonds: None

VI. Organization of preferred stock shares: None.

VII. Organization of global depository receipts: None.

VIII. Organization of employee share subscription warrants:

- (I) Organizational status of employee share subscription warrants before the deadline up to the date when the Annual Report was printed and its impacts of shareholder equity:

Organization of employee share subscription warrants

March 31, 2022

Type of employee share subscription warrants (Note 2)	First (term) of 2020 Employee share subscription warrant	Second (term) of 2020 Employee share subscription warrant	First (term) of 2021 Employee share subscription warrant
Effective date	11/04//2020	11/04//2020	12/02//2021
Issue (organization) date (Note 4)	11/05//2020	11/24//2020	12/06//2021
Quantity issued	1,918,000	82,000	800,000
Ratio of the number of shares available for subscription to the total number of shares already issued	1.5732%	0.06725%	0.65620%
Duration of subscription	4 years	4 years	4 years
Performance method (Note 3)	By issuing new shares	By issuing new shares	By issuing new shares
Duration of restricted subscription and ratio (%)	2 years after expiration 40% 3 years after expiration 100%	2 years after expiration 40% 3 years after expiration 100%	2 years after expiration 40% 3 years after expiration 100%
Number of shares already acquired	0	0	0
The amount for the subscription paid	0	0	0

Number of shares yet to be acquired	1,918,000	82,000	800,000
Subscription price per share for those having not acquired shares	165	203.50	184.50
Ratio of the number of shares yet to be acquired total number of shares already issued (%)	1.5732%	0.06725%	0.65620%
Impacts on shareholder equity	The number of stock options exercised during the restricted subscription period is diluted each year on shareholder equity and hence the dilution effect remains limited.	The number of stock options exercised during the restricted subscription period is diluted each year on shareholder equity and hence the dilution effect remains limited.	The number of stock options exercised during the restricted subscription period is diluted each year on shareholder equity and hence the dilution effect remains limited.

Note 1: Employee share subscription warrants include public placement and private placement ones that are ongoing. Public placement employee share subscription warrants that are ongoing are those having been validated by the Board of Directors.

Private placement employee share subscription warrants that are ongoing are those having been approved through the shareholders' meeting.

Note 2: The number of fields may be adjusted reflective of the actual number of occurrences.

Note 3: The shares already issued or new shares issued that are delivered shall be noted.

Note 4: Those with different issue (organization) dates shall be listed separately.

Note 5: Private placement ones shall be indicated in a readily visible way.

- (II) Names of managers having acquired the employee share subscription warrants and Top 10 employees having acquired the number of shares available for them to subscribe and the acquisition and subscription status cumulatively as of the date when the Annual Report was printed:

Names of managers having acquired the employee share subscription warrants and Top 10 employees having acquired the number of shares available for them to subscribe and the acquisition and subscription status:

	Job Title (Note 1)	Name	Acquisition of the number of shares available for subscription	Ratio of the number of shares available for subscription and having been acquired to the total number of outstanding shares (Note 4)	Enforced (Note 2)				Not enforced (Note 2)			
					Number of shares available for subscription	Subscription price (Note 5)	Subscription value	Ratio of the number of shares available for subscription to the total number of outstanding shares (Note 4)	Number of shares available for subscription	Subscription price (Note 6)	Subscription value	Ratio of the number of shares available for subscription to the total number of outstanding shares (Note 4)
Managers	Executive Vice President	Yu Yu-Tao	1,244,000	1.01%	0	0	0	0%	1,244,000	184.33	12,440,000	1.01%
	President of Subsidiary	Lee Cai-Rong										
	Vice President-equivalent Special Assistant	Lai Tung-Po										
	Vice President	Lin Tung-Feng										
	Director of Subsidiary	Cui Zhong-Qiang										
	Chief Technology Officer of Subsidiary	Chung Shih-Chung										
	Vice Director	Wei Chuan-Chi										
	Senior Director	Pump, Kuo										
	Special Assistant	Chi, Ya-Ling										
	Director	Ho Meng-Yu										
	Vice President of Subsidiary	Huang Kuo-Shou										

	Chief Financial Officer	Lee, Kuei-Tsung										
	Manager	Liu Wan-Hua										
	Director	Ko Zi-Wen										
	Vice Director	Wei Chuan-Chi										
	Director	Wu Hsiao-Wei										
Employees	No											

Note 1: Including managers and employees (those already resigned or deceased shall be noted). Individual names and titles shall be disclosed yet the acquisition and subscription status may be summarized and disclosed accordingly.

Note 2: The number of fields may be adjusted reflective of the actual number of occurrences.

Note 3: Top 10 employees having acquired the number of shares available for them to subscribe are employees other than managers.

Note 4: Total number of outstanding shares refers to that registered with the Ministry of Economic Affairs.

Note 5: For the subscription price of employee stock options already exercised, that at the time of execution shall be disclosed.

Note 6: For the subscription price of employee stock options yet to be exercised, the post-adjusted one obtained according to the Issuance Regulations shall be disclosed.

IX. Organization of restricted stock awards: None.

X. Organization of new shares issued upon M&A or acceptance of assignment of shares of other companies: None.

XI. Implementation of the funds utilization plan: None

Five. Operational Overview

I. Scope of Operation

(I) Scope of Operation

1. Main scope of operation:

(1) The Company's scope of operation includes the following:

CD01030 Motor Vehicles and Parts Manufacturing

F114030 Wholesale of Motor Vehicle Parts and Motorcycle Parts, Accessories

F214030 Retail Sale of Motor Vehicle Parts and Motorcycle Parts, Accessories

F401010 International Trade

I501010 Product Designing

CC01080 Electronics Components Manufacturing

CC01101 Controlled Telecommunications Radio-Frequency Devices and
Materials Manufacturing

CC01990 Other Electrical Engineering and Electronic Machinery Equipment
Manufacturing

CD01040 Motorcycles and Parts Manufacturing

CD01990 Other Transport Equipment and Parts Manufacturing

CC01070 Wireless Communication Mechanical Equipment Manufacturing

CD01010 Ships and Parts Manufacturing

ZZ99999 All business items that are not prohibited or restricted by law, except
those that are subject to special approval.

(2) The scope of operation of the subsidiary Shanghai Vei Sheng Auto Parts Manufacturing Co., Ltd includes the following:

A. Research, development, production, manufacture, and distribution of the following products:

a. Design, production, and assembly of automotive electronic device
systems and their parts and accessories

b. Automotive blanking dies, injection dies, circuit boards, distribution
of self-made products

B. Design and technical consultation service for the products in the preceding paragraph

C. Wholesale and imports/exports of commodities in the same categories as the products mentioned above

D. The Company does not deal with state-owned trade management commodities of Mainland China; quotas and license-regulated commodities are to follow applicable governmental requirements.

(3) The scope of operation of the subsidiary ITM Engine includes the following:

Primarily wholesale and retail sale of automotive parts and equipment

(4) The scope of operation of the subsidiary ITM AUTOPARTS

INTERNATIONAL INC. includes the following:

Primarily international trade of automotive parts and equipment

- (5) The scope of operation of the subsidiary Harbinger Technology Corporation includes the following:

Primarily integration of wireless communication systems; specializing in the research of wireless communication technologies, product development, system integration, and project planning.

- (6) The scope of operation of the subsidiary CUBTEK INC. includes the following:

Primarily trading and manufacturing of wired communication machinery, automobiles, and their parts.

- (7) Descriptions of main products are provided below:

Item	Main product	Description
1	Automotive electronic switches	Including the turn signal switch (including the multi-purpose switch), engine start-up switch (including the vehicle lock set), wiper switch, oil pressure switch, fan switch, gear switch, power window switch, headlight switch, push-pull switch, light adjustment switch, door switch, seat switch, and stop light switch, etc.
2	Automotive electronic sensors	Including the radiator sensor, speed sensor, camshaft position sensor, crankshaft position sensor (CPS), tire pressure monitoring system (TPMS), quantitative air flow sensor, fuel pressure sensor, detonation sensor, intake manifold sensor, oil sensor
3	TPMS series	Currently including the universal 433 MHz, 315 MHz sensor, TPMS wireless program encoder
4	Other automotive electronic products	Such as the R&D, assembly, processing, and distribution of electrical and electronic products such as the front wheel driving facilitator, speed setter, ignition module, junction box, fan motor resistance, mirror switch, auxiliary air regulator, electromagnetic solenoid, jet nozzle, clock coil, engine, valve, cylinder.
5	Radar sensors relevant to the integration of wireless communication systems	Rear-view camera, driver monitoring, BSD, surround view, and NVS systems

- (8) The scope of operation of the subsidiary 3S System Technology Inc. includes the following:

Primarily trading and manufacturing of wired communication machinery, IT softwares, and automatic control equipment.

2. Operational weight

The annual business ratios of 2020 and 2021 of the Company and its subsidiaries are as follows:

Unit: In thousands of NTD

Main product	109 years Operating revenues	Ratio (%)	110 years Operating revenues	Ratio (%)
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Automotive electrical/mechanical switch	1,045,579	31.30	1,367,347	33.51
Automotive safety part and system	1,159,385	34.71	1,875,373	45.96
Communication equipment and engineering	890,601	26.66	584,823	14.33
Others	244,634	7.33	252,892	6.20
Total	3,340,199	100.00	4,080,435	100.00

3. Current Products (Services) of the Company

- (1) Automotive electronic switch technologies
- (2) Related derivative applications of TPMS tire pressure monitoring system products
- (3) Development and production of high-end automotive sensors
- (4) OBDII (On Board Diagnostics)
- (5) LIN electric window switch
- (6) Window anti-pinch device
- (7) Development, application, and production of power battery packs

4. New Products (Services) Planned to be Developed by the Company

- (1) Automotive electronic switch technologies
- (2) Related derivative applications of TPMS tire pressure monitoring system products
- (3) Development and production of high-end automotive sensors
- (4) OBD II (On Board Diagnostics)
- (5) LIN electric window switch
- (6) Window anti-pinch device
- (7) Development, application, and production of power battery packs
- (8) ADAS-related

(II) Industrial Overview

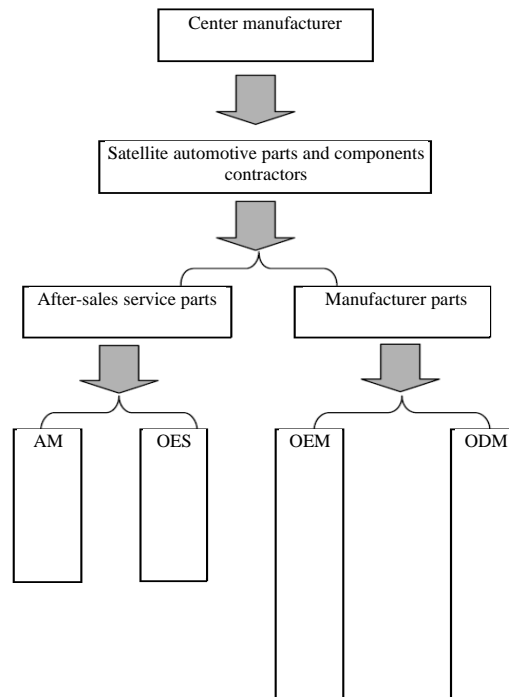
1. Current Status and Development of the Industry

(1) Industrial structure of parts and components

The auto industry and parts and components form a typical center-satellite system. The automotive manufacturer in the center outsources parts and components to Tier 1 satellite contractors, which further outsource detailed parts to Tier 2 or Tier 3 ones; the pyramid appears to be a multi-tiered and division-of-labor structure. Automotive parts and components mainly consist of parts used by manufacturers during assembly and those by after-sales auto

service shops. As far as the means of distribution is concerned, automotive parts can be distributed through OEM (original equipment manufacturing), OEM (original design manufacturing), OES (original equipment service), and AM (after-market). Among them, the markets for OEM and ODM consist of parts to be used by manufacturers during assembly while that for AM consists of those for use during after-sales service or for remodeling purpose.

Distribution network of automotive parts and components



Source: Report of Automotive Research & Testing Center

The auto industry is an important part of the manufacturing sector in Taiwan, with around 2,500 businesses and over 300 thousand direct and indirect practitioners. Most of the businesses now have developed a few yet diversified flexible manufacturing technologies through local process automation whose quality is comparable to their international counterparts. Nevertheless, the market size for automobiles in Taiwan is too small and hence the associated economics is hardly of any scale when it comes to production and manufacturing. As a result, the market for whole care OEM production and distribution is relatively restricted for manufacturers of parts and components in Taiwan and so is the room for profitability for these manufacturers. As such, domestic automotive parts and components manufacturers are turning towards international markets. The lack of endorsement by international heavyweights and the relatively strict requirements for the quality and control of manufacturer auto-parts in addition to issues associated with their transport, however, have

made a majority of businesses that have secured a place in the global OEM supply chain of international heavyweights to choose the after-sales service segment. In other words, most automotive parts and components businesses in Taiwan target AM (After Market) and export-oriented products are primarily plastic parts, stamped metal parts, car lights, and tires, among other general service pieces and parts and accessories. After years of efforts, the quality of automotive parts and components that are made in Taiwan has been widely recognized around the world recently and North American has become a main export-oriented region, accounting for around 40% of the total export value of automotive parts and components made in Taiwan.

(2) Overview of exports of the automotive parts and components sector in Taiwan

The automotive parts and components sector of Taiwan is known for its strengths of small quantity, diversification, and flexible manufacturing and is now internationally competitive following constant devotion to R&D and improvement in the production technology. Over the past few years, despite the fluctuations seen on the domestic market for whole cars, with accumulative capabilities that make the businesses competitive, exports have been growing each year. It is exactly because of the high reliance on exports of the sector that makes it quite vulnerable to developments on the global automotive market. Exports in the past targeted primarily advanced countries such as European ones, the US, and Japan. Over the past few years, however, emerging automotive markets have helped broadened the exports landscape. The production value and exports of parts and components have shown growths each year. The developments of Taiwan's automotive parts and components sector over the past few years have shown that the expansion of exports markets is the main driving force. With support from the Government and proactive expansion of exports by the businesses, both the production value and exports have reached new heights; the production of automotive parts and components made in Taiwan is constantly climbing.

Imports and exports statistics provided by the customs authority show that exports of automotive parts and components made in Taiwan declined by 8.45% because of the financial tsunami in 2009 and significantly climbed in 2010 by 22.62% and growths have been ongoing since then. By 2017, exports had reached a record high of NTD 214.9 billion. Impacted by the COVID-19 pandemic, exports came to NTD 192.7 billion in 2020. In 2021, it was NTD 220.8 billion, a growth of 14.58% from the preceding year.

Statistics of export value of automotive parts and components made in Taiwan

Unit: NTD 100 million

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Amount	1,848	1,948	1,979	2,077	2,145	2,113	2,149	2,147	2,148	1,927	2,208
Growth rate	7.88%	5.41%	1.60%	4.96%	3.26%	-1.47%	1.70%	-0.11%	0.02	-10.26%	14.58%

Source: Customs statistics of imports and exports, sorted out by the Taiwan Transportation Vehicle Manufacturers Association.

When looked at by the country where parts and components made in Taiwan are exported to, the data of the Taiwan Transportation Vehicle Manufacturers Association show that exports to the US in 2021 totaled NTD 112.1 billion, accounting for 50.79% of all exports and a year-on-year growth of 9.21%; the US was the largest country for the exports of automotive parts and components made in Taiwan. The next one is “Japan”; the exports totaled NTD 12.5 billion, accounting for 5.7% of all exports and a growth of 17.67%. “Mainland China” ranked third; the exports totaled NTD 8.5 billion, accounting for 3.8% of all exports and a growth of 28.28%. The growths were the results of the slowly easing pandemic.

2021 Statistics of export value of automotive parts and components made in Taiwan by the country

Unit: In thousands of NTD

Ranking	Country	Amount	Structural ratio	Annual growth
1	US	112,156,394	50.79%	9.21%
2	Japan	12,576,953	5.70%	17.67%
3	Mainland China	8,590,791	3.89%	28.28%
4	Germany	7,046,114	3.19%	29.37%
5	Mexico	6,733,393	3.05%	45.24%
6	Australia	6,082,124	2.75%	37.23%
7	UK	5,536,902	2.51%	9.78%
8	Netherlands	4,889,789	2.21%	11.79%
9	Canada	4,520,994	2.05%	13.68%
10	Italy	4,391,323	1.99%	25.00%

Source: Customs statistics of imports and exports, sorted out by the Taiwan Transportation Vehicle Manufacturers Association.

(3) Overview of exports of related automotive electrical parts and components made in Taiwan

Products manufactured by the Company and its subsidiaries are automotive electrical parts and components. Given its insignificant ratio to the overall automotive parts and components, it is uneasy to obtain related statistical data. Besides, related tax codes for automotive electrical products are not available in Taiwan, it is quite impossible to obtain the exact statistics of automotive electrical products exported. To present the overview of export markets of automotive electrical parts and components made in Taiwan, however, the export tax code that has been adopted by the Company so far, 8708.99: “Parts and accessories for other motor vehicles” (including sheet metal, chassis, electronic and electrical products), and export codes 8536.50 and 8537.10 (automotive switch-related products) as well as US, the largest export destination for the automotive parts and components made in Taiwan and by the Company are used in the analysis of exports of automotive electrical parts and components made in Taiwan to the US.

Based on the statistics of imports and exports of the Directorate General of Customs, for the exports of automotive parts and components made in Taiwan under the tax code 8708.99 to the US, it is found that the exports were affected by the financial tsunami in 2009 and that growths were steady between 2012 and 2015, followed by slight declines between 2016 and 2017 and growths again in 2018 through 2020. The exports to the US also climbed in 2021, with an annual growth rate of 15.67%. In addition, as far as exports to the US under tax codes 8536.50 and 8537.10 are concerned, growths were noted between 2012 and 2018. To sum up, exports of automotive electrical parts and components made in Taiwan between 2012 and 2018 climbed slowly each year, dropped slightly in 2019, and grew again in 2020. The growth rate in 2021 was 49.07%.

Exports to the US between 2012 and 2021 under tax codes 8708.99, 8536.50, and 8537.10

Unit: In thousands of NTD, %

Year	8708.99		8536.50 and 8537.10		Total	
	Amount	Growth rate	Amount	Growth rate	Amount	Growth rate
2012	19,596,162	14.06	3,048,658	4.35	22,644,820	12.63
2013	20,839,133	6.34	3,380,141	10.87	24,219,274	6.95
2014	23,729,750	13.87	3,496,716	3.45	27,226,466	12.42
2015	24,619,053	3.75	3,911,734	11.87	28,530,787	4.79
2016	23,099,616	(6.17)	4,613,295	17.93	27,712,911	(2.87)

Year	8708.99		8536.50 and 8537.10		Total	
	Amount	Growth rate	Amount	Growth rate	Amount	Growth rate
2017	22,416,137	(2.96)	4,708,843	2.071	27,124,980	(2.12)
2018	23,137,279	3.22	5,486,539	16.52	28,623,818	5.53
2019	24,453,075	5.69	5,208,385	(5.07)	29,661,460	3.63
2020	24,628,084	0.71	6,421,471	23.29	31,049,555	4.68
2021	28,488,853	15.67	9,572,973	49.07	38,061,826	22.58

Source: Website of the Directorate General of Customs

(4) Overview of the TPMS Sector

The TPMS is installed inside the tire of a car to detect the pressure and temperature in real time of the tire and to send specific communication codes through radiofrequency (RF) to the receiver inside the car so that the driver knows current status of the tire and it reduces chances of an accident. Therefore, for safety concern, TPMS has been included in the legislation in many countries to be a standard part of a vehicle. Traditional tire pressure sensors are one-on-one and designed for specific manufacturer models and are meant mainly for the OE market. That is, each sensor has a unique ID code. It often happens, however, on the AM market that the tire pressure sensor is undetectable due to different specifications adopted. In other words, the one-on-one tire pressure detector for different models tends to result in the situation where tire plants have to have ready multiple tire pressure detectors for use in different models. This significantly drives up the inventory stress. As a result, the universal model came into being. In countries or regions with regulatory requirements, for the different models that the universal type can cope with, a main technology applied is cloud-based decoding of new models and burning on a blank sensor. This is why a universal tire pressure monitor fulfills the needs on the AM market for low inventory and quick service.

As far as the TPMS market is concerned, the US was the first in the world to stipulate in the legislation that the TPMS should be standard configuration of vehicles. The legislation was approved in 2005. By 2007, it became an universal standard, with approximately 280 million tire pressure detectors running. Generally speaking, a tire pressure detector has a life span of 5-10 years. Therefore, the replacements hit the peak between 2012 and 2017. After 2015, more than 90% of the old cars in the US were installed with the TPMS. By the historical sales of new cars in North America, around 50 million TPMSs can be sold each year and it is estimated that the sales on the OE market can grow steadily on a yearly basis. TPMS regulations usually target the new car market first to mandate its presence. Therefore, the demand for TPMSs on the OE market each year is highly correlated with the supply of new cars. At present, regulations are highly mandatory on the OE market. The needs for replacements on the AM market, on the other hand, will be another source of growths for TPMS manufacturers. With the deadline for eliminating old cars in the US extended and the ratio of ownership over old cars increasing, it will be in favor of the demand for replacing TPMSs in the future.

Besides the US market, The EU made TPMS standard configuration in 2014. By an annual sales volume of 10 million new cars each year, the demand on the OEM market of the European Union is around 400 million

TPMSs. In Asia, besides China, where the TPMS was made standard configuration through legislation in 2019, similar legislation has been adopted in Japan, Korea, and India, too, to make TPMS standard configuration. The annual demand for TPMSs each year on the OE market in Asia will reach around 160 and 220 million, making it the largest market in the world for TPMSs (in new cars).

Over the past few years, the application of TPMS in commercial vehicles to go with fleet management has gained prominence. In Europe and North America, there are around 300 thousand new cars entering the market each year; that is, a market potential of about 4.8 to 7.2 million TPMSs each year. For the time being, given the relatively complex models with the TPMS on the OE market, its quantity and ratio are relatively low. As such, the demand on the AM market is optimal. To cope with the bottleneck encountered with commercial vehicles, such as how to combine it in the various types of tires (or rims), the data transmission distance, and sub-car exchange spontaneous learning, however, efficient and easy-to-operate countermeasures are required.

(5) Overview of Public Tenders in the Sector

The operating income of the subsidiary Harbinger Technology Corporation (Harbinger) mainly comes from procurement projects of the ROC government secured through public tendering in the national defense sector and on the after-math prevention and rescue market. The following is an overview of public tenders available in the sector, in the national defense sector, and in the after-math prevention and rescue sector.

A. Central government and local government public tenders

In May 1998, the ROC government announced the “Government Procurement Act” where Article 1 stipulates that it is meant to create a government procurement system that has fair and open procurement procedures, promotes the efficiency and effectiveness of government procurement operation, and ensures the quality of procurement. The Government Procurement Act exercises positive effects in terms of improving the legitimacy of government procurements, enhancing the procurement efficiency, and ensuring quality of procurement. As far as open and transparent procurement information is concerned, the government procurement information announcement system and the government procurement commune have been promoted. Fair competition among tenderers is ensured; public interest and the principle of being fair and reasonable are protected; and it stipulates tenderer eligibility where improperly restricted competition is disallowed in order to prevent against favoring specific tenderers.

Among the procurement cases worth over NTD 100 thousand in 2020, the number with awards given came to 202,319, with the total amount of awards reaching above NTD 1.7817 trillion. Among them, 173,379 were procurements through public tenders, accounting for up to 85.70% of all procurements throughout the year. For the past 5 years, it has been above 85%. The amount of tenders organized publicly reached NTD 1.5378 trillion, which indicates that the public and transparent operating mechanism has rendered significant accomplishments in terms of government procurements. The number of public tenders awarded and ratio of amount between 2016 and 2020 are provided in the table below.

Overview of the number of public tenders awarded and the ratio of amount involved between 2016 and 2020						
Year	Number of tenders awarded	Public		Value of award (NTD 100 million)	Public	
		Number of tenders awarded	Ratio (%)		Value of award (NTD 100 million)	Ratio (%)
105	180,336	158,884	88.10	12,050	9,767	81.05
106	187,089	163,953	87.63	13,725	11,298	82.31
107	198,165	173,945	87.78	17,644	15,056	85.34
108	196,218	170,827	87.06	18,716	13,471	71.97
109	202,319	173,379	85.70	17,817	15,378	86.31
Duration of statistics: February 2, 2021						

Source: Public Construction Commission, Executive Yuan

B. National defense sector

National defense technology capabilities are significant in terms of homeland security and combat readiness of armed forces. To answer to the international tendency where nations are devoted to the development of technologies, dual goals of “homeland security” and “improved overall competitiveness of national economy” need to be fulfilled for the developments in the national defense technology sector. In the United States, for example, its strategy is to combine civil society forces while building a complete national defense technology and national defense industrial development system. On the one hand, national defense technology R&D techniques are released to the civil society where re-investments take place to turn them into daily life commodities and create economic value. On the other hand, private businesses get to upgrade their technical level taking advantage of the technical transfer so that they can get involved in national defense constructions. In light of the tightened national defense budget and the increasing costs associated with novel weapon systems, the military-civil sharing policy is gaining prominence in the US.

In the past, due to the fact that domestic technologies were not comparable to those in advanced European and American countries, nearly all important armaments were purchased from overseas and it necessitated the adjustment and change in the national defense policy reflective of the international situation. The unstable policy about the national defense sector also resulted in the lack of willingness for private businesses to make investments. National defense technologies hence were unable to help and growth together with private businesses. Due to the highly limited number of resources available in the region of Taiwan, the government has devoted significant amounts in the development of weapon systems since the 1950's. Nevertheless, its technological capabilities as a whole are far from close to those of any advanced country in the world. In 2004, the Ministry of Economic Affairs started with technology projects that feature utilization of the core competency in national defense technologies and experience in system integration as well as effective combination of existing strengths of collaborators. Technical assistance is provided to collaborators while they devote to the R&D of military supplies. The projects aim to effectively enhance the capabilities of collaborators to develop products and apply technologies. The goals set for such projects include development of national defense contractors, replacement of key parts and components as well as materials imported, and creation of a core military supplies R&D center

satellite system. During the process, not only an innovative value transformation mechanism for the national defense scientific research and daily life sectors that can be created to maximize involvement of the civil society in the research and production of military supplies and in applying technologies, a local national defense sector can also be nurtured for the maximum national defense efficacy and value of daily life sectors. The military and private businesses can help each other to exercise synergistic effects and ultimately boost the overall economic development of the nation.

C. Aftermath prevention and rescue

Statistics obtained from the UN Emergency Events Database (EM-DAT) show that major natural disasters are occurring each month around the world. The March 11 earthquake in Japan and the August flood in Thailand, both in 2011, for example, were both combined disasters: The earthquake triggered the devastating tsunami that invaded as far as 7 kilometers inland and brought about massive consequences. The heavy rains that bombarded Thailand for several months in a row along with the high tides and flood peak resulted in flooding throughout the nation, including industrial zones in the surroundings of Bangkok, and supply chain disruption for automotive and computer parts and components around the world and reduced rice production. Faced with the various disasters and challenges, countries around the world need to plan basic preventive and rescue strategies in cases of disasters more proactively.

By creating disaster environmental monitoring data and the observatory network, it will help improve the precision required for forecasting disasters. Highly reliable and consistent emergency response measures may be provided. At present, environmental monitoring information is already available at respective ministries and departments. With limited budget and manpower, however, clusters potentially at high risk are not included as a whole. Taiwan, with its unique geography and the complexity involved in the rainfall process, makes it difficult to forecast local sudden heavy rains even now, despite the advanced weather observing and forecasting technology. The precision and credibility of flood and hill-land disaster pre-warnings are reduced as such, too. A rainfall radar network that can monitor rainfall is required in order to improve the precision in monitoring rainfall and in forecasting disasters; the needs for regional disaster prevention and rescue operations can be met, too. Studies of the National Science & Technology Center for Disaster Reduction have shown that environmental monitoring is crucial to the prevention against large-scale collapsing disasters; nevertheless, issues such as the competent authority for hill-land disasters yet to be defined in the Disaster Prevention and Protection Act, the absence of a risk map for collapsing disasters, and public risk awareness pending reinforcement remain. It is expected that natural disasters will be frequent and given the emphasis over efficacy in disaster rescue operations by government agencies, budget for disaster prevention and protection will steadily grow.

(6) Conclusions

Most of the developments of automotive parts and components businesses around the world are driven by the automotive assembly sector. Because of the small market size for automobiles in the nation and the fact that new car R&D technologies are nearly controlled by the parent company

overseas, the growths in whole car business are not as desirable as those of parts manufacturers. As far as global competitive advantages are concerned, Taiwan should be more competitive in automotive parts and components instead of whole cars primarily because of the small size of the automotive market in Taiwan and the need to reach out for parts manufacturers if they want to grow in size. To compete on the local markets overseas, however, they have to be sufficiently competitive in terms of technology and cost. Thanks to the constantly increased rates in the use of AM instead of OE products by insurance companies in North America, the constant outsourcing by international heavyweights in order to bring down the cost, and the rapid developments on the market for automobiles in Mainland China, Taiwan's parts and components manufacturers get to continue to expand their market shares overseas.

For the future, growths on the global automotive market in 2021 would still be driven by the US, Germany, and India. The growth on the automotive market in China, on the other hand, will slow down and hence the purchasing power is likely to be limited. Nevertheless, what is worth noting is the 13th five-year plan of China as it will be focused on the development of new energy vehicles. In other words, despite the slow-down over the short term, environmentally friendly vehicles will grow over the long term and remain promising in the future. In terms of automotive parts and components, given the increase in the demand for low-price, small, and multi-functional vehicles in the international society, parts and components shall be modularized to add value to the vehicles and to make management and repairs easy. Parts shall also be produced in a smart way by integrating and applying a variety of sensors and mechanical/electrical systems. Automotive parts shall turn light-weighted with the use of composite materials or heterogeneous materials. Finally, they shall be electrical: clean engines shall be produced and combined with power motors. Automotive parts and components manufacturers improve their competitive advantages by researching, developing, and improving their production technologies, which will help them secure a presence in the supply chain of more international automotive manufacturers. Generally speaking, the future for the automotive parts and components manufacturers in Taiwan remains optimistic.

In order to respond to the said business opportunities and expand the market early on, besides growing their primary business, the Company and its subsidiaries have been devoted to the R&D of new products and the operations on new markets. The original focus was on the AM market and now they are proactively working with OEM clients and then further upgrade to the ODM market. The nearly 20 years of experience of the Company and

its subsidiaries has contributed to their solid design and development capabilities. Meanwhile, to cope with the rapidly-growing demand on the market for automotive electronics as mentioned above, the Company and the subsidiaries reach out to apply their existing experience in automotive electrical engineering to the design of automotive electronic products by including CAN BUS and TPMS, MCU, communication protocols, variable valve control, motor controller, and keyless entry device in the scope of development and mass production.

In addition, the industrial structure turns from manpower-intensive to automated and products are growing more and more precise each day. To cope with the constant changes in the industrial setting, the automotive electrical sector in the future will grow in the following directions:

(A) Equipment automation

The domestic manufacturing sector is now faced with a labor market where manpower is lacking and wages are skyrocketing. High-cost and low-efficiency traditional single-task stamping can no longer cope with international competition. Multi-task continuous automatic processing (die/stamping) is required in order to increase the throughput, bring down cost, add value to the products, and to address competitive demand on the market. With the availability of automotive electronics, on-board electronic controllers, and various top-notch sensors, modular design, automated processing, performance testing are gradually turned towards automation. Automated factories are an inevitable trend in the future. The Company and its subsidiaries have made preliminary accomplishments in investing in automated equipment over the past few years.

(B) High-speed production

For processes such as production of stamping parts and laser engraving, the Company and its subsidiaries adopt precision punching equipment so as to improve the manufacturing technique and to meet customer demand. Plus the dies designed, production will take place even more quickly.

(C) Products turning more and more precise

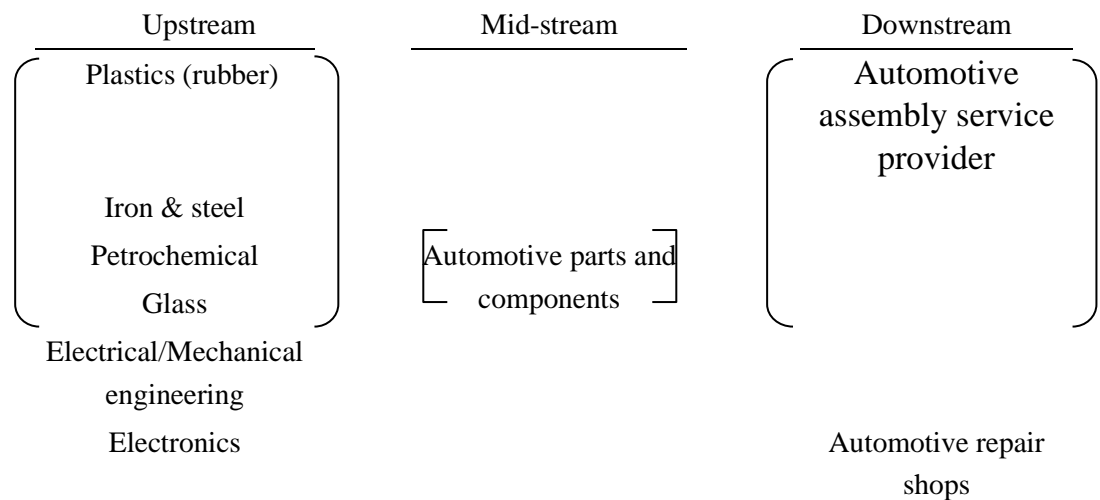
As electronic elements produced to be used in the IT, electronics, and transportation sectors in the future will become more and more precise, the Company and its subsidiaries will continue to invest in related equipment and technologies so as to manufacture products with even higher additional value.

2. Correlation among Upstream, Mid-stream, and Downstream of the Industry

(1) Industrial chain of automotive parts and components

Automotive parts and components are meant for use by assembly service

providers and repair shops. They can be divided into metal and non-metal ones. The sector covered is very wide-ranging, including petrochemical, glass, iron & steel, plastics, electrical/mechanical engineering, and electronics sectors. In other words, they can drive growths of a whole nation, including the fundamental sectors and peripheral sectors. Correlation of the upstream, mid-stream, and downstream of the automotive parts and components sector is shown as follows:



(2) Industrial chain of automotive electrical switches

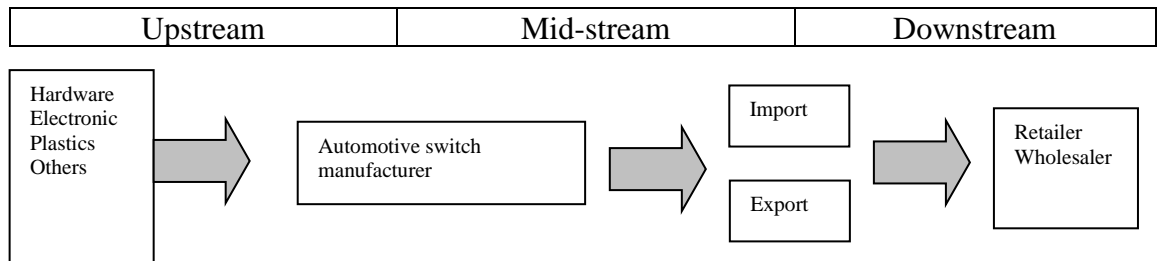
The correlation among the upstream, mid-stream, and downstream of automotive electrical products shows that mid-stream automotive switch producers, reflective of product specifications and properties, purchase the required raw materials and supplies from upstream raw material manufacturers. Given the different size requirements for switches, switch producers usually provide raw materials and supplies processors with the dies and the processors produce parts and components that meet specific element specifications according to the samples made with the said dies.

After the mid-stream switch producers receive the raw materials provided by upstream manufacturers, they begin further processing according to the structures of switches for different purposes. The processing now aims to make each raw material into an element. Meanwhile, since a product consists of multiple elements and certain underlying elements need to be processed first in order to be combined with other underlying elements, mid-stream automotive switch manufacturers usually will outsource the assembly of certain raw materials to other contractors. Once respective elements are made, the switch company further assemble them

into one complete product.

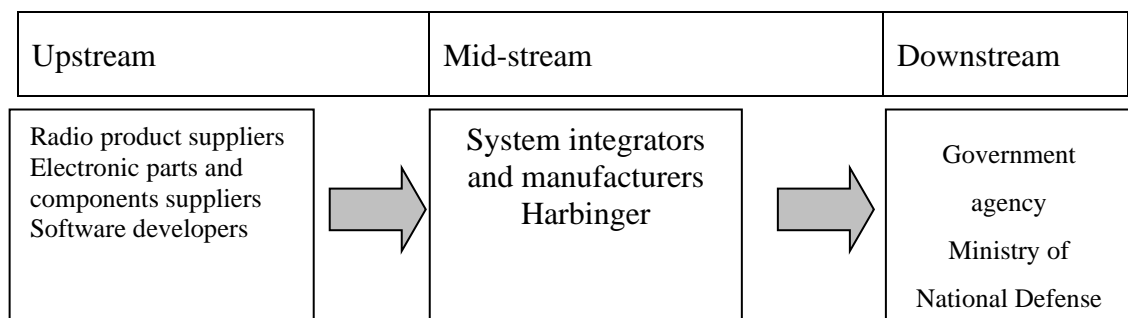
The downstream distribution network of automotive electrical products, on the other hand, mainly consists of imports and exports. The needs on the AM market, however, are mainly met by parts and components wholesalers and retailers.

AM market industrial chain of automotive electrical switches



(3) Industrial chain of wireless communication products

The Company's subsidiary Harbinger mainly deals with government tender-based procurements and plays the role of mid-stream system integrator and manufacturer throughout the whole industrial supply chain. The upstream now consists of radio products, electronic parts and components suppliers, and software designers that mainly supply radio systems and equipment, IC, joints and connectors, and design softwares, etc. Harbinger is in the midstream of the industry and is responsible for connecting radio communication systems and equipment to the network system and related software (hardware) systems, including planning, integration, assembly, mounting, and testing. The downstream are mainly government agencies, national defense authority, and National Chung Shan Institute of Science and Technology.



3. Product Trends and Competition

(1) Development Trends of Products

A. From mechanism to electronics:

The automotive sector was relatively conservative in the past and could hardly made progress. Therefore, the electronic developmental trend is irresistible for the automotive sector in the future. Besides user demand, the government has prepared related laws and regulations to boost energy conservation, environmental protection, and system security and also to help the automotive sector turn electronic. Traditional automotive switches were mostly mechanical. With the development of automotive electronics, they will be gradually replaced by remote identification systems, such as the

fingerprint start-up system, the entry system, the immobilizer, and the RKE. Keys to open car doors will be gradually eliminated. Other mechanical and electrical automotive switches will be combined with electronic control, too.

B. Single part to modularized system:

As the switch system will be gradually modularized with other functional parts, besides the existing AM market, the Company and its subsidiaries will also be integrated vertically with other domestic and international level 1 manufacturers, such as tire pressure monitoring system and valve manufacturers or be integrated and connect with display device and travel control centers while growing towards product modularization and diversification.

(2) Competition on the market

There are around 300 OEM service providers and around 2,800-plus AM parts and components suppliers in Taiwan now. To become part of the global supply chain of international heavyweights, however, it is difficult. It takes not only the ability to integrate the upstream, the mid-stream, and the downstream of the industry but also the threshold set by the client to surpass in order to get the authorization. Therefore, generally speaking, Taiwan manufacturers are active mainly on the AM market. Due to the fact that the market size for automobiles in Taiwan is too small, associated economics is hardly of any scale and it restricts the room for profitability for Taiwan's parts and components manufacturers. How to break through the bottleneck hence has become an important assignment for each of the manufacturers.

Faced with such daunting competition, the Company and its subsidiaries, on the basis of their nearly 20 years of abundant production experience, have developed the small-quantity diversified flexible manufacturing techniques by improving their processes in order to meet the quick-changing demand on the market and to meet international requirements in terms of quality. Lean production is also one of the directives at work for the Company and its subsidiaries. The mass production in the past has now gradually turned to be customer-oriented corporation operation patterns. Operations in the future will be focused on product design and customer relations, too, in order to make the Company more competitive in the face of the globalization challenge.

(III) Overview of Technology and R&D

1. Technicality

Being a professional manufacturer of automotive electrical products and automotive sensors, the Company needs to have its products fulfill basic

operational requirements and to boost the comfort felt by and safety of drivers in addition to meeting the various undesirable environmental requirements. In other words, besides meeting the quality requirements of TS16949, product life span and quality are important. Therefore, the Product is cautious and adopts multi-party qualification in the development of products. Advanced automatic testing and experiment equipment as well as CAD design and RP quick forming techniques are applied to ensure that the life span and quality of products meet the requirements of multiple heavyweights such as the Society of Automotive Engineers (SAE) and the Federal Motor Vehicle Safety Standard (FMVSS) as well as FORD, GM, and Chrysler requirements. Our goal is to be leading in quality.

2. Research and Development

Automotive electrical products have slowly turned from traditional electrical/mechanical ones to electronic ones. The technical levels involved are completely different. In order to get ready for the automotive electronics era, the Company has formed its R&D Center and is proactively training mechanical/electrical integration staff and has also been devoted to the development of automotive sensors and TPMS products. In the future, we will research and develop systems by introducing MCUs, communication protocols, variable valve controllers, and motor controllers, keyless entry devices, etc. to allow our products to connect and be integrated with one another better. Not only the developmental technologies are improved, customers' demand for development of new products can be better satisfied.

3. R&D staff and their education/experience

December 31, 2021						
Education \ Year	End of 2019		End of 2020		End of 2021	
	Number of people	%	Number of people	%	Number of people	%
Post-graduate school	4	1.48	5	1.57	7	2.02
Graduate school	73	27.14	78	24.53	92	26.59
College/university	165	61.34	192	60.38	207	59.83
Senior high school and below	27	10.04	43	13.52	40	11.56
Total	269	100.00	318	100.00	346	100.00

The Company set up its R&D Center in its headquarters in Taiwan in 2010 and has been proactively hiring outstanding high-ranking engineering R&D talent.

Those holding a master's degree or a higher degree are based in the Taiwan headquarters and are spearheading the developments of innovative core technologies. They are the cornerstones for R&D of the Company and are helping fortify the Company's R&D capabilities. Having realized the small-quantity and diversity properties of the automotive sales and service sectors, the Company also came up with the strategy to combine product development and engineering in one and has prepared complete design handbooks for various product lines to allow fulfillment of the high yield rate during the very beginning of the development stage and the most thorough utilization of the Company's resources. With those working in the R&D departments of subsidiaries, currently, there are up to 100 R&D people.

4. R&D expenditure spent each year over the past five years:

Unit: In thousands of NTD

Year People	2017	2018	2019	2020	2021
R&D expenditure (A)	253,344	335,016	428,476	417,454	506,176
Net revenue (B)	3,520,466	4,023,647	4,094,666	3,340,199	4,080,435
(A)/(B)(%)	7.20%	8.33%	10.46%	12.50%	12.40%

In terms of R&D budget, related expenditure has been climbing over the past few years. The parent company has gradually increased the target from about 3% of the annual sales that was set before to above 5~6%. The subsidiaries, on the other hand, have gradually increased it from about 7% of the annual sales that was set before to above 9~10% now. Generally speaking, the increase in R&D expenditure over the past few years is mainly because of the investments in R&D equipment, the application for patents, the hiring of high-ranking R&D talent by the parent company, and the implementation of the strategy to combine product R&D and engineering. The expenditure in the future will be focused more on the development of related core technologies.

5. Technologies or products successfully developed over the past year up to the date when the Annual Report was printed:

R&D accomplishments of CUB ELECPARTS INC.

Year	Product	Application and description
2020 (59 items in total)	2. Switches x 24 items 2. Sensors x 17 items 3. Engine locks x 11 items 4. Other switches x 7 items	1. VS-28/30/31/35/36/39/40/47/48 automotive oil pressure switch/gear switch/turn signal switch/wiper switch/window switch/window switch/brake light switch/water temperature switch, etc. 2.VS-29/32/33/34/72/56/58/73/54/78 Temperature sensor/rotation speed meter speed sensor and camshaft/crankshaft sensor/detonation sensor, etc. 3.VS-37/38 Automotive engine ignition switch/lock/lock set/door lock 4. Fan switch/junction box/clock spring/solenoid, etc. (23.49.51.55.27.70.75)
2021 (21 items in total)	2. Switches x 10 items 2. Sensors x 4 items 3. Engine locks x 4 items 4. Other switches x 3 items	1. VS-28/30/31/35/36/39/40/47/48 automotive oil pressure switch/gear switch/turn signal switch/wiper switch/window switch/window switch/brake light switch/water temperature switch, etc. 2. VS-29/32/33/34/72/56/58/73/54/78 Temperature sensor/rotation speed meter speed sensor and camshaft/crankshaft sensor/detonation sensor, etc. 3. VS-37/38 Automotive engine ignition switch/lock/lock set/door lock, etc. 4. Fan switch/junction box/clock spring/solenoid, etc. (23.49.51.55.27.70.75)
First Quarter of 2022 (2 items)	2. Switches x 2 items 2. Sensors x 0 items 3. Engine locks x 0 items 4. Other switches x 0 items	1. VS-28/30/31/35/36/39/40/47/48 automotive oil pressure switch/gear switch/turn signal switch/wiper switch/window switch/window switch/brake light switch/water temperature switch, etc. 2.VS-29/32/33/34/72/56/58/73/54/78 Temperature sensor/rotation speed meter speed sensor and camshaft/crankshaft sensor/detonation sensor, etc. 3.VS-37/38 Automotive engine ignition switch/lock/lock set/door lock, etc. 4. Fan switch/junction box/clock spring/solenoid, etc. (23.49.51.55.27.70.75)

TPMS product line:

Year	Product	Application and description
2020 (38 items in total)	1. Tools: 1 item 2. Sensors: 17 items 3. System integration products: 5 items 4. Receiving/display modules: 3 items 3. Others and system integration: 8 items 6. Bluetooth sensors: 4 items	1. C100 including tools, OBD II interfaces, and cradles 2. B121 315 & 433MHz universal sensors and 1:1 sensors 3. A000 system combination products 4. C201 Receiving/display modules 5. 90/28 including accessory packs and other TPMS products 6. B121 various Bluetooth sensors.
2021 (30 items in total)	1. Tools: 5 items in total 2. Sensors: 11 items in total 3. System integration products: 6 items in total 4. Receiving/display modules: 0 items in total 5. Others and system integration: 1 item in total 6. Bluetooth sensors: 7 items	1. C100: including tools, OBD II interfaces, and cradles 2. B121: 315 & 433MHz universal sensors and 1:1 sensors 3. A000: system combination products 4. C201: receiving/display modules 5. 90/28: including accessory packs and other TPMS products 6. B121: various Bluetooth sensors.
First Quarter of 2022 (13 items in total)	1. Tools: 0 items 2. Sensors: 7 items 3. System integration products: 1 item 4. Receiving/display modules: 1 item 3. Others and system integration: 0 items 6. Bluetooth sensors: 4 items	1. C100 including tools, OBD II interfaces, and cradles 2. B121 315 & 433MHz universal sensors and 1:1 sensors 3. A000 system combination products 4. C201 Receiving/display modules 5. 90/28 including accessory packs and other TPMS products 6. B121 various Bluetooth sensors.

ADAS product line:

Year	Product	Application and description
2020 (10 items in total)	1. Displays: 1 item in total 2. Control boxes: 0 item in total 3. Radars: 1 item in total 4. System integration products: 7 items in total 5. Others: 1 item in total	1. C200 including LED displays, TFT displays, LCD displays, among other display-related modules. 2. C001 including various controller-related products for sedans, pick-up trucks, motorcycles, trucks, buses, and special purpose controllers. 3. B122 including 24 GHz, 77GHz, and 79 GHz mmWave radar-related products. 4. A001/009 system combination products System application products to meet respective functional needs on the market, such as BSD, RCTA, LCA, FCW, DOW, and LDW, among others. 5. 90 including accessory packs and other ADAS products
2021 (24 items in total)	1. Displays: 1 item in total 2. Control boxes: 3 item in total 3. Radars: 6 items in total 4. System integration products: 10 items in total 5. Others: 1 item in total	1. C200: including LED displays, TFT displays, LCD displays, among other display-related modules. 2. C001: including various controller-related products for sedans, pick-up trucks, motorcycles, trucks, buses, and special purpose controllers. 3. B122: including 24 GHz, 77GHz, and 79 GHz mmWave radar-related products. 4. A001/009: system combination products System application products to meet respective functional needs on the market, such as BSD, RCTA, LCA, FCW, DOW, and LDW, among others. 5. 90: including accessory packs and other ADAS products
First Quarter of 2022 (6 items in total)	1. Displays: 0 item in total 2. Control boxes: 0 item in total 3. Radars: 0 item in total 4. System integration products: 6 items in total 5. Others: 0 item in total	1. C200 including LED displays, TFT displays, LCD displays, among other display-related modules. 2. C001 including various controller-related products for sedans, pick-up trucks, motorcycles, trucks, buses, and special purpose controllers. 3. B122 including 24 GHz, 77GHz, and 79 GHz mmWave radar-related products. 4. A001/009 system combination products

Year	Product	Application and description
		System application products to meet respective functional needs on the market, such as BSD, RCTA, LCA, FCW, DOW, and LDW, among others. 5. 90 including accessory packs and other ADAS products

(IV) Long-term and Short-term Business Development Plans

1. Short- plan

Item	Description of Contents
Product Direction	<ol style="list-style-type: none"> 1. Continue to increase the completeness of our product lineup and add new vehicle models (passenger vehicles, commercial vehicles, and special-purpose vehicles) to reduce our customers' procurement costs and satisfy their needs in one purchase. 2. Related derivative applications of TPMSs, mmWave radars, and sensors for various switches. 3. Gradually increase the launch of electronic products and develop towards higher margin and higher technology categories, and enhance the depth of products. 4. Develop parts for original manufacturers and take the initiative to launch more competitive products in the market. 5. Actively participate in the system development after TPMS and ADAS are included in the legislation.
Production Strategy	<ol style="list-style-type: none"> 1. Implement scheduling and mass production point inspection to ensure the quality of production and reduce unnecessary rework and waste in production process. 2. Continuously carry out COST DOWN in response to the increase of raw material prices. 3. Strengthen product manufacturing specification standards and verification capabilities. 4. Enhance automatic production capability and increase production value. 5. Reduce the quantity and amount of inventory to prevent the stock from becoming obsolete and respond early.
Scale of Operations	<ol style="list-style-type: none"> 1. In addition to consolidating the U.S., Central and South American markets, developing the European market as the business objective 2. Strengthen the design capability of vehicle switches, sensors and vehicle electronics, and command the key technologies of automotive components.

Item	Description of Contents
	<ol style="list-style-type: none"> 3. Strengthen engineering management and information integration, and bring in electromechanical talents to respond to new technologies. 4. Ensure the quality of existing products to consolidate the existing market, and enhance the accuracy and timeliness of delivery to respond to the sales pattern of small volume and multiple SKU. 5. Expand the Company's product sales channels and generate higher revenue through the integration of resources from affiliates and the development and cooperation with new and existing channel vendors to generate higher revenue results.

2. Long-term

Item	Description of Contents
Product Direction	<ol style="list-style-type: none"> 1. Strengthen the competitive advantages of TPMS products and provide tire repair businesses with easier solutions. 2. With the R&D Center of the Company as the technical development platform, develop technologies featuring automotive safety, new energy, engine power, and induction control units, higher-end AM products, and also parts and components suitable for reaching out to OE plants. 3. Introduce the engineering information platform to boost simultaneous technical exchange with the plant in Shanghai. 4. Seek strategic alliance partners to boost current development resources and to create new business opportunities. 5. Add products for European and Japanese cars in order to expand the distribution landscape and strengthen the distribution network.
Production Strategy	<ol style="list-style-type: none"> 1. Realize division of labor with the plant in Shanghai and create a global logistics mechanism. 2. Produce in small quantities with diversity and flexibility to facilitate customized production. 3. Continue to improve mass production techniques and work for automation that requires less manpower. 4. Add fully-automated production lines to the plant in Taiwan for TPMS.
Scale of Operations	<ol style="list-style-type: none"> 1. Think about how to internationalize human resources and hire talent to suit local needs. 2. Explore new products and new markets for an increased economic scale. 3. Take advantage of professional equipment and R&D technologies of both plants to seek cross-disciplinary developments (with traditional electronics or machinery processing businesses, for example) for additional value and

benefits.

II. Market and Production/Distribution Overview

(I) Market Analysis

1. Where the products are primarily sold or provided:

Unit: NTD thousand; %

Location \ Year	2020		2021	
	Amount	Ratio (%)	Amount	Ratio (%)
Within Taiwan	1,189,564	35.61	913,997	22.40
US	1,165,762	34.90	1,860,901	45.60
China	568,955	17.03	790,732	19.38
Germany	241,611	7.23	244,365	5.99
Others	174,307	5.23	270,440	6.63
Total	3,340,199	100.00	4,080,435	100.00

The US remains the largest automotive market in the world and hence is also the main destination of sales of the Company and its subsidiaries. North America therefore is the primary sales region of the Company and its subsidiaries, accounting for 33.61% and 45.60% of the sales in 2020 and 2021, respectively. Domestic sales in 2021 dropped by 23.17% from those in 2019, mainly because of the higher revenue from tenders obtained in 2020 that was recognized. The easing COVID-19 pandemic, the recovering purchasing power on the auto market, and the rising sales in Mainland China all contributed to the increase of 47.23% in exports in 2021 from 2020.

2. Market share:

Products manufactured by the Company and its subsidiaries are automotive electrical parts and components. Given its insignificant ratio to the overall automotive parts and components, it is uneasy to obtain related statistical data. Besides, related tax codes for automotive electrical products are not available in Taiwan, it is quite impossible to obtain the exact statistics of automotive electrical products exported. Therefore, the export tax code that has been adopted by the Company so far, 8708.99: “Parts and accessories for other motor vehicles” (including sheet metal, chassis, electronic and electrical

products), and export codes 8536.50 and 8537.10 (automotive switch-related products) as well as US, the largest export destination for the automotive parts and components made in Taiwan and by the Company are used in the analysis of the Company's share in exports of automotive electrical parts and components made in Taiwan to the US.

Based on the statistics of imports and exports of the Directorate General of Customs, for the exports of automotive parts and components made in Taiwan under the tax code 8708.99 to the US, steady growths in the exports to US were noted for 2012 through 2015 and slight declines were seen in 2016 and 2017, followed by resumed growths in 2018. In 2020, on the other hand, COVID-19 impacted the exports to the US so no additional growths were seen. In 2021, the easing pandemic contributed to the increase in the demand for self-owned cars during the post-pandemic era; the annual growth rate climbed to 18.57%. In addition, as far as exports to the US under tax codes 8536.50 and 8537.10 are concerned, except for 2019, where exports slid slightly, growths were noted for 2012~2018 and 2020~2021. To sum up, exports of automotive electrical parts and components made in Taiwan appear to be growing each year in general.

Exports to the US between 2012 and 2021 under tax codes 8708.99, 8536.50, and 8537.10

Unit: In thousands of NTD, %

Year	8708.99		8536.50 and 8537.10		Total	
	Amount	Growth rate	Amount	Growth rate	Amount	Growth rate
2012	19,596,162	14.06	3,048,658	4.35	22,644,820	12.63
2013	20,839,133	6.34	3,380,141	10.87	24,219,274	6.95
2014	23,729,750	13.87	3,496,716	3.45	27,226,466	12.42
2015	24,619,053	3.75	3,911,734	11.87	28,530,787	4.79
2016	23,099,616	(6.17)	4,613,295	17.93	27,712,911	(2.87)
2017	22,416,137	(2.96)	4,708,843	2.071	27,124,980	(2.12)
2018	23,137,279	3.22	5,486,539	16.52	28,623,818	5.53
2019	24,453,075	5.69	5,208,385	(5.07)	29,661,460	3.63
2020	24,628,084	0.71	6,421,471	23.29	31,049,555	4.68
2021	28,488,853	15.67	9,572,973	49.07	38,061,826	22.58

Source: Website of the Directorate General of Customs

3. Future Supply and Demand and Growth on Market

The supply and demand in terms of automotive parts and components varies because of the sales model. Generally, they can be divided into parts to be used by automotive manufacturers and those for use during after-sales repairs. Parts for use during after-sales repairs can be further divided into OES and AM ones.

The Company targets mainly the AM market. Due to the high oil prices that have lasted for a long period of time and the financial storm, sales of new cars in the US for the past few years have been undesirable. The AM market, however, has been doing well because more and more people choose to keep their cars and the accident rate is climbing. The growing demand on the AM market is attributable to the slowing growth rate on the market for new cars. Car owners decide to replace their cars later and this has contributed to an extended number of years in use for old cars and accordingly the growth in demand for replacement parts. With the high car retention rate in North America, it can be expected that the AM market size will continue to grow. For the TPMS, on the other hand, the US legislation stipulates that new cars have to be equipped with the TPMS and in the future, old cars will change to the TPMS, too. In other words, it will become one of the driving forces for the Company's growth as well.

Besides, since 2005, production of new cars around the world has been slowing down. This caused some OEM and ODM companies to be caught in operational difficulties. Furthermore, because of the cost, some European and American T1/T2 suppliers are no longer willing to support OES businesses. Therefore, automotive manufacturers must apply some strategies in order to survive, such as cost reduction to maintain comparable profits. As such, they are finding lost-cost country sources and purchase orders have been outsourced significantly over the past few years.

For the more than 20 years since it was established, the Company has been constantly seeking advancement on the AM market through research and development and has manufactured optimal parts and components meeting international standards. To cope with the changes around the world, the Company has gradually reached out from the AM market to the OE market and turned international with more refined and cost-effective products manufactured. Following the market trend, the Company tries to become a Tier 1/Tier 2 partner of automotive manufacturer suppliers taking advantage of its abundant experience accumulated over years in the auto parts sector and its innovative essence.

4. Competitive niche

(1) Export-oriented to cover both AM and OEM markets.

AM market is the current focus. In the future, the OEM production value will be gradually maximized; there is significant room.

(2) Diversified product lines

There are a variety of product lines to suit the needs of multiple vehicle models and years and the demand for procurements in small quantities and multiple options.

(3) Robust customer relations

Main customers of the Company and its subsidiaries are long-term partners with amicable relations; they provide feedback and needs for the market intelligence provided and products to be developed as part of the joint effort to maximize market presence. Meanwhile, with existing customers, the number of products worked on is maximized, including not only existing product lines but also the development and sales of new product lines.

(4) Continuous devotion and promotion of R&D

The Company and its subsidiaries spare no effort in R&D investments. The R&D Center is established and the R&D unit is further staffed. Growths are seen in both manpower and equipment. This shows the determination and effort devoted to expediting product development, technical enhancement, and cost control.

(5) Small-quantity diversified production

A complete supply chain is formed by the contractors and the subsidiary's plant built in Shanghai through diversified division of labor to cope with the short lead time and to effectively control and bring down the inventory.

(6) Competitive price

To reach out to the world and turn international and cope with the pressure brought about by rising costs, lean production is adopted; the technical improvement will contribute to improved management and help fulfill the demand on the market for price reduction.

5. Advantageous and Disadvantageous Factors for Future Developments and Countermeasures

(1) Advantageous factors

- A. Global sluggishness in favor of the AM market.
- B. Mutual assistance model with customers applying product technology and years of experience on the market to increase chances to secure OEM orders.
- C. Outsourced manufacturing and increased procurements from Asian suppliers as part of the cost reduction strategy on the US market.
- D. Emerging open economy in the greater China area to bring about enormous business opportunities and allow smooth operations jointly with the Shanghai plant.
- E. Increase potential on the EU and other developing markets.

(2) Disadvantageous Factors and Countermeasures

- A. New competition (China, India, Thailand, and the Philippines)

As restructuring and consolidation become popular in the global auto sector, the international auto parts and components supply chain will see restructured changes in the future, too. Emerging countries in Asia have noticed the enormous profits brought about by exports of auto parts and components and are joining in the competition to secure a piece of the global auto parts and components pie. Cheap land, low-cost manpower, and the determination demonstrated by governments of emerging Asian countries to grow their auto sectors are offering US auto parts and components suppliers with new and impressive sources. It is expected that more and more auto parts and components purchase orders will be shifted from North America to related suppliers in emerging Asian countries. This will definitely pose a threat for the business of the Company and its subsidiaries.

Countermeasures:

A. Expedite construction of plants in Mainland China and develop them to cope with the cost demand of customers taking advantage of the relatively cheaper labor.

B. Expand the economic scale of the Company and its subsidiaries to make it difficult for new competitors to catch up and continue to develop new products and introduce more precision equipment.

B. Strict and extended product quality verification

Due to the fact that the quality and reliability of auto parts and components are more important than IT products, new products need to go through extended testing and verification despite the trust that is already in place from the long-term partnership; it involves more funds and also higher risk. For the Company and its subsidiaries, investing in the development of new products or maintaining existing product lines involves the developmental potential of the Company in the future and hence the potential risk should not be ignored.

Countermeasures:

Many products of the Company and its subsidiaries now have been qualified by customers and are being produced in steady quantities and shipped. The operational status is quite steady. Development of new products is ongoing to get sufficiently prepared for verification of new products in the future. Various precision testing equipment meeting automotive requirements will be introduced in the future to strengthen the laboratory's qualification capability and ensure quality assurance so that the qualification rate upon initial testing can be enhanced and time to marketing of products can be reduced.

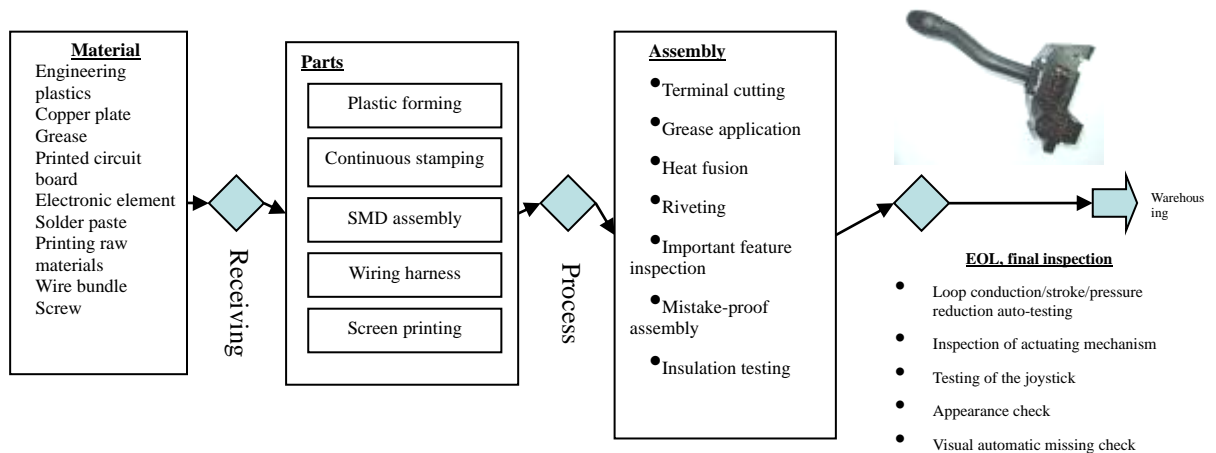
(II) Important purposes and production processes of main products

1. Important purposes of main products:

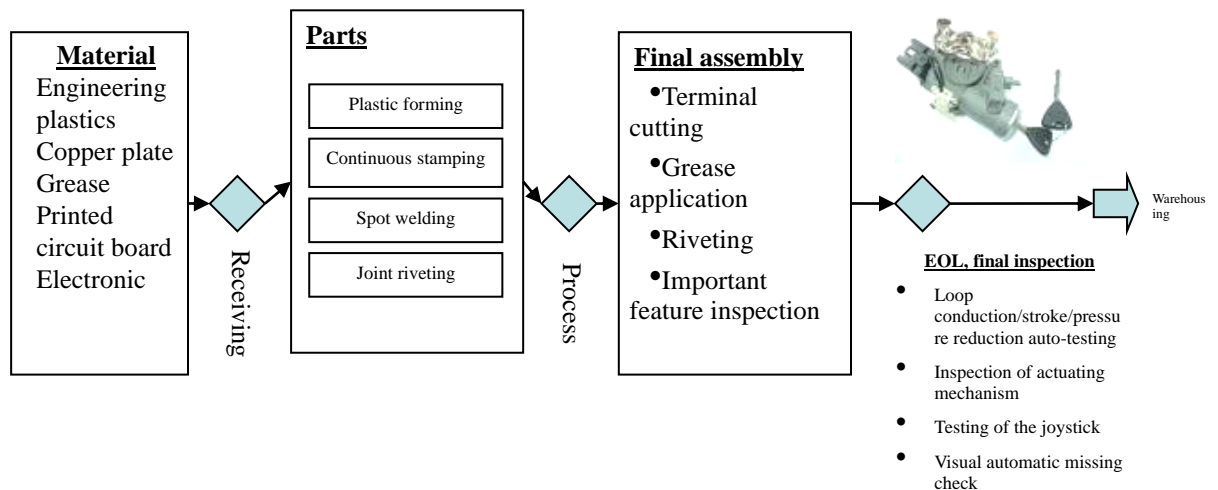
Main product	Important purpose
Turn signal switch	<p>①Manual control for Turn Signal Lamp and Change Lane indicator</p> <p>②Manual control for Hi/Lo Beam</p> <p>③Manual control for Head Lamp and Illumination</p> <p>④On switch for Hazard Lamp</p>
Ignition switch	<p>Controls the power for the automotive, including electrical parts, start-up motor, and ignition system, etc.</p> <p>②Key Reminder</p>
Headlight switch	Manual switch control for the headlight, including the headlight, front and rear fog lamps, and the light for the dashboard
Automotive sensor	<p>①Senses engine rotation speed, provides the ECU with the rotation signal, and displays it on the dashboard.</p> <p>②Senses car speed and displays it on the dashboard</p> <p>③Senses the camshaft and the crankshaft position and provides the ECU with the ignition timing output.</p>
Power Windows Switch	<p>①Windows go up, down, or doors are locked through the switch that contains a central control system or semi-manual system.</p> <p>②For electrical control or central control, the driver can set through the switch next to him/her to centralize the control or let passengers freely turn on/off and control the windows or door next to them.</p> <p>③The new central control comes with the power switch for the mirrors.</p>
Tire Pressure Sensor	It is installed inside the tire and can detect the air pressure and temperature of the tire in real time and send specific communication codes through RF to the receiver inside the car.
RF Coding Device for TPMS	This product works to set the RF output waveform of the tire pressure sensor to be consistent to that of the receiver inside the car so that it can transmit and receive signals. This RF coding device enables the tire pressure sensors developed by CUB to be widely applied to most automobiles in the world.
mmWave Radar	This product is not restricted by the environment or weather conditions and can detect any item within a distance of 200 m to fulfill ADAS system, security protection, industrial, drone, and hydraulic detection requirements, etc.

2. Production/Preparation Processes of Primary Products

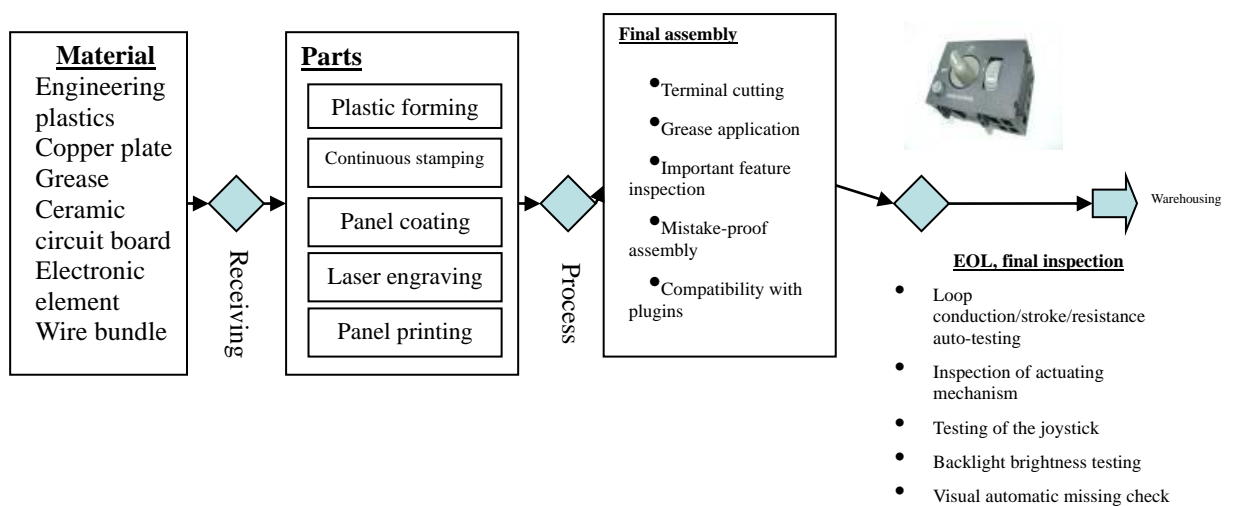
(1) Turn signal switch



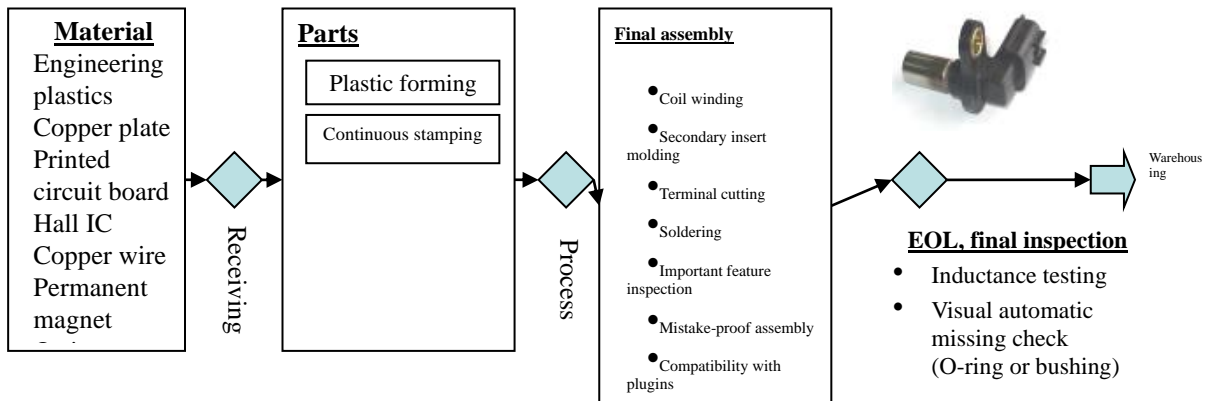
(2) Ignition switch



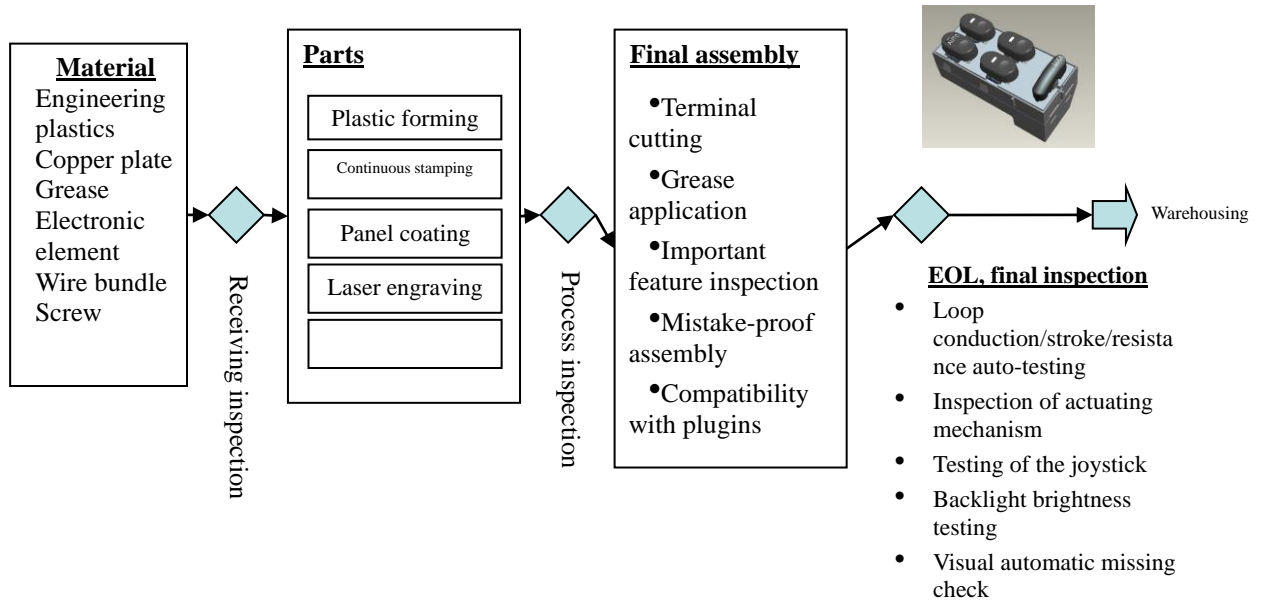
(3) Headlight switch



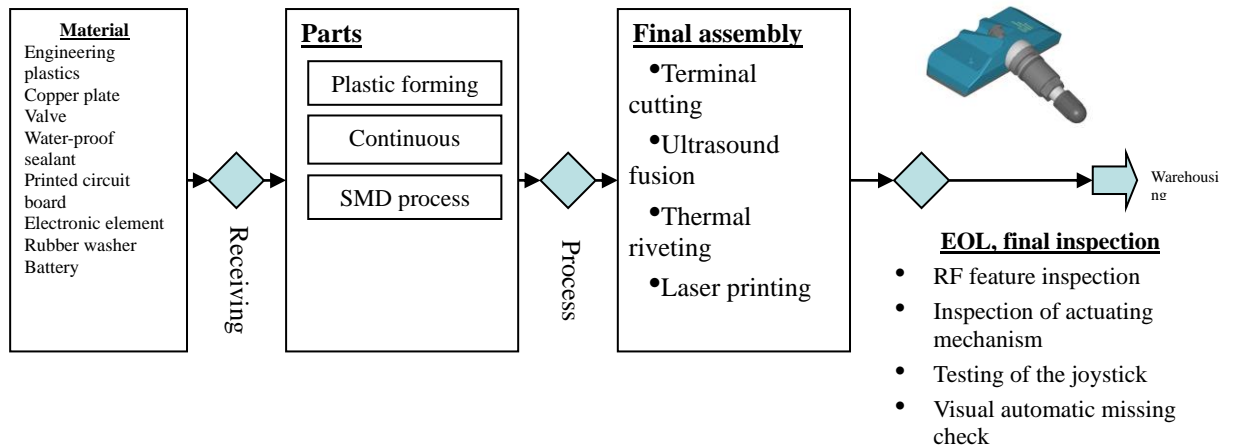
(4) Sensor



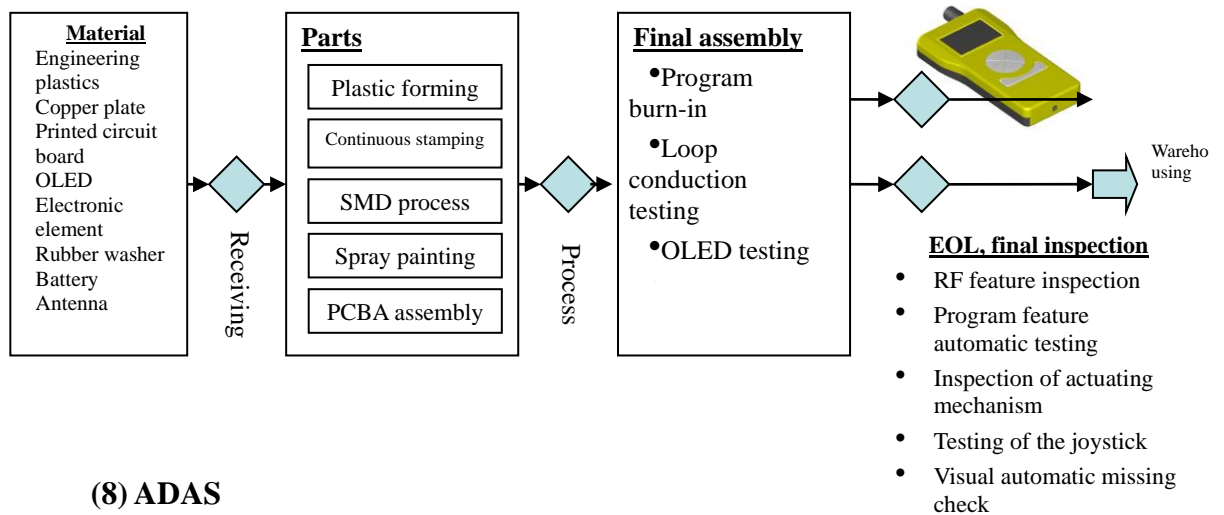
(5) Power Windows Switch



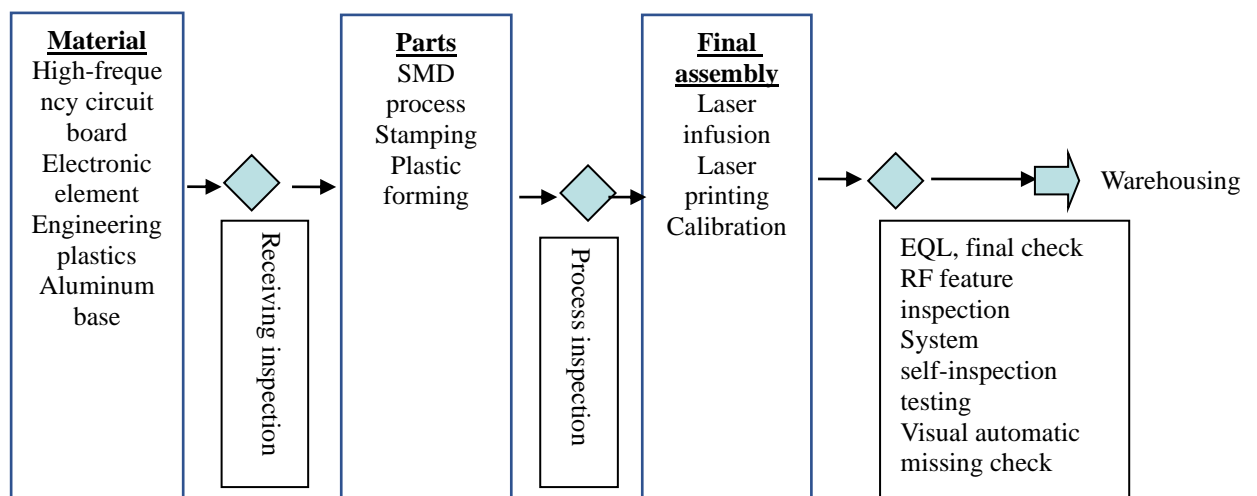
(6) Tire Pressure Sensor



(7) RF Coding Device for TPMS



(8) ADAS



(III) Supply of Main Raw Materials

Main raw material	Source of supply	Supply status
TPMS - chip	Taiwan Weikeng	Good
Plastic part	Chiufeng, Hechii, Bole, Chanchuan	Good
Wire set	Mingyi, Hsinsheng, Taiyu, Shanghe	Good
Punching parts	Shenyang, Yineng, Rongsheng, Minghuan	Good
Automotive engine cylinder cover, cylinder	Changdedongding	Good

(IV) Names of customers with 10% or more purchases (sales) and the amount and ratio of the purchases (sales) in any of the past two years. Please also describe reasons for the increase or decrease

- Names of customers with 10% or more purchases in any of the past two years and reason for the increase/decrease:

Unit: In thousands of NTD

Item	2020				2021			
	Name	Amount	Percentage in the net purchases throughout the year (%)	Relationship with the issuer	Name	Amount	Percentage in the net purchases throughout the year (%)	Relationship with the issuer
1	Weikeng Industrial Co., Ltd.	192,746	10.95	No	Weikeng Industrial Co., Ltd.	428,373	19.31	No
	Others	1,567,744	89.05		Others	1,790,019	80.69	
	Net purchases	1,760,490	100.00		Net purchases	2,218,392	100.00	

Reason for the change: The Company did not have any supplier accounting for 10% or more of the total purchases in any of the past two years. The Group deals with the R&D, production, and distribution of parts and components for the AM market, with products mainly including automotive electrical/mechanical switches, automotive safety parts, and communication equipment engineering products. The diversified products result in quite decentralized customers. Only Weikeng Industrial Co., Ltd. accounted for 10% or more of the net purchases over the past two years.

2. List of customers with 10% or more of the total sales in any of the past two years and reason for the increase/decrease:

Unit: In thousands of NTD

Item	2020				2021			
	Name	Amount	Percentage in the net sales throughout the year [%]	Relationship with the issuer	Name	Amount	Percentage in the net sales throughout the year (%)	Relationship with the issuer
1	National Chung Shan Institute of Science and Technology	393,430	11.78	No	SMP	569,806	13.96	No
2	SMP	378,350	11.33	No	Group 31	442,272	10.84	No
3	—	—	—	No	Taiwan Railway	408,033	10.00	No
	Others	2,568,420	76.89		Others	2,660,324	65.20	
	Net purchases	3,340,200	100.00		Net purchases	4,080,435	100.00	

Reason for the change: The Group deals mainly with the production and distribution of automotive parts and components and project engineering business. SMP and Group 31 are auto parts and components customers. They were both Top 10 customers of the Company's sales in 2020 and 2021. Sales to Group 31 grew in 2021 mainly because of the easing pandemic that drove up demand in the auto sector and accordingly the increase in sales. National Chung Shan Institute of Science and Technology and Taiwan Railway, on the other hand, are engineering tender-based customers, whose sales tend to be affected by the number and size of tenders undertaken from them for the specific year.

(V) Production volumes/values over the past two years

Unit: PCS; In thousands of NTD

Main product \ Year	2020			2021		
	Throughput	Production volume	Production value	Production capacity	Production volume	Production value
Automotive electrical/mechanical switch	10,000	9,315	383,073	10,000	8,873	810,319
Automotive safety part and system	4,500	2,649	585,674	4,500	3,491	593,992
Communication equipment engineering and	1,000	316	40,223	1,000	57	401

Main product \ Year	2020			2021		
	Throughput	Production volume	Production value	Production capacity	Production volume	Production value
others						
Total			1,008,970			1,404,712

Note: The products were calculated applying different units and hence may not be summed up.

Note 1: Throughout refer to the quantity that may be produced under normal circumstances with existing production equipment after factors such as required downtime and holidays are considered.

Note 2: When products can be replaced by one another, the throughput can be calculated together and such information shall be noted.

The Company and its subsidiaries mainly follow the order-based production model. The variation in the throughput of each type of products diminishes somehow reflective of the change in customer demand. Policies will be changed reflective of the sales. Products in small quantities and low gross profit will be slowly eliminated. The purchase orders for the TPMS increased. The production value for 2020 dropped mainly because of the impacts from COVID-19. Generally speaking, there are no obvious differences.

(VI) Sales volumes/values over the past two years

Unit: PCS; In thousands of NTD

Main product \ Year	2020				2021			
	Import		Export		Import		Export	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Automotive electrical/mechanical switch	1,346,516	110,227	5,829,181	1,049,158	1,593,541	256,947	7,216,550	1,110,400
Automotive safety part and system	290,282	60,891	7,495,692	984,688	925,659	78,546	6,471,491	1,796,827
Communication equipment engineering and others		1,018,446		116,789		578,504		259,211
Total		1,189,564		2,150,635		913,997		3,166,438

Note: Excluding communication equipment engineering and other sales; they cannot be summed up due to the different units applied.

The domestic sales values of 2020 and 2021 of the Group were NTD 1,189,564 thousand and NTD 913,997 thousand, respectively, with a growth rate of 23.17% and the exports values were NTD 2,150,635 thousand and NTD 3,166,438 thousand, respectively,

with a growth rate of 47.23%. The US remains the largest automotive market in the world to this date. Sales of the Company and its subsidiaries are primarily from the US, too. The Company's sales are mostly export-oriented. The amount of exports grew in 2021 compared to 2020 by 47.23% mainly because of the easing COVID-19 pandemic and the returning purchasing power on the auto market that drove up sales in the US and in Mainland China.

III. Profile of employees over the past two years

Item \ Year		2020	2021
Number of employees	Managers	113	39
	Direct employees	165	165
	Indirect employees	565	743
	Total	843	947
Mean age		37	37.88
Mean number of years in service		5.19	5.45
Ratio of education distribution	Post-graduate school	1.50%	1.05%
	Graduate school	14.80%	14.21%
	College/university	64.00%	58.21%
	Below college/university	19.70%	26.53%
	Total	100.00%	100.00%

IV. Information on Environmental Protection Expenditure

1. Information on the application, payment, or setup status of those that should apply for a permit for setting up polluting facilities or discharging pollutants or pay pollution control and prevention fees or set up exclusive units or staff to take charge of environmental protection as required by law:

The Company, being a professional manufacturer and distributor of automotive electrical products, no pollutants subject to regulatory control are generated during production or manufacturing. As such, there is no need for the Company to apply for a permit for setting up polluting

facilities or discharging pollutants or pay pollution control and prevention fees or set up exclusive units or staff to take charge of environmental protection as required by law.

2. List the Company's investment in major equipment to prevent against environmental protection and its purpose and possible efficacy:

The Company, being a professional manufacturer and distributor of automotive electrical products, no pollutants subject to regulatory control are generated during production or manufacturing. As such, it is no applicable.

3. Explain how the Company improved environmental pollution over the past two years up to the date when the Annual Report was printed and how pollution disputes, if any, were handled: The Group did not have any pollution disputes over the past two years up to the date when the Annual Report was printed.
4. Explain losses suffered the Company because of environmental pollutions over the past two years up to the date when the Annual Report was printed (including compensation and violations of environmental protection laws and regulations with environmental protection audit findings; the date of punishment, punishment number, article of the law or regulation violated, details of the violation and the punishment shall be specified) and disclose the estimated amount and countermeasures now and those that may be incurred in the future. If reasonable estimates are impossible, clarify why they cannot be reasonably estimated: The Group did not suffer losses as a result of environmental pollution over the past two years up to the date when the Annual Report was printed.
5. Explain current pollution status and the impacts of its improvement on the Company's earnings, competitive advantages, and capital expenditure and the expected major capital expenditure on environmental protection for the coming two years: None

V. Labor-Management Relations

- (I) Various employee benefits, continuing education, training, retirement system available at the Company and their implementation and the agreement between the employer and employees as well as protection of the various rights of employees:

1. Employee benefits

- (1) The Company has the Employee Welfare Committee in place and sets aside related budget to be the welfare fund as required by law.
- (2) The Employee Welfare Committee provides various benefits, including three-festival gift certificates and gifts, birthday gift money, educational trainings, consolation money for the injured, the sick, and the hospitalized, and other networking events from time to time.
- (3) Prizes are distributed reflective of the operational status and there is the employee bonus system to boost coherence among the employees.
- (4) Subsidiaries provide various employee benefits as required by the local laws and reflective of the operational accomplishments.

2. Continuing education and training system

To boost employee attainments and skills for a win-win situation of the employees and the company, the Company and its subsidiaries conduct various types of educational trainings regularly and as needed, including the newcomer training, in-service training, and external training:

- (1) Newcomer training: New employees have to complete the educational training for newcomers upon reporting to work to help them understand the company's rules, systems, and culture.
- (2) In-service training: Before the end of each year, respective units submit their educational training plan for the coming year to meet the needs of their people. The Management Department will compile them and submit them for approval and they will be the bases for organizing educational trainings throughout the company.
- (3) External training: For special unit staff, to meet their needs at work, they may apply for attending external educational trainings (such as professional license or functional trainings) and submit the Certificate or report upon completion to serve as the evidence of the educational training completed for future reference.

3. Retirement system

- (1) The Pension Supervisory Committee was formed in 1998 and the Committee Organic Charter and Employee Retirement Regulations have been prepared. Retirement reserve is set aside and deposited in the exclusive account with the Bank of Taiwan.
- (2) Effective July 1, 2005, the Company has been allocating 6% of the monthly salary of each employee to be the retirement reserve as required by the Labor Pension Act and it is deposited in the personal pension account of the employee following the new pension system.
- (3) Subsidiaries follow applicable requirements of the local laws and Regulations, such as the Labor Act and the Social Security Act.

4. Labor-management Agreement: To promote labor-management relations, the

Company and its subsidiaries call for the labor-management coordination meetings regularly and as needed and have an online communications platform available to facilitate bilateral communications between the employer and the employees to ensure harmonious labor-management relations.

5. Protection of employees' rights: The Company and its subsidiaries follow the Labor Standards Act (Labor Act) in all operations and precisely protect the rights that employees are entitled to.

VI. Information and Communication Security Management

1. Specify the information and communication security risk management framework, the information and communication security policy, the substantial management plans, and resources to be devoted to information and communication security management, etc.

(1) Organizational Structure

The IT unit is responsible for preparing and enforcing information security policies, communicating information security, promoting employees' awareness of information security, continuing to reinforce information security management, ensuring data, system, and network safety, and collecting and improving technologies, products, or procedures for the performance and validity of organizational information security management systems, The audit unit inspects IT security of the internal control system circulation of electronic data (nine major cycles) each year to evaluate the validity of internal control for the company's IT operations.

(2) IT Security Risk Management Mechanism:

To enforce IT security management, the Company has the internal control system - electronic media management procedure in place to help strengthen the overall protection of IT security and form an IT security management system that realizes the timeliness and integrity in the reporting of IT security-related messages:

1. Safety hardware and software: Network management and server management to ensure continuous operations of the IT system.
2. System hardware and software: IT system software, user computers, machinery/equipment computers, computer peripherals and spare parts.
3. Program maintenance and update: IT system software program, form program, database.
4. Account access settings: IT system software account access, user computer account access, file and folder access, mobile storage equipment access, and network access to ensure that data access is based on departmental function regulations and to prevent against unauthorized modification or use of data or systems.
5. IT peripheral equipment: Copying machines, printers, and projectors to ensure the confidentiality and integrity of IT assets.
6. Inspects information and communication security periodically to ensure IT security.

(3) IT Security Policy:

1. Security goals:

To reinforce management of IT security, create various reliable IT application systems, improve information security and quality of service of the Company's

operations, protect the security of the Company's IT assets against any internal or external intentional or incidental threat and destruction that results in alteration, disclosure, destruction, or loss of operational information for the sake of protecting the Company's interest and ensuring sustainable operations of IT systems at respective units.

2. Scope of Security:

- A. Staff management and IT security educational training.
- B. Computer system security management
- C. Network security management
- D. System access control
- E. System development and safety maintenance and management
- F. IT assets security management
- G. Physical and environmental safety management
- H. IT system sustainable operation plan management
- I. IT security audit.

3. Safety Principles and Criteria:

- A. Periodically hold IT security communication and educational trainings and drills to improve employees' awareness of IT security and help them abide by IT security requirements.
- B. Install anti-virus software to detect and protect IT systems and files against computer viruses. Use MDR to keep off and protect against malicious attacks and invasions and ensure security of computer data.

4. Applicable Requirements to Be Followed:

- A. Upon receipt of the application form for account access, the IT unit creates a "username" and sets up a sophisticated password and gives them to the applicant; they may not be used by anyone else.
- B. Computer data and equipment are set with the specific custodian; use, dismantlement, and alteration of peripheral equipment at will is disallowed without prior authorization.
- C. It is disallowed to use unauthorized and unknown software/hardware.
- D. Screen saver is activated when the computer is inactive and the password needs to be entered again to use the computer.
- E. Important data shall be backed periodically and saved in the company's storage equipment.
- F. Use of unauthorized real-time communication software is disallowed.

(4) Substantial IT security solutions:

Internet control	Data access control	Response recovery mechanism	Communication and review
1. Firewall (highly usable) 2. Periodic vulnerability detection and scanning and penetration testing of the network 3. Activity record and operation control 4. System log for tracking abnormal	1. Computer data and equipment set with the specific custodian 2. Different access for different user 3. Cancellation of access for transferred staff 4. Removal of confidential and sensitive data and copyright software	1. Periodic review of emergency response plan 2. Periodic system recovery rehearsals each year 3. System backup mechanism and periodic backup 4. Remote backup mechanism and periodic backup	1. Regular announcement and communication of IT security for improved employees' awareness of IT security 2. Periodic networking engineering rehearsals 3. Periodic IT

activities 5. Periodic discussion of computer network security control measures 6. Restricted connection 7. Anti-virus software	prior to voiding storage equipment 5. Prior approval for remote access to the IT system 6. Multi-level verification for the email system		security educational trainings
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(5) Emergency reporting procedure

When an IT security incident occurs, determine the type of event and find out the underlying problem according to the IT system major disaster emergency response procedure for immediate troubleshooting and keep record of it.

(6) Implementation status

A.The Company has not had any significant IT security incident so far that resulted in operational damages.

B.IT security management policies will continue to be enforced and the recovery plan-based rehearsals will take place periodically to protect the security of important systems and data of the company.

(IV) Losses suffered by the Company as a result of labor-management disputes over the past year up to the date when the Annual Report was printed; disclose the estimated amounts and countermeasures now and those that occur in the future. If reasonable estimation is impossible, why is impossible shall be specified: None.

VI. Important Contract :

Nature of contract	Parties to the contract	Start/End dates of contract	Main contents	Restrictions
Business contract	Gogoro Inc.	March 27, 2014 up to termination upon mutual agreement or breach of contract	Product Development and Supply Contract	No
Business contract	Kwang Yang Motor Co., Ltd.	07/01/2020-06/30/2022	Basic Product Transaction Contract	Automatic extension upon expiration unless changed or terminated
Business contract	Dai Yu Electronic Co., Ltd.	02/10/2015-02/06/2016	Transaction and After-sales Service Contract	Automatic extension upon expiration unless re-signed again
Business contract	Lippert Components Inc	10/18//2021~	Supplier Contract	No
Software Authorization Contract	Mayo Human Capital Inc.	11/30//2021	Apollo human resources management platform	No
Authorization Contract	Xinen Technology	10/01//2021	IT security protection and improvement	No
Equipment Procurement Contract	VSK Technology Co., Ltd.	02/25//2021	Equipment Procurement Contract (Radar and Antenna Circuit Break Inspection)	No
KGI Commercial Bank	KGI Commercial Bank	05/09/2019-08/08/2021	Mid-to-long-term borrowings	The total of the draw-down amounts for each item may not exceed NTD 200 million.
Mega International Commercial Bank	Mega International Commercial Bank	02/23/2012-02/22/2027	Long-term secured loan	No
First Commercial Bank	First Commercial Bank	06/23/2000-02/12/2022	Long-term secured loan	No
Engineering Contract	Acter Group Corporation Limited	10/06//2021	Laboratory Engineering - Structural Reinforcement Project	No
Equipment Procurement	K Yuan Industrial Co., Ltd.	11/27//2021	Thermal riveting machinery	No

Nature of contract	Parties to the contract	Start/End dates of contract	Main contents	Restrictions
Contract				
Equipment Procurement Contract	Ct Tek Technology Co., Ltd.	7/28//2021	Two-box mobile thermal sock tester	No
Equipment Procurement Contract	Tai Yu & Co., Ltd.	11/15//2021	PL-3J Thermostatic humidifier	No
Equipment Procurement Contract	Chung Hung Tech. Co., Ltd.	08/24//2021	CH-2010-SD-1 IPX1-6 9K Waterproof tester	No
Software Authorization Contract	Cybernet Systems Taiwan Co., Ltd.	01/20//2021	ANSYS Software licensing	No
Equipment Procurement Contract	Vicomm Technology Co., Ltd.	02/01//2021	Final product test room - reflection-free room	No
Equipment Procurement Contract	CT Tek Technology Co., Ltd.	7/28//2021	GCST-800 Compound corrosion resistance tester	No
Equipment Procurement Contract	You Jun Engineering Company	11/20//2021	Durability tester	No
Equipment Procurement Contract	Burgeon Instrument Co., Ltd.	09/02//2021	ESD electrostatic equipment	No
Equipment Procurement Contract	Dawning Technology Inc.	4/28//2021	Server replacement	No
Equipment Procurement Contract	King Design Industrial Co., Ltd.	10/4//2021	Equipment Procurement Contract_ST300 impact tester (DP-1200)	No
Equipment Procurement Contract	H.J.M. Technology Co., Ltd.	08/24//2021	HJM-2010 Microcomputer material tester (tensile testing machine)	No

Six. Financial Overview

I. Condensed Consolidated Balance Sheet, Consolidated Comprehensive Income

Statement over the Past Five Years, Names of CPAs, and Audit Opinions from the CPAs

(I) Condensed Consolidated Balance Sheet - International Financial Accounting Standard (Consolidated Financial Statement)

Unit: In thousands of NTD

Item \ Year		Financial Data of the Past Five Years				
		End of 106	End of 107	End of 108	End of 109	End of 2021
Current assets		4,126,159	4,031,786	4,477,075	4,702,537	6,159,753
Real estate, plant and equipment		1,354,549	1,544,841	1,900,395	1,656,596	1,875,135
Intangible asset		504,744	505,147	490,834	490,933	796,988
Other assets		546,975	638,201	326,822	677,795	734,305
Total assets		6,532,427	6,719,975	7,195,126	7,527,861	9,566,181
Current liability	Before distribution	2,903,839	2,692,797	2,530,718	2,740,574	3,759,791
	After distribution	3,662,720	3,591,119	3,365,902	2,886,874	(Note)
Non-current Liabilities		40,977	26,470	134,303	1,218,539	1,145,367
Total liabilities	Before distribution	2,944,816	2,719,267	2,665,021	3,959,113	4,905,158
	After distribution	3,703,697	3,617,589	3,500,205	4,105,413	(Note)
Equities attributable to the owner of the parent company		3,072,887	3,535,277	4,114,130	3,056,757	3,525,762
Share capital		1,011,840	1,149,406	1,228,212	1,219,166	1,219,166
Additional paid-in capital		278,643	435,996	951,999	559,889	666,220
Retained earnings	Before distribution	1,784,337	1,980,185	1,999,376	1,316,898	1,687,724
	After distribution	1,025,456	1,081,863	1,164,192	1,170,598	(Note)
Other equities		(1,933)	(30,310)	(65,457)	(39,196)	(47,348)
Treasury stock		—	—	—	—	—
Non-controlling interests		514,724	465,431	415,975	511,991	1,135,261
Total equities	Before distribution	3,587,611	4,000,708	4,530,105	3,568,748	4,611,023
	After distribution	2,828,730	3,102,386	3,694,921	3,422,448	(Note)

Source: Each Consolidated Financial Statement Audited and Certified by CPAs.

Note: The distribution of 2021 earnings was finalized through the Board of Directors' meeting on March 8, 2022 yet it was pending a resolution through the shareholders' meeting.

- Note 1: The year where audit and certification by the CPAs were not done shall be specified.
- Note 2: When the value of the assets was re-appraised for a specific year, the date and the estimated appreciation shall be specified.
- Note 3: As of the date when the Annual Report was printed, financial data of companies that are listed or whose stocks are already being traded at the business locations of securities dealers, if they have been audited, certified, reviewed, or approved by the CPAs, shall be disclosed as well.
- Note 4: For the post-assignment number indicated above, please follow the resolution reached in the shareholders' meeting in the coming year and provide the information.
- Note 5: Financial data that shall be corrected or compiled again upon notification by the competent authority shall be shown with the post-corrected or compiled numbers and the status and reason shall be specified.
- Note 6: The distribution of earnings was finalized through the Board of Directors' meeting on March 26, 2021 yet it was pending a resolution through the shareholders' meeting on June 15, 2021

(II) Condensed Consolidated Comprehensive Income Statement - International Financial Accounting Standard (Consolidated Financial Report)

Unit: NTD thousand (Earnings per share: NTD)

Item \ Year	Financial Data of the Past Five Years				
	2017	2018	2019	2020	2021
Operating revenues	3,520,466	4,023,647	4,094,666	3,340,199	4,080,435
Operating gross profits	1,874,618	1,947,183	2,071,942	1,272,411	1,671,010
Operating loss or profit	1,301,952	1,241,667	1,177,689	386,368	592,662
Non-operating income and expenditure	(148,781)	39,716	(48,841)	(93,865)	(10,155)
Net profit before tax	1,153,171	1,281,383	1,128,848	292,503	582,507
Current net profit of the continuing operating department	960,947	1,039,562	927,970	250,171	487,688
Losses from discontinued units	—	—	—	—	—
Net profit of current term	960,947	1,039,562	927,970	250,171	487,688
Other comprehensive profits or losses of current term	(9,355)	(29,492)	(39,135)	10,981	(7,201)
Total combined gains or losses for the current term	951,592	1,010,070	888,835	261,152	480,487
Net profit attributable to the owner of the parent company	1,011,821	1,087,876	977,780	244,534	515,928
Net profit attributable to non-controlling interests	(50,874)	(48,314)	(49,810)	5,637	(28,240)
Total combined gains or losses attributable to the owner of the parent company	1,002,195	1,057,899	939,956	255,930	508,974
Total combined gains or losses attributable to non-controlling interests	(50,603)	(47,829)	(51,121)	5,222	(28,487)
Basic earnings per share (\$)(Note)	8.85	9.03	7.84	2.03	4.23

Source: Consolidated Financial Report Audited and Certified by CPAs. for the specific year.

Note: Earnings per share yet to be adjusted retroactively.

Note 1: The year where audit and certification by the CPAs were not done shall be specified.

Note 2: As of the date when the Annual Report was printed, financial data of companies that are listed or whose stocks are already being traded at the business locations of securities dealers, if they have been audited, certified, reviewed, or approved by the CPAs, shall be disclosed as well.

Note 3: Losses from discontinued units are shown in the net amount after the income tax is subtracted.

Note 4: Financial data that shall be corrected or compiled again upon notification by the competent authority shall be shown with the post-corrected or compiled numbers and the status and reason shall be specified.

(III) Names of CPAs and Their Audit Feedback

Year	Name of Firm	Name of CPA	Audit Opinion
106	KPMG	Kuo Shih-Hua, Zhang Zi-Xin	Unqualified opinion
107	KPMG	Chen Cheng-Xue, Zhang Zi-Xin	Unqualified opinion
108	KPMG	Chen Cheng-Xue, Zhang Zi-Xin	Unqualified opinion
109	KPMG	Chen Cheng-Xue, Zhang Zi-Xin	Unqualified opinion
110	KPMG	Chen Cheng-Xue, Zhang Zi-Xin	Unqualified opinion

Note: Information on reasons for replacement of CPAs, if any, over the past five years, including the former CPA and the succeeding CPA:

The CPAs of the Company were replaced for 2016 and 2018 because of the internal organizational adjustment of the accounting firm.

(IV) Condensed Balance Sheet - International Financial Accounting Standard
(Standalone Financial Report)

Unit: In thousands of NTD

Unit: in thousands of NTD

Year Item		Financial Data of the Past Five Years				
		End of 106	End of 107	End of 108	End of 109	End of 2021
Current assets		2,789,269	2,688,210	2,874,605	2,485,216	2,718,556
Real estate, plant and equipment		746,384	725,028	1,087,589	1,068,481	1,059,700
Intangible asset		23,801	34,638	34,299	40,320	49,345
Other assets		2,000,583	2,109,654	1,799,717	2,238,439	3,348,335
Total assets		5,560,037	5,557,530	5,796,210	5,832,456	7,175,936
Current liability	Before distribution	2,481,231	2,007,423	1,593,508	1,762,040	2,734,796
	After distribution	3,240,112	2,905,745	2,428,692	1,908,340	(Note)
Non-current Liabilities		5,919	14,830	88,572	1,013,659	915,378
Total liabilities	Before distribution	2,487,150	2,022,253	1,682,080	2,775,699	3,650,174
	After distribution	3,246,031	2,920,575	2,517,264	2,921,999	(Note)
Equity belonging to the owner of the parent company		3,072,887	3,535,277	4,114,130	3,056,757	3,525,762
Share capital		1,011,840	1,149,406	1,228,212	1,219,166	1,219,166
Additional paid-in capital		278,643	435,996	951,999	559,889	666,220
Retained earnings	Before distribution	1,784,337	1,980,185	1,999,376	1,316,898	1,687,724
	After distribution	1,025,456	1,081,863	1,164,192	1,170,598	(Note)
Other equities		(1,933)	(30,310)	(65,457)	(39,196)	(47,348)
Treasury stock		—	—	—	—	—
Total equities	Before distribution	3,072,887	3,535,277	4,114,130	3,056,757	3,525,762
	After distribution	2,314,006	2,636,955	3,278,946	2,910,457	(Note)

Source: The Standalone Financial Statement audited and certified by the CPAs for the specific year.

Note: The distribution of 2021 earnings was finalized through the Board of Directors' meeting on March 8, 2022 yet it was pending a resolution through the shareholders' meeting.

Note 1: The year where audit and certification by the CPAs were not done shall be specified.

Note 2: When the value of the assets was re-appraised for a specific year, the date and the estimated appreciation shall be specified.

Note 3: As of the date when the Annual Report was printed, financial data of companies that are listed or whose stocks are already being traded at the business locations of securities dealers, if they have been audited, certified, reviewed, or approved by the CPAs, shall be disclosed as well.

Note 4: For the post-assignment number indicated above, please follow the resolution reached in the

shareholders' meeting in the coming year and provide the information.

Note 5: Financial data that shall be corrected or compiled again upon notification by the competent authority shall be shown with the post-corrected or compiled numbers and the status and reason shall be specified.

Note 6: The distribution of earnings was finalized through the Board of Directors' meeting on March 26, 2021 yet it was pending a resolution through the shareholders' meeting on June 15, 2021

(V) Condensed Comprehensive Income Statement - International Financial Accounting
Standard (Standalone Financial Report)

Unit: NTD thousand (Earnings per share: NTD)

Item \ Year	Financial Data of the Past Five Years				
	2017	2018	2019	2020	2021
Operating revenues	2,993,349	3,120,689	3,099,517	1,804,953	2,640,062
Operating gross profits	1,564,652	1,610,357	1,555,805	684,714	1,099,308
Operating loss or profit	1,348,337	1,331,063	1,189,249	348,897	637,661
Non-operating income and expenditure	(134,161)	46,016	17,814	(66,005)	(7,299)
Net profit before tax	1,214,176	1,357,079	1,207,063	282,892	630,362
Current net profit of the continuing operating department	1,011,821	1,087,876	977,780	244,534	515,928
Losses from discontinued units	—	—	—	—	—
Net profit of current term	1,011,821	1,087,876	977,780	244,534	515,928
Other comprehensive profits or losses of current term	(9,626)	(29,977)	(37,824)	11,396	(6,954)
Total combined gains or losses for the current term	1,002,195	1,057,899	939,956	255,930	508,974
Basic earnings per share	8.85	9.03	7.84	2.03	4.23

Source: The Standalone Financial Statement audited and certified by the CPAs for the specific year.

Note 1: The year where audit and certification by the CPAs were not done shall be specified.

Note 2: As of the date when the Annual Report was printed, financial data of companies that are listed or whose stocks are already being traded at the business locations of securities dealers, if they have been audited, certified, reviewed, or approved by the CPAs, shall be disclosed as well.

Note 3: Losses from discontinued units are shown in the net amount after the income tax is subtracted.

Note 4: Financial data that shall be corrected or compiled again upon notification by the competent authority shall be shown with the post-corrected or compiled numbers and the status and reason shall be specified.

(VI) Names of CPAs and Their Audit Feedback

Year	Name of Firm	Name of CPA	Audit Opinion
106	KPMG	Kuo Shih-Hua, Zhang Zi-Xin	Unqualified opinion
107	KPMG	Chen Cheng-Xue, Zhang Zi-Xin	Unqualified opinion
108	KPMG	Chen Cheng-Xue, Zhang Zi-Xin	Unqualified opinion
109	KPMG	Chen Cheng-Xue, Zhang Zi-Xin	Unqualified opinion

2021	KPMG	Chen Cheng-Xue, Zhang Zi-Xin	Unqualified opinion
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Note: Information on reasons for replacement of CPAs, if any, over the past five years, including the former CPA and the succeeding CPA:

The CPAs of the Company were replaced for 2016 and 2018 because of the internal organizational adjustment of the accounting firm.

Financial analysis over the past five years

(I) Financial Analysis- International Financial Accounting Standard (Consolidated Financial Report)

Analysis Item \ Year		Financial Analysis of the Past Five Years				
		2017	2018	2019	2020	2021
Financial structure	Liability-to-asset ratio (%)	45.08	40.47	37.04	52.59	51.28
	Ratio of long-term capital to real estate properties, plants and equipment (%)	267.88	260.69	245.44	288.98	309.65
Solvency	Current ratio (%)	142.09	149.72	176.91	171.59	163.83
	Quick ratio (%)	120.91	124.45	135.11	121.80	123.42
	Interest protection multiples	53.74	57.03	60.90	13.00	19.16
Management ability	Receivable turnover (frequency)	3.11	3.15	3.03	2.37	2.53
	Average collection days	117	116	120	154	144
	Inventory turnover (frequency)	3.08	3.80	2.75	2.14	2.05
	Payable turnover (frequency)	6.39	7.46	5.53	3.81	2.77
	Average sales days	119	96	133	171	178
	Real estate properties, plants and equipment turnover	2.84	2.78	2.38	1.88	2.31
	Total asset turnover (frequency)	0.54	0.61	0.59	0.45	0.48
Profitability	Return on assets (%)	15.10	15.96	13.55	3.66	6.01
	Return on equity (%)	28.14	27.40	21.76	6.18	11.85
	Ratio of net profit before tax to paid-in capital size (%)	113.97	111.48	91.91	23.99	47.78
	Net profit rate (%)	27.30	25.84	22.66	7.49	11.95
	Earnings per share (NTD)	8.85	9.03	7.84	2.03	4.23
Cash flow	Cash flow ratio (%)	25.24	30.64	25.41	9.29	19.53
	Cash flow adequacy ratio (%)	102.29	76.03	73.87	58.82	50.87
	Cash re-investment ratio (%)	Note 2	1.54	Note 2	Note 2	10.82
Leverage	Operating leverage	1.45	1.57	1.76	3.29	2.82
	Financial leverage	1.02	1.02	1.02	1.07	1.06
Reasons for the changes in respective financial ratios over the past two years. (The analysis may be waived if the increase/decrease falls short of 20%.)						
<ol style="list-style-type: none"> Interest protection multiples were mainly due to the increase in profit from 2020 with the easing COVID-19 pandemic in 2021, the increase in the demand from the auto sector, and the returning demand on the terminal AM market. The increase in the ratio of long-term fund to real estate properties, plants, and equipment in 2021 compared to the end of 2020 was mainly due to the climbing shareholder equity with the easing COVID-19 pandemic in 2021, the returning demand on the terminal AM market, and the climbing profitability. Return on assets, return on equity, ratio of net profit before tax tax net profit to paid-in capital, net profit rate, and earnings per share: The pandemic eased gradually in 2021 and with the huge demand for AM products, the Group's revenue and gross profit margin climbed compared to 2020. 						

Note 1: The Consolidated Financial Report audited and certified by the CPAs for the specific year.

Note 2: The total of net cash flows of operating activities was negative and hence related ratios of the cash flows were not calculated.

Note 3: The accounts receivable turnover ratio was calculated with the total amount; the inventory turnover was calculated with the total amount.

Note 4. The financial ratio is calculated as shown in the formula below:

1. Financial structure

(1) Liability-to-asset ratio = total liabilities/ total assets

(2) Ratio of long-term capital to real estate properties, plants, and equipment = (Total equities + Non-current liabilities)/Net value of real estate properties, plants, and equipment

2. Solvency

(1) Current ratio = Current assets/ Current liabilities.

(2) Quick ratio = (Current assets — Inventory — Advance payments)/Current liabilities.

(3) Interest protection multiples = Income tax and net profit before interest/Interest expenditure of current term

3. Management ability

(1) Receivables (including accounts receivable and receivable notes from operations) turnover = Net sales value/ mean balance of receivables of each term (including accounts receivable and receivable notes from operations).

(2) Average collection days = 365/Receivable turnover ratio

(3) Inventory turnover = Sales cost/mean inventory

(4) Payables (including accounts payable and payable notes from operations) turnover = Net sales value/ mean balance of payables of each term (including accounts payable and payable notes from operations).

(5) Average sales days = 365/Inventory turnover

(6) Real estate properties, plants, and equipment turnover = Net sales value/Mean net amount of real estate properties, plants, and equipment

(7) Total asset turnover = Net sales value/Mean total assets

4. Profitability

(1) Return on assets = [after-tax income + interest \times (1-tax rate)]/gross assets on average

(2) Return on equity = after-tax income/mean total equity

(3) Net profit rate = After-tax profits and losses/Net sales value

(4) Earnings per share = (Income that belongs to the clients of the parent company - Preferred stock dividend)/Weighted average number of shares

5. Cash flow

(1) Cash flow ratio = Net cash flow from operating activities/Current liabilities

(2) Net cash flow adequacy ratio = Net cash flow from business activities over the past five years/(capital expenditure + increase in inventory + cash dividend) over the past five years.

(3) Cash reinvestment ratio = (net cash flow from business activities - cash dividends)/(net value of real estate properties, plants, and equipment + long-term investment + other non-current assets + working capital)

6. Leverage:

(1) Operating leverage = (Net operating income - Change in operating costs and expenses)/Operating profit

(2) Financial leverage = Operating profit/(Operating profit - interest).

Note 5: Pay particular attention to the following while deciding the formula for calculating the earnings per share as given above:

1. Use the weighted-average common stock shares instead of the outstanding shares at the end of the year.

2. With capital increase in cash or transaction of treasury stock shares, the circulation period shall be considered in the calculation of weighted average number of shares.

3. With earnings-transferred capital increase or capital reserve-transferred capital increase, while calculating the earnings per share for the past year and half year, adjustments shall be made retroactively reflective of the capital increase ratio; there is no need to consider the issue period for the said capital increase.

4. If the preferred stock shares are accumulated shares that cannot be converted, the dividends for the specific year (distributed or not) shall be subtracted from the net profit after tax or the net loss after tax shall be added. If the preferred stock shares are not accumulated in nature, on the other hand, with net profit after tax, the dividends for the said preferred stock shall be subtracted from the net profit after tax; in case of deficit, on the other hand, no adjustments are needed.

Note 6: Pay particular attention to the following while deciding cash flow analysis:

1. Net cash flows from operating activities are the net cash inflows under operating activities in the Cash Flow Statement.

2. Capital expenditure refers to the cash outflows for capital investments each year.

3. The increase in inventory is included only when the balance at end of term is greater than that at start of term; if the inventory is reduced at the end of the year, it is counted as zero.

4. Cash dividends include those for common stock and preferred stock shares.

5. Gross amount of real estate properties, plants, and equipment is the total of real estate properties, plants, and equipment before cumulative depreciation is subtracted.

Note 7: The issuer shall divide respective operating costs and operating expenses by their nature to fixed and variable ones. If estimates or subjective judgments are involved, attention shall be paid to their legitimacy and consistency.

(II) Financial Analysis- International Financial Accounting Standard (Standalone Financial Report)

Analysis Item \ Year		Financial Analysis of the Past Five Years				
		2017	2018	2019	2020	2021
Financial structure	Liability-to-asset ratio (%)	44.73	36.39	29.02	47.59	50.87
	Ratio of long-term capital to real estate properties, plants and equipment (%)	412.5	489.65	386.42	380.95	419.09
Solvency	Current ratio (%)	112.41	133.91	180.39	141.04	99.41
	Quick ratio (%)	101.09	115.23	147.42	107.40	71.80
	Interest Protection Multiples	69.32	83.31	117.23	17.61	28.89
Management ability	Receivable turnover (frequency)	3.07	2.84	2.65	1.87	3.06
	Average collection days	119	129	138	195	119
	Inventory turnover (frequency)	5.38	5.09	3.74	2.16	2.48
	Average sales days	68	72	98	169	147
	Payable turnover (frequency)	7.25	7.60	6.92	4.66	5.38
	Real estate properties, plants and equipment turnover	4.58	4.24	3.42	1.67	2.48
	Total asset turnover (frequency)	0.53	0.56	0.55	0.31	0.41
Profitability	Return on assets (%)	18.25	19.81	17.37	4.44	8.21
	Return on equity (%)	34.06	32.93	25.56	6.82	15.68
	Ratio of net profit before tax to paid-in capital size (%)	120.00	118.07	98.28	23.20	51.70
	Net profit rate (%)	33.80	34.86	31.55	13.55	19.54
	Earnings per share (NTD)	8.85	9.03	8.00	2.03	4.23
Cash flow	Cash flow ratio (%)	33.00	51.78	50.47	37.12	18.30
	Cash flow adequacy ratio (%)	104.94	98.07	91.46	15.51	10.74
	Cash re-investment ratio (%)	1.04	7.03	Note 2	Note 2	12.55
Leverage	Operating leverage	1.20	1.23	1.31	1.96	1.28
	Financial leverage	1.01	1.01	1.01	1.05	1.04

Please explain reasons for the changes in respective financial ratios over the past two years: (The analysis may be waived if the increase/decrease falls short of 20%.)

1. Reduced current ratio and quick ratio: mainly due to the increased short-term bank borrowings to support operational turnover and the increase in long-term borrowings due within a year; the resultant increase in the amount of current liabilities led to the reduced current ratio and quick ratio of 2021.
2. Increased interest protection multiples: mainly due to the increase in profit from 2020 with the easing COVID-19 pandemic in 2021, the increase in the demand from the auto sector, and the returning demand on the terminal AM market.
3. Increased accounts receivable turnover, reduced average collection days, real estate properties, plants, and equipment turnover, and increased total assets turnover: mainly due to the easing pandemic, the increased revenue compared to 2020, the improved turnover, and the reduced average collection days.
4. Increased return on assets, return on equity, ratio of net profit before tax to paid-in capital size, net profit rate, and earnings per ratio: mainly due to optimal operational status of 2021 and the profit increased from that in 2020.
5. Reduced cash flow ratio: mainly due to increased short-term bank borrowings to support operational turnover and increased amount of current liabilities.
6. Operating leverage: mainly due to the easing COVID-19 pandemic in 2021, the increase in applicable operating expenses despite the growth in revenue from the rising demand in the auto sector, and the increase in variable expenses because of the increased expenditure on raw materials and supplies and shipping costs of 2021; as a result, the operational leverage dropped compared to 2020.

Note 1: The Standalone Financial Report audited and certified by the CPAs.

Note 2: The total of net cash flows of operating activities was negative and hence related ratios of the cash flows were not calculated.

Note 3. The financial ratio is calculated as described above.

II. Committee's Review Report of Financial Statements of the Past Year

The Board of Directors has prepared the Company's 2021 Financial Statements, Business Report and Earnings Distribution Proposal. Among them, the Company's 2021 Financial Statements have been audited by the CPAs from KPMG Taiwan, who have issued the Audit Report. The above-mentioned 2021 Financial Statements, Business Report, and Earnings Distribution Proposal have been reviewed by the Audit Committee and no discrepancies have been found. In accordance with the provisions of the Securities and Exchange Act and the Company Act, we hereby report the above for your review.

To
2022 General Shareholders' Meeting

CUB ELECPARTS INC.



Convener of the Audit Committee: Chang Chuan-Li

Date: March 8, 2022

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

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

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Independent Auditors' Report

To the Board of Directors of CUB ELECPARTS INC.:

Opinion

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

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

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Parent-company-only Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

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

1. Revenue recognition

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

Description of key audit matter:

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

How the matter was addressed in our audit:

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

2. Assessment of accounts receivable impairment

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

Description of key audit matter:

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

How the matter was addressed in our audit:

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

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

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

Description of key audit matter:

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

How the matter was addressed in our audit:

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

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

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

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

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

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

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

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

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

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

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

KPMG

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

Notes to Readers

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

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

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

Balance Sheets

December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

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

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

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

See accompanying notes to parent company only financial statements.

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

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

See accompanying notes to parent company only financial statements.

CUB ELECPARTS INC.

Statements of Cash Flows

For the years ended December 31, 2021 and 2020

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

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

See accompanying notes to parent company only financial statements.

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

Notes to the Financial Statements

For the years ended December 31, 2021 and 2020

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

(1) Company history

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

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

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

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

(3) New standards, amendments and interpretations adopted:

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

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

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

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

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

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

(Continued)

CUB ELECPARTS INC.
Notes to the Financial Statements

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

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

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

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

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

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

(4) Summary of significant accounting policies:

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

(Continued)

CUB ELECPARTS INC.
Notes to the Financial Statements

(a) Statement of compliance

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

(b) Basis of preparation

(i) Basis of measurement

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

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

(ii) Functional and presentation currency

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

(c) Foreign currencies

(i) Foreign currency transaction

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

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

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

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

(Continued)

CUB ELECPARTS INC.
Notes to the Financial Statements

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

(ii) Foreign operations

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

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

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

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

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

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

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

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

(Continued)

CUB ELECPARTS INC.
Notes to the Financial Statements

- (iv) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(e) Cash and cash equivalents

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

(f) Financial instruments

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

(i) Financial assets

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

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

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

1) Financial assets measured at amortized cost

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

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

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

2) Fair value through other comprehensive income (FVOCI)

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

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

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

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

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

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

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

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

4) Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

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

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

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

- significant financial difficulty of the borrower or issuer ;

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

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

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

5) Derecognition of financial assets

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

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

ii) Financial liabilities and equity instrument

1) Classification of debt or equity

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

2) Equity instrument

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

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3) Treasury shares

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

4) Compound financial instruments

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

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

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

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

5) Financial liabilities

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

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

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6) Derecognition of financial liabilities

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

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

7) Offsetting of financial assets and liabilities

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

(iii) Derivative financial instruments

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

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

Cash flow hedges

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

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

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

(g) Inventories

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

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

(h) Investment in subsidiaries

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

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

(i) Property, Plant and Equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent expenditure

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

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(iii) Depreciation

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

Land is not depreciated.

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

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

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

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

(j) Lease

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

(i) As a lease

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

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The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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

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

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

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

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

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

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

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

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

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

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

(ii) As a lessor

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

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

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

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

(k) Intangible assets

(i) Recognition and measurement

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

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

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

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

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

(ii) Subsequent expenditure

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

(iii) Amortization

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

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

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

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

(l) Impairment of non-financial assets

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

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

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

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

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

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

(m) Revenue recognition

(i) Revenue from contracts with customers

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

1) Sale of goods

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

The Company often offers volume discounts to its customers based on aggregate sales of automobile and motor switch components over a 12 month period. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate the discounts, using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur.

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

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2) Financing components

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

(ii) Contract costs

1) Incremental costs of obtaining a contract

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

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

2) Costs to fulfil a contract

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

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

(n) Employee benefits

(i) Defined contribution plans

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

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(ii) Defined benefit plans

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

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

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

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

(iii) Short-term employee benefits

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

(o) Share-based payment transaction

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

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

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

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(p) Income taxes

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

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

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

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

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

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

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

(Continued)

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 employee remuneration.

(s) Operating segments

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

(Continued)

CUB ELECPARTS INC.
Notes to the Financial Statements

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

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

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

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

(a) The loss allowance of accounts receivable

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

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

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

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

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

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

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

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

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

(Continued)

CUB ELECPARTS INC.
Notes to the Financial Statements

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

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

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

(b) Notes receivable and accounts receivable

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

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

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

(Continued)

CUB ELECPARTS INC.
Notes to the Financial Statements

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

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

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

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

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

(c) Other receivables

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

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

(Continued)

CUB ELECPARTS INC.
Notes to the Financial Statements

(d) Inventories

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

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

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

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

(e) Investments accounted for using equity method

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

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

(i) Subsidiaries

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

(ii) Collateral

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

(iii) Impairment loss

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

(f) Acquisition of subsidiaries and non-controlling interests

(Continued)

CUB ELECPARTS INC.
Notes to the Financial Statements

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

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

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

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

(i) Consideration transferred

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

(ii) Identifiable assets acquired and liabilities assumed

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

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

(Continued)

CUB ELECPARTS INC.
Notes to the Financial Statements

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

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

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

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

(iii) Goodwill

Goodwill arising from the acquisition has been recognized as follows:

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

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

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

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CUB ELECPARTS INC.
Notes to the Financial Statements

(g) Property, plant and equipment

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

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

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

In the Board of Directors meeting on March 14, 2011, the Company acquired land for future
(Continued)

CUB ELECPARTS INC.
Notes to the Financial Statements

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

(h) Right-of-use assets

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

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

(i) Intangible assets

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

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

(Continued)

CUB ELECPARTS INC.
Notes to the Financial Statements

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

(i) Amortization

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

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

(ii) Collateral

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

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

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

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

(Continued)

CUB ELECPARTS INC.
Notes to the Financial Statements

(k) Short-term borrowings

Details of short-term borrowings were as follows:

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

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

(l) Other current liabilities

The other current liabilities of the Company were as follows:

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

(m) Long-term borrowings

The details were as follows:

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

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

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

(Continued)

CUB ELECPARTS INC.
Notes to the Financial Statements

(n) Lease liabilities

The carrying amounts of lease liabilities were as follows:

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

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

The amounts recognized in profit or loss were as follows:

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

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

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

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

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

(o) Employee benefits

(i) Defined benefit plans

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

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

(Continued)

CUB ELECPARTS INC.
Notes to the Financial Statements

The Company's employee benefit liabilities were as follows:

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

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

1) Composition of plan assets

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

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

2) Movements in present value of defined benefit obligations

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

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

(Continued)

CUB ELECPARTS INC.
Notes to the Financial Statements

3) Movements in the fair value of the plan assets

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

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

4) Expenses recognized in profit or loss

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

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

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

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

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

(Continued)

CUB ELECPARTS INC.
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6) Actuarial assumptions

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

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

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

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

7) Sensitivity analysis

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

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

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

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

(ii) Defined contribution plans

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

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

(Continued)

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respectively.

(p) Income taxes

(i) Income tax expenses

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

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

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

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

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

(ii) Deferred income tax assets and liabilities

1) Unrecognized deferred tax liabilities

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

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

(Continued)

CUB ELECPARTS INC.
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Amount of unrecognized deferred income tax liabilities \$ 103,678 104,604

2) Unrecognized deferred tax liabilities

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

Deferred Tax Assets:

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

Deferred tax liabilities :

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

3) Assessment of tax

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

(q) Capital and reserves

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

(Continued)

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

(in thousands of shares)

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

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

(ii) Capital surplus

The components of capital surplus were as follows:

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

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

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

(Continued)

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

(iii) Retained earnings

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

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

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

1) Legal reserve

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

2) Special reserve

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

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3) Earnings distribution

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

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

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

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

(iv) Treasury shares

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

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

Unit: Thousand shares

For the year ended December 31, 2020

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

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(v) Other equity

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

(r) Share-based payments

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

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

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

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

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

(Continued)

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(ii) Related information of employee stock option plans

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

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

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

(s) Earnings per share

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

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

(Continued)

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(t) Revenue from contracts with customer

(i) Disaggregation of revenue

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

(ii) Contract balances

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

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

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

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

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

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

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

(v) Non-operating income and expenses

(i) Interest income

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

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

(ii) Other income

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

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

(iii) Other gains and losses

The details of other gains and losses were as follows:

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

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(iv) Finance costs

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

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

(w) Financial instruments

(i) Credit risk

1) The maximum exposure to credit risk

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

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

2) Concentration of credit risk

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

3) Credit risks of receivables and debt securities

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

Other financial assets carried at amortized costs included other receivables.

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

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(ii) Liquidity risk

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

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

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

(iii) Currency risks

1) Exposure to currency risk

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

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

2) Sensitivity analysis

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

(Continued)

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2) Sensitivity analysis

Foreign exchange gains and losses on monetary items

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

(iv) interest rate analysis

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

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

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

(v) Fair value of financial instruments

1) Types and fair value of financial instruments

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

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

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

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

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

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

2.1) Financial assets measured at amortized cost

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

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

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

(Continued)

CUB ELECPARTS INC.
Notes to the Financial Statements

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

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

- 4) Transfers between Level 1 and Level 2

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

(x) Financial risk management

(i) Overview

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

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

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

(ii) Framework of risk management

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

(iii) Credit risk

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

(Continued)

CUB ELECPARTS INC.
Notes to the Financial Statements

1) Accounts receivable and other receivables

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

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

2) Investments

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

3) Guarantees

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

(iv) Liquidity risk

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

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

(v) Market risk

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

(Continued)

CUB ELECPARTS INC.
Notes to the Financial Statements

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

1) Foreign currency risk

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

2) Interest rate risk

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

(y) Capital management

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

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

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

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

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

(Continued)

CUB ELECPARTS INC.
Notes to the Financial Statements

(z) Investing and financing activities not affecting cash flows

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

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

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

(7) Related-party transactions:

(aa) Names and relationship with related parties

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

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

(Continued)

CUB ELECPARTS INC.
Notes to the Financial Statements

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

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

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

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

(Continued)

CUB ELECPARTS INC.
Notes to the Financial Statements

(ii) Purchases

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

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

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

(iii) Receivables from related parties

The receivables due from related parties were as follows:

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

(Continued)

CUB ELECPARTS INC.
Notes to the Financial Statements

(iv) Payables to Related Parties

The payables to related parties were as follows:

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

(v) Transactions of property, plant and equipment

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

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

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

(vi) Loans to related parties:

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

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

(Continued)

CUB ELECPARTS INC.
Notes to the Financial Statements

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

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

(vii) Endorsements and Guarantees

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

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

(viii) Other related party transactions

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

(ac) Key management personnel transactions

(Continued)

CUB ELECPARTS INC.
Notes to the Financial Statements

Key management personnel compensation includes:

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

(8) Pledged assets:

The carrying amounts of pledged assets were as follows:

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

(9) Significant contingent liabilities and unrecognized commitments:

The Company's unrecognized contractual commitments are as follows:

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

(10) Losses Due to Major Disasters:None

(11) Subsequent Events:

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

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CUB ELECPARTS INC.
Notes to the Financial Statements

(12) Other:

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

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

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

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

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

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

(Continued)

CUB ELECPARTS INC.
Notes to the Financial Statements

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

(13) Other disclosures:

- (a) Information on significant transactions:

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

- (i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

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

Note: Limits are calculated as:

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

(Continued)

CUB ELECPARTS INC.

Notes to the Financial Statements

(ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

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

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

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

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

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

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

(In Thousands of New Taiwan Dollars)

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

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

(In Thousands of New Taiwan Dollars)

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

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

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

(Continued)

CUB ELECPARTS INC.

Notes to the Financial Statements

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

(In Thousands of New Taiwan Dollars)

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

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

- (ix) Trading in derivative instruments:None

- (b) Information on investees:

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

(In Thousands of New Taiwan Dollars)

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

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

(Continued)

CUB ELECPARTS INC.
Notes to the Financial Statements

(c) Major shareholders:

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

(In Thousands of New Taiwan Dollars)

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

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

(ii) Limitation on investment in Mainland China:

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

(iii) Significant transactions:

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

(iv) Major Shareholders:

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

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

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

(Continued)

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

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

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

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

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

CUB ELECPARTS INC.

Statement of Inventories

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

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

Statement of other receivables and other

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

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

CUB ELECPARTS INC.

Statement of changes in investments under equity method

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

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

CUB ELECPARTS INC.

**Statement of changes of property, plant and
equipment**

For the year ended December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

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

Statement of intangible assets

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

Statement of Short-term Borrowings

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

CUB ELECPARTS INC.

Statement of Notes and Accounts Payable

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

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

Statement of other payables and other current liabilities

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

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

CUB ELECPARTS INC.

Statement of long-term borrowings
(including current portion)

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

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

Statement of Operating revenue

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

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

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

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

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

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

Statement of non-operating income and expenses

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

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

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

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

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Representation Letter

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

Company name: CUB ELECPARTS INC.

Chairman: YU,SAN-CHUAN

Date: March 8, 2022

Independent Auditors' Report

To the Board of Directors of CUB ELECPARTS INC.:

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Based on our judgment, the key audit matters that should be disclosed in this report are as follows:

1. Revenue recognition

Please refer to note 4(p) "Revenue recognition" for the accounting policy on revenue recognition; note 5(c) for details on accounting judgment and major sources of the estimation uncertainty; note 6(y) "Revenues from contracts with customers" for revenue recognition of contract.

Description of key audit matter:

Revenue is the key performance indicator to evaluate the performance by the investors and management. Since the revenue is recognized based on each sale order and contract terms to be identified and because the Group is devoted to developing a new distributor, the timing and amount of revenue recognition have a significant impact on the financial statement. Therefore, the test for revenue recognition is one of the important assessment items performed by the accountants for the purpose of auditing the financial statements of the Group.

How the matter was addressed in our audit:

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

2. Assessment of accounts receivable impairment

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

Description of key audit matter:

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

How the matter was addressed in our audit:

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

3. Assessment of goodwill impairment

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

Description of key audit matter:

The Group's goodwill arising from the acquisition is significant. The assessment process of goodwill impairment requires identifying the cash-generating unit and the estimation of the future cash flow of the operation to determine the recoverable amount. We list the assessment as one of our key audit matters because it is significant uncertainty and contains the significant subjective judgment of the management.

How the matter was addressed in our audit:

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

Other Matter

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)

March 8, 2022

Notes to Readers

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

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

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

Consolidated Balance Sheets

December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

		<u>December 31, 2021</u>		<u>December 31, 2020</u>				<u>December 31, 2021</u>		<u>December 31, 2020</u>	
Assets		Amount	%	Amount	%	Liabilities and Equity		Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (note 6(a))	\$ 2,301,133	24	1,194,110	16	2100	Short-term borrowings (Notes 6(o) and 8)	\$ 2,287,438	24	1,594,711	21
1140	Current contract assets (Note 6(y))	428,751	5	615,507	8	2130	Current lease liabilities (Note 6(y))	183,876	2	40,636	1
1150	Notes receivable, net (Note 6(d))	129,470	1	63,236	1	2150	Notes payable	109	-	-	-
1170	Accounts receivable, net (Note 6(d))	1,574,974	16	1,340,792	18	2170	Accounts payable	650,252	7	630,177	8
1180	Accounts receivable due from related parties (Notes 6(d), 7)	52,113	1	6,601	-	2180	Accounts payable to related parties (Note 7)	12,026	-	18,728	-
1200	Other receivables (Note 6(e))	18,154	-	17,340	-	2200	Other payables (Note 6(p))	287,548	3	307,005	5
1210	Other receivables-related parties (Note 7)	-	-	210	-	2220	Other payables to related parties (Notes 6(p) and 7)	16	-	5,752	-
1220	Current income tax assets	11,371	-	269	-	2230	Current tax liabilities	120,720	1	44,993	1
1310	Inventories (Note 6(f))	1,356,461	14	996,888	13	2250	Provisions-current (Note 6(s))	70,165	1	66,795	1
1470	Other current assets (Note 6(n))	275,103	3	467,578	6	2280	Current lease liabilities (Note 6(r))	8,397	-	8,458	-
1476	Other current financial assets (Note 8)	<u>12,223</u>	<u>-</u>	<u>6</u>	<u>-</u>	2300	Other current liabilities (Note 6(p))	7,827	-	17,789	-
		<u>6,159,753</u>	<u>64</u>	<u>4,702,537</u>	<u>62</u>	2320	Long-term borrowings, current portion (Notes 6(q) and 8)	<u>131,417</u>	<u>1</u>	<u>5,530</u>	<u>-</u>
Non-current assets:								<u>3,759,791</u>	<u>39</u>	<u>2,740,574</u>	<u>37</u>
1510	Non-current financial assets at fair value through profit or loss (Note 6(b))	53,505	1	-	-	Non-Current liabilities:					
1550	Investments accounted for using equity method (Note 6(g))	-	-	55,491	1	2540	Long-term borrowings (notes 6(q) and 8)	1,116,319	12	1,184,403	16
1600	Property, plant and equipment (Notes 6(j) and 8)	1,875,135	20	1,656,596	22	2570	Deferred tax liabilities (Note 6(u))	4,354	-	2,462	-
1755	Right-of-use assets (Note 6(k))	25,534	-	30,717	-	2580	Non-current lease liabilities (Note 6(r))	4,082	-	8,517	-
1760	Investment property, net (Notes 6(l) and (h))	241,435	3	242,120	3	2640	Net defined benefit liability (Note 6(t))	15,783	-	17,427	-
1780	Intangible assets (Note 6(m))	796,988	8	490,933	6	2645	Guarantee deposits	<u>4,829</u>	<u>-</u>	<u>5,730</u>	<u>-</u>
1840	Deferred tax assets (Note 6(u))	151,100	2	121,562	2			<u>1,145,367</u>	<u>12</u>	<u>1,218,539</u>	<u>16</u>
1920	Refundable deposits	142,545	1	40,962	1	Total liabilities		<u>4,905,158</u>	<u>51</u>	<u>3,959,113</u>	<u>53</u>
1980	Other non-current financial assets (Note 8)	-	-	55,400	1	Equity attributable to owners of parent: (Note 6(v))					
1990	Other non-current assets (Note 6(n))	<u>120,186</u>	<u>1</u>	<u>131,543</u>	<u>2</u>	3100	Ordinary shares	1,219,166	13	1,219,166	16
		3,406,428	36	2,825,324	38	3200	Capital surplus	666,220	7	559,889	8
						3300	Retained earnings	1,687,724	17	1,316,898	17
						3400	Other equity interest	<u>(47,348)</u>	<u>-</u>	<u>(39,196)</u>	<u>(1)</u>
							Total equity attributable to owners of parent:	<u>3,525,762</u>	<u>37</u>	<u>3,056,757</u>	<u>40</u>
						36XX	Non-controlling interests (Note 6 (i))	<u>1,135,261</u>	<u>12</u>	<u>511,991</u>	<u>7</u>
							Total equity	<u>4,661,023</u>	<u>49</u>	<u>3,568,748</u>	<u>47</u>
Total assets		<u><u>\$ 9,566,181</u></u>	<u><u>100</u></u>	<u><u>7,527,861</u></u>	<u><u>100</u></u>		Total liabilities and equity	<u><u>\$ 9,566,181</u></u>	<u><u>100</u></u>	<u><u>7,527,861</u></u>	<u><u>100</u></u>

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2021 and 2020

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

		2021		2020	
		Amount	%	Amount	%
4000	Operating revenues (Note 6(y))	\$ 4,080,435	100	3,340,199	100
5000	Operating costs (Notes 6(e), (m), (t), (z), and 7)	<u>2,409,425</u>	<u>59</u>	<u>2,067,788</u>	<u>62</u>
	Gross profit	<u>1,671,010</u>	<u>41</u>	<u>1,272,411</u>	<u>38</u>
	Operating expenses (Notes 6(m), (t), and (z))				
6100	Selling expenses	286,243	7	254,612	8
6200	Administrative expenses	250,860	6	213,009	6
6300	Research and development expenses	506,176	12	417,454	12
6450	Impairment loss determined in accordance with IFRS 9 (Note 6(d))	<u>35,069</u>	<u>1</u>	<u>968</u>	<u>-</u>
		<u>1,078,348</u>	<u>26</u>	<u>886,043</u>	<u>26</u>
	Operating income	<u>592,662</u>	<u>15</u>	<u>386,368</u>	<u>12</u>
	Non-operating income and expenses: (Note 6(aa))				
7100	Interest income	4,460	-	8,556	-
7010	Other income	60,652	1	22,309	1
7020	Other gains and losses	(39,498)	(1)	(91,121)	(3)
7050	Finance costs (note 6(r))	(32,076)	(1)	(24,379)	(1)
7060	Share of profit (loss) of associates and joint ventures accounted for using equity method (Note 6(g))	<u>(3,693)</u>	<u>-</u>	<u>(9,230)</u>	<u>-</u>
		<u>(10,155)</u>	<u>(1)</u>	<u>(93,865)</u>	<u>(3)</u>
7900	Profit before income tax	582,507	14	292,503	9
7950	Income tax expenses (Note 6(u))	<u>94,819</u>	<u>3</u>	<u>42,332</u>	<u>1</u>
	Net profit	<u>487,688</u>	<u>11</u>	<u>250,171</u>	<u>8</u>
8300	Other comprehensive income:				
8310	Items that will not be reclassified subsequently to profit or loss				
8311	Gains (losses) on remeasurements of defined benefit plans (Note 6(t))	1,127	-	(894)	-
8316	Unrealized losses from investments in equity instruments measured at fair value through other comprehensive income	-	-	571	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>1,127</u>	<u>-</u>	<u>(323)</u>	<u>-</u>
8360	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences on translation of foreign financial statements	(8,328)	-	11,304	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>(8,328)</u>	<u>-</u>	<u>11,304</u>	<u>-</u>
8300	Other comprehensive income	<u>(7,201)</u>	<u>-</u>	<u>10,981</u>	<u>-</u>
8500	Total comprehensive income	<u>\$ 480,487</u>	<u>11</u>	<u>261,152</u>	<u>8</u>
	Profit attributable to:				
8610	Owners of the parent	\$ 515,928	12	244,534	8
8620	Non-controlling interests	<u>(28,240)</u>	<u>(1)</u>	<u>5,637</u>	<u>-</u>
		<u>\$ 487,688</u>	<u>11</u>	<u>250,171</u>	<u>8</u>
	Comprehensive income attributable to:				
8710	Owners of the parent	\$ 508,974	12	255,930	8
8720	Non-controlling interests	<u>(28,487)</u>	<u>(1)</u>	<u>5,222</u>	<u>-</u>
		<u>\$ 480,487</u>	<u>11</u>	<u>261,152</u>	<u>8</u>
	Earnings per share (NT dollar) (note 6(t))				
9750	Basic earnings per share	\$	<u>4.23</u>		<u>2.03</u>
9850	Diluted earnings per share	\$	<u>4.23</u>		<u>2.03</u>

See accompanying notes to consolidated financial statements.

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

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

	Equity attributable to owners of parent												
	Retained earnings						Total other equity interest						
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Total	Treasury shares	Total	Non-controlling interests	Total equity
Balance at January 1, 2020	\$ 1,228,212	951,999	696,328	30,310	1,272,738	1,999,376	(50,996)	(14,461)	(65,457)	-	4,114,130	415,975	4,530,105
Profit for the year	-	-	-	-	244,534	244,534	-	-	-	-	244,534	5,637	250,171
Other comprehensive income for the year	-	-	-	-	(975)	(975)	11,800	571	12,371	-	11,396	(415)	10,981
Total comprehensive income for the year	-	-	-	-	243,559	243,559	11,800	571	12,371	-	255,930	5,222	261,152
Appropriation and distribution of retained earnings:													
Legal reserve	-	-	97,510	-	(97,510)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	35,147	(35,147)	-	-	-	-	-	-	-	-
Stock dividends of ordinary share	24,564	-	-	-	(24,564)	(24,564)	-	-	-	-	-	-	-
Cash dividends of preference share	-	-	-	-	(835,184)	(835,184)	-	-	-	-	(835,184)	(1,065)	(836,249)
Changes in ownership interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	(431,160)	(431,160)	-	(431,160)
Retirement of treasury share	(33,610)	(397,550)	-	-	-	-	-	-	-	431,160	-	-	-
Other changes in capital surplus:													
Expenses of share option	-	4,861	-	-	-	-	-	-	-	-	4,861	-	4,861
Changes in equity of associates and subsidiaries accounted for using equity method	-	579	-	-	(52,399)	(52,399)	-	-	-	-	(51,820)	439	(51,381)
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	-	-	-	(13,890)	(13,890)	-	13,890	13,890	-	-	-	-
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	91,420	91,420
Balance at December 31, 2020	\$ 1,219,166	559,889	793,838	65,457	457,603	1,316,898	(39,196)	-	(39,196)	-	3,056,757	511,991	3,568,748
Balance at January 1, 2021	\$ 1,219,166	559,889	793,838	65,457	457,603	1,316,898	(39,196)	-	(39,196)	-	3,056,757	511,991	3,568,748
Profit for the year	-	-	-	-	515,928	515,928	-	-	-	-	515,928	(28,240)	487,688
Other comprehensive income for the year	-	-	-	-	1,198	1,198	(8,152)	-	(8,152)	-	(6,954)	(247)	(7,201)
Total comprehensive income for the year	-	-	-	-	517,126	517,126	(8,152)	-	(8,152)	-	508,974	(28,487)	480,487
Appropriation and distribution of retained earnings:													
Legal reserve	-	-	17,727	-	(17,727)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	(26,261)	26,261	-	-	-	-	-	-	-	-
Cash dividends of ordinary shares	-	-	-	-	(146,300)	(146,300)	-	-	-	-	(146,300)	(448)	(146,748)
Other changes in capital surplus:													
Expenses of share option	-	30,785	-	-	-	-	-	-	-	-	30,785	-	30,785
The difference in net equity resulting from the subscription of new shares not in proportion	-	75,546	-	-	-	-	-	-	-	-	75,546	(75,546)	-
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	727,751	727,751
Balance at December 31, 2021	\$ 1,219,166	666,220	811,565	39,196	836,963	1,687,724	(47,348)	-	(47,348)	-	3,525,762	1,135,261	4,661,023

See accompanying notes to consolidated financial statements.

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

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

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

See accompanying notes to consolidated financial statements.

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

CUB ELECPARTS INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

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

(1) Company history

CUB ELECPARTS INC. (the “Company”) was incorporated on January 9, 1989 as a company limited by shares and registered under the Ministry of Economic Affairs, R.O.C. The address of the Company's registered office is No. 33-6, Ln. 546, Sec. 6, Zhonggu Rd., Fuxing Township, Changhua County, Taiwan. The major business activities of the Company and its subsidiaries (“the Group”) are manufacturing, processing, trading, and project construction of various automobile parts, motor switches, electrical products, communications electronic products and computer peripheral equipments. Please refer to note 14 for details.

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

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

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

(3) New standards, amendments and interpretations adopted:

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

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

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform—Phase 2”
- Amendments to IFRS 16 “Covid-19-Related Rent Concessions beyond June 30, 2021”

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

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

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

(Continued)

CUB ELECPARTS INC. AND SUBSIDIARIES
Notes to the Consolidated 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 Group, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

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

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

The Group does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

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

(4) Summary of significant accounting policies:

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

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

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”) and the IFRSs, IASs, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the FSC.

(b) Basis of preparation

1. Basis of measurement

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

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

2. Functional and presentation currency

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

(c) Basis of consolidation

1. Principles of preparation of the consolidated financial statements

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

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

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

(Continued)

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

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

2. List of subsidiaries included in the consolidated financial statements

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

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

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

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

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

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

(d) Foreign currency

1. Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. At the end of each subsequent reporting period ("the reporting date"), monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

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

- 1) an investment in equity securities designated as at fair value through other comprehensive income;
- 2) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective ; or
- 3) qualifying cash flow hedges to the extent the hedge are effective.

2. Foreign operations

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

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

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

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

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

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

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

1. It is expected to be settled in its normal operating cycle;
2. It is held primarily for the purpose of trading;
3. It is expected to be realized within twelve months after the reporting period; or
4. The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(f) Cash and cash equivalents

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

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CUB ELECPARTS INC. AND SUBSIDIARIES
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(g) Financial assets

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

(i) Financial assets

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

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI)—equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as measured at fair value through profit or loss:

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

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

2) Financial assets at fair value through other comprehensive income (FVOCI)

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

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

(Continued)

CUB ELECPARTS INC. AND SUBSIDIARIES
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On initial recognition, the Company is able to make an irrevocable election to present subsequent changes in the fair value of investments in equity instruments that is not held for trading in other comprehensive income. This election is made on an instrument by instrument basis.

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

Dividend income is recognized in profit or loss on the date on which the Group's right to receive payment is established.

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

All financial assets not classified as measured at amortized cost or at FVOCI described as above are measured at FVTPL, including derivative financial assets. Trade receivables that the Company intends to sell immediately or in the near term are measured at FVTPL; however, they are included in the 'trade receivables' line item. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

4) Impairment of financial assets

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

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

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

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

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

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CUB ELECPARTS INC. AND SUBSIDIARIES
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information.

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

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

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

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

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

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

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

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

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

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

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

5) Derecognition of financial assets

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

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

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instruments

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

3) Treasury shares

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

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CUB ELECPARTS INC. AND SUBSIDIARIES
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4) Compound financial instruments

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

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

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

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

5) Financial liabilities

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

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

6) Derecognition of financial liabilities

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

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

7) Offsetting of financial assets and liabilities

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

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

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

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

(h) **Inventories**

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

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

(i) **Investment in associates**

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

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

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

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

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

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(j) Investment property

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

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

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

(k) Property, plant and equipment

1. Recognition and measurement

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

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

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

2. Subsequent expenditure

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

3. Depreciation

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

Land is not depreciated.

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

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

(Continued)

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

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

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

(l) Leases

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

(i) As a lessee

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

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically evaluated and reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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

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

- 1) fixed payments, including in-substance fixed payments;
- 2) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- 3) amounts expected to be payable under a residual value guarantee; and

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

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

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

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

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

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

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

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

(ii) As a lessor

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

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

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

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

(m) Intangible assets

(i) Recognition and measurement

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

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

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

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

(ii) Subsequent expenditure

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

(iii) Amortization

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

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

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

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

(n) Impairment of non-derivative financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories, contract assets, deferred tax assets and investment properties and biological assets, measured at fair value, less costs) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

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

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

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

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

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

(o) Provisions

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

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

(p) Revenue recognition

(i) Revenue from contracts with customers

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

1) Sale of goods

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

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

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

2) Construction contracts

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

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payment becomes unconditional.

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

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

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

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

3) **Financing components**

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

(ii) **Contract costs**

1) **Incremental costs of obtaining a contract**

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

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

2) **Costs to fulfil a contract**

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

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costs are expected to be recovered.

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

(q) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

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

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

(iii) Short-term employee benefits

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

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(r) Share-based payment

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

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

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

(s) Income taxes

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

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

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

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

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

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

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

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CUB ELECPARTS INC. AND SUBSIDIARIES
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- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - 1) the same taxable entity; or
 - 2) Different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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

(t) Business combination

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

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

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

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

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CUB ELECPARTS INC. AND SUBSIDIARIES
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(u) Earnings Per Share

The group disclose the company's basic and diluted earnings per share attributable to ordinary equity holders of the company. Basic earnings per share is calculated as the profit attributable to the ordinary shareholders of the company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potential dilutive ordinary shares. Dilutive potential ordinary shares comprise accrued convertible bonds and employee remuneration.

(v) Operating segments

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

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

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

The management continues to monitor the accounting estimations and assumptions. The management recognizes any changes in the accounting estimations during the period in which the estimates are revised and in any future periods affected.

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

(a) The loss allowance of accounts receivable

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

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CUB ELECPARTS INC. AND SUBSIDIARIES
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(b) Assessment of goodwill impairment

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

(c) Revenue recognition

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

The Group uses the observable market data to evaluate its assets and liabilities. The different inputs of levels of fair value hierarchy in determination of fair value are as follows:

- Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

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

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

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(d) Notes and accounts receivable

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

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

	December 31, 2021		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 1,580,106	- %	-
1 to 30 days past due	74,255	- %	-
31 to 60 days past due	77,264	- %	-
61 to 90 days past due	19,859	35.08 %	6,966
More than 91 days past due	51,935	76.82 %	39,896
Total	\$ 1,803,419		46,862

	December 31, 2020		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 1,276,704	- %	-
1 to 30 days past due	104,529	- %	-
31 to 60 days past due	8,793	- %	-
61 to 90 days past due	4,236	36.45 %	1,544
More than 91 days past due	28,171	36.42 %	10,260
Total	\$ 1,422,433		11,804

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

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

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

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

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(e) Other receivables

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

(f) Inventories

	<u>110.12.31</u>	<u>109.12.31</u>
Raw materials	\$ 855,902	621,402
Work in progress	190,535	168,897
Finished goods	209,214	127,743
Merchandise	<u>100,810</u>	<u>78,846</u>
	<u>\$ 1,356,461</u>	<u>996,888</u>

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

	<u>For the Year Ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Write-down of inventories	\$ 9,706	13,010
Loss on disposal of inventory	23,456	3,733
Warranties	8,539	24,775
Gain on physical inventory	(7)	(174)
Revenue from sale of scrap	<u>(357)</u>	<u>(169)</u>
Operating costs	<u>\$ 41,337</u>	<u>41,175</u>

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

(g) Investments accounted for using equity method

(i) Associates

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

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

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

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

(ii) Collateral

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

(h) Business combination

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

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

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

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

(i) Consideration transferred

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

(ii) Identifiable assets acquired and liabilities assumed

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

	April 4, 2021
Property, plant and equipment (Note 6(j))	\$ 120,228
Right-of-use assets (Note 6(k))	2,988
Intangible assets (Note 6(m))	198,740
Inventories	114,812
Notes and accounts receivable and other receivables	78,181
Cash and cash equivalents	355,575
Prepayments	56,716
Other current assets	12,229

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	<u>April 4, 2021</u>
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	<u>(57,724)</u>
Fair value of net identifiable assets on April 29, 2021	522,909
Percentage	<u>59.63%</u>
Fair value of net assets attributable to owners of parent on April 29, 2021	<u><u>\$ 311,793</u></u>

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

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

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

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

(iii) Goodwill

Goodwill arising from the acquisition has been recognized as follows:

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

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

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

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(i) Material non-controlling interests of subsidiaries

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

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

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

(i) Summary of HARBINGER TECHNOLOGY's financial figures

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

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

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(ii) Summary of CUBTEK's financial figures

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

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

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

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

(j) Property, plant and equipment

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

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

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

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

Carrying amounts:

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

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

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

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

(k) Right-of-use assets

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

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

(Continued)

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

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

(1) Investment property

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

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

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

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

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

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

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

(m) Intangible assets

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

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

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

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

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

(ii) Impairment testing for goodwill

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

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

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

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

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

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

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

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

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

(iii) Collateral

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

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CUB ELECPARTS INC. AND SUBSIDIARIES
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(n) Other current assets and other non-current assets

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

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

(o) Short-term borrowings

The details of short-term borrowings were as follows:

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

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

(p) Other payables and other current liabilities

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

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

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

(q) Long-term borrowings

The details were as follows:

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

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

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

(r) Lease liabilities

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

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

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

The amounts recognized in profit or loss was as follows:

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

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

	For the Year Ended December 31,	
	2021	2020
Total cash outflow for leases	<u>\$ 16,954</u>	<u>14,781</u>

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(i) Real estate leases

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

(ii) Other leases

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

(s) Provisions

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

The Group's provision for warranty mentioned above was for products sold and construction built. Provision for warranty and the after-service cost was estimated based on the historical warranty information for similar products or services. The Company expected that most of the cost would occur within 1 or 2 years after sales.

(t) Employee benefits

(i) Defined benefit plans

the reconciliation of defined benefit obligation at present value and plan asset at fair value were as follows:

	110.12.31	109.12.31
Present value of the defined benefit obligations	\$ 30,790	31,964
Fair value of plan assets	<u>(15,007)</u>	<u>(14,537)</u>
Net defined benefit obligation liabilities	<u>\$ 15,783</u>	<u>17,427</u>

The Group's employee benefit liabilities were as follows:

	110.12.31	109.12.31
Compensated absences(recognized as other payables)	<u>\$ 4,214</u>	<u>4,059</u>

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The Group makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pension benefits for employees upon retirement. Under the Labor Standards Act, each employee's retirement payment is calculated based on years of service and the average salary for the six months prior to retirement.

1) Composition of plan assets

The Company and HARBINGER TECHNOLOGY allocate pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Company's and HARBINGER TECHNOLOGY's pension fund with the Bank of Taiwan amounted to \$15,007 thousand at the reporting date. Please refer to the related information published on the website of the Labor Pension Supervisory Committee concerning the utilization of the labor pension fund, related yield rate and its allocation.

2) Movements in present value of defined benefit obligations

The movements in the present value of the defined benefit obligations for the years ended December 31, 2021 and 2020 were as follows:

	For the Year Ended December 31,	
	2021	2020
Defined benefit obligations at January 1	\$ 31,964	31,482
Current service costs and interest cost	245	341
Remeasurements loss (gain):		
— Return on plan assets excluding interest income	(1,443)	(393)
— Actuarial loss (gain) arising from demographic assumptions	762	491
— Actuarial loss (gain) arising from financial assumptions	(261)	1,241
Benefits paid	(477)	(1,198)
Defined benefit obligations at December 31	\$ 30,790	31,964

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3) Movements in the fair value of the plan assets

The movements in the fair value of the defined benefit plan assets for the years ended December 31, 2021 and 2020 were as follows:

	For the Year Ended December 31,	
	2021	2020
Fair value of plan assets at January 1	\$ 14,537	14,469
Interest income	75	124
Remeasurements of the net defined benefit liabilities (assets) — return on plan assets (excluding interest income)	185	445
Contributions paid by the employer	687	697
Benefits paid	(477)	(1,198)
Defined benefit obligations at December 31	<u><u>\$ 15,007</u></u>	<u><u>14,537</u></u>

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Group were as follows:

	For the Year Ended December 31,	
	2021	2020
Current service cost	\$ 86	83
Net interest of net liabilities for defined benefit obligations	84	134
	<u><u>\$ 170</u></u>	<u><u>217</u></u>
Selling expenses	\$ 4	4
Administrative expenses	149	179
Research and development expenses	17	34
	<u><u>\$ 170</u></u>	<u><u>217</u></u>

5) Remeasurements of net defined benefit liability (asset) recognized in other comprehensive income

The Group's net defined benefit liability recognized in other comprehensive income for the years ended December 31, 2021 and 2020, are as follows:

	For the Year Ended December 31,	
	2021	2020
Accumulated amount at January 1	\$ 17,811	16,917
Recognized during the period	(1,127)	894
Accumulated amount at December 31	<u><u>\$ 16,684</u></u>	<u><u>17,811</u></u>

(Continued)

CUB ELECPARTS INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

6) Actuarial assumptions

The principal actuarial assumptions of the actuarial valuation were as follows:

	For the Year Ended December 31,	
	2021	2020
Discount Rate	0.5%~0.625%	0.5%
Future salary increase rate	2%~2.25%	2.00%~2.25%

The expected allocation payment to be made by the Group to the defined benefit plans for the one year period after the reporting date is \$682 thousand.

The weighted average lifetime of the defined benefits plans is 11.4~12.2 years.

7) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation for 2021 and 2020 shall be as follows:

	Influences of defined benefit obligations	
	Increased 0.25%	Decreased 0.25%
December 31, 2021		
Discount Rate	(902)	941
Future salary increase rate	912	(879)
December 31, 2020		
Discount Rate	(965)	1,009
Future salary increase rate	976	(939)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. In practical, the relevant actuarial assumptions are correlated to each other. The approach to develop the sensitivity analysis as above is the same approach to recognize the net defined benefit liability in the balance sheet.

There is no change in the method and assumptions used in the preparation of the sensitivity analysis for 2021 and 2020.

(ii) Defined contribution plans

The Group allocates 6% of each employee's monthly wages to the Labor Pension personal account of the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation. Foreign subsidiaries make contributions in compliance with their respective local regulations.

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CUB ELECPARTS INC. AND SUBSIDIARIES
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The cost of the pension contributions to the Bureau of Labor Insurance and foreign pension institutions for the years ended December 31, 2021 and 2020 amounted to \$29,368 thousand and \$22,177 thousand, respectively.

(u) Income taxes

(i) Income tax expenses

The components of income tax expense for 2021 and 2020 were as follows:

	For the Year Ended December 31,	
	2021	2020
Current tax expense		
Current period	\$ 120,694	53,860
Adjustment for prior years	76	(1,791)
Additional tax on undistributed earnings	<u>1,660</u>	<u>2,087</u>
	<u>122,430</u>	<u>54,156</u>
Deferred tax expense (income)		
Origination and reversal of temporary differences	<u>(27,611)</u>	<u>(11,824)</u>
	<u>(27,611)</u>	<u>(11,824)</u>
	<u>\$ 94,819</u>	<u>42,332</u>

No income tax expense was recognized directly in equity for 2021 and 2020.

The reconciliation of income tax and profit before tax for 2021 and 2020 were as follows:

	For the Year Ended December 31,	
	2021	2020
Profit excluding income tax	<u>\$ 582,507</u>	<u>292,503</u>
Income tax using the Company's domestic tax rate	\$ 116,501	58,501
Effect of tax rates in foreign jurisdiction	277	20,961
The effect of income tax on domestic investment recognized under equity method	(7,522)	(13,814)
Non-deductible expenses	554	727
Change in unrecognized temporary differences	10,931	8,926
Recognition of previously unrecognized tax losses	-	(14,233)
Investment tax credit	(28,774)	(19,719)
Change in provision in prior periods	76	(1,791)
Adjustment of deferred income tax assets in prior years	693	-
Foreign income taxes paid	764	687
Additional tax on undistributed earnings	1,660	2,087
Gains on disposals of investments	<u>(341)</u>	<u>-</u>
	<u>\$ 94,819</u>	<u>42,332</u>

(Continued)

CUB ELECPARTS INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Deferred income tax assets and liabilities

1) Unrecognized deferred tax liabilities

As of December 31, 2021 and 2020, the temporary differences associated with investments in subsidiaries were not recognized as deferred income tax liabilities as the Group has the ability to control the reversal of these temporary differences which are not expected to reverse in the foreseeable future. Details are as follows:

	<u>110.12.31</u>	<u>109.12.31</u>
Aggregate amount of temporary differences related to investments in subsidiaries	\$ <u>518,392</u>	<u>523,021</u>
Amount of unrecognized deferred income tax liabilities	\$ <u>103,678</u>	<u>104,604</u>

2) Unrecognized deferred tax assets

Deferred tax assets have not been recognized with respect to the following items:

	<u>110.12.31</u>	<u>109.12.31</u>
Deductible temporary differences	\$ 20,205	20,078
The carryforward of unused tax losses	10,804	-
	\$ <u>31,009</u>	<u>20,078</u>

The ROC Income Tax Act allows tax losses, as assessed by the tax authorities, to offset taxable income over a period of ten years for local tax reporting purposes. The deferred tax assets have not been recognized in respect of these items because they are not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom.

3) Recognized deferred tax assets and liabilities

The movements in deferred tax assets and liabilities for the years ended December 31, 2021 and 2020 were as follows:

Deferred Tax Assets:

	<u>Unrealized exchange loss</u>	<u>Taxes losses</u>	<u>Allowance for bad debt</u>	<u>Others</u>	<u>Total</u>
Balance on January 1, 2021	\$ 2,856	117,775	-	931	121,562
(Debit) Credit on income statement	670	17,109	7,014	4,710	29,503
Effects of changes in foreign exchange rates	(2)	37	-	-	35
Balance on December 31, 2021	\$ <u>3,524</u>	<u>134,921</u>	<u>7,014</u>	<u>5,641</u>	<u>151,100</u>

(Continued)

CUB ELECPARTS INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	Unrealized exchange loss	Taxes losses	Allowance for bad debt	Others	Total
Balance on January 1, 2020	\$ 840	99,386	-	8,318	108,544
(Debit) Credit on income statement	2,010	18,356	-	(7,387)	12,979
Effects of changes in foreign exchange rates	6	33	-	-	39
Balance on December 31, 2020	<u>\$ 2,856</u>	<u>117,775</u>	<u>-</u>	<u>931</u>	<u>121,562</u>

Deferred tax liabilities :

	Undiscounted interest	Others	Total
Balance on January 1, 2021	\$ 1,392	1,070	2,462
Debit (credit) on income statement	1,816	76	1,892
Balance on December 31, 2021	<u>\$ 3,208</u>	<u>1,146</u>	<u>4,354</u>
Balance on January 1, 2020	\$ 310	997	1,307
Debit (credit) on income statement	1,082	73	1,155
Balance on December 31, 2020	<u>\$ 1,392</u>	<u>1,070</u>	<u>2,462</u>

- (iii) As of December 31, 2021, subsidiaries were entitled to loss deductions under local laws, the available to offset future taxable income was as follows:

Year of loss	Amount of loss				
	CUBTEK	CUBTEK Shanghai	CUB Shanghai	HARBINGER TECHNOLOGY	3S System
2016	\$ 9,951	-	-	-	-
2017	108,624	-	-	-	-
2018	151,501	-	-	-	-
2019	159,883	-	-	-	-
2020	134,365	-	19,200	-	-
2021	13,321	22,813	-	54,020	65,450
	<u>\$ 577,645</u>	<u>\$ 22,813</u>	<u>19,200</u>	<u>54,020</u>	<u>65,450</u>

- (iv) Assessment of tax

The Company's income tax returns for the years through 2018 have been examined and approved by the R.O.C. income tax authorities.

- (v) Capital and other equity

As of December 31, 2021 and 2020, the Company's government registered total authorized capital both amounted to \$2,000,000 thousand divided into 200,000 thousand shares of stock with \$10 per share. The outstanding shares of common stock both amounted to \$1,219,166 thousand with \$10 per share.

(Continued)

CUB ELECPARTS INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The reconciliation of shares outstanding for 2021 and 2020 was as follows:

Unit: Thousand shares

	Ordinary Shares	
	For the Year Ended December 31,	
	2021	2020
Balance on January 1	121,917	122,821
Retained earnings transferred to capital	-	2,457
Retirement of treasury share	-	(3,361)
Balance on December 31	121,917	121,917

(i) Issuance of ordinary shares

In the Board of Directors meeting on May 15, 2020, the Company had the capital increase from retained earnings of \$24,564 thousand, which issued 2,457 thousand shares with a par value of \$10 per share. The Financial Supervisory Commission approved the application for a capital increase, and the effective date of the capital increase was July 15, 2020. The registration procedure has been completed.

(ii) Capital surplus

The components of capital surplus were as follows:

	110.12.31	109.12.31
Additional paid-in capital	\$ 17,151	17,151
Premium of convertible corporate bonds	530,658	530,658
Gain on disposal of assets	1,468	1,468
Employee stock options	35,646	4,861
Employee stock options (Expired)	502	502
Share option – convertible bonds issued	18	18
Changes in net equity of associates are recognized by equity method	80,777	5,231
	\$ 666,220	559,889

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.

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CUB ELECPARTS INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Company retired \$33,610 thousand of treasury shares. Due to the cost of purchasing treasury shares being higher than the principal amount, the difference is written off proportionately at additional paid-in capital, and the conversion of convertible bonds amounted to \$12,447 thousand and \$385,105 thousand, respectively.

(iii) Retained earnings

The Company's article of incorporation stipulated that annual earning shall be appropriated as follows:

- (A) defray tax due in accordance with the law.
- (B) offset prior years' operating losses;
- (C) of the remaining balance, 10% to be appropriated as legal reserve;
- (D) set aside special reserve or reverse special reserve previously provided
- (E) After deducting the balance from the items mentioned above, the Board of Directors shall adopt the proposal of a dividend for the residual balance and the previous year's undistributed earnings to be submitted for approval during the shareholders' meeting. Dividends may be distributed by stock or cash dividends.

The Company is in a growth phase. Based on capital expenditure, business expansion needs, and financial planning for sustainable development, the Company's dividend policy will allocate retained earnings to shareholders through stock and cash dividends in accordance with the Company's future capital expenditure budget and capital requirements. The cash dividend ratio of such dividends shall not be less than 5% of the total dividend of the shareholders.

1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

In accordance with Order No. 1010012865 issued by the FSC on April 6, 2012, a portion of current period earnings and undistributed prior period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should equal the current period total net reduction of shareholders' equity. Similarly, a portion of undistributed prior period earnings shall be reclassified as a special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to shareholders' equity pertaining to prior periods. A special reserve is made available for earning distribution only after the deduction of the related shareholders' equity has been reversed. The balance of special reserve amounted to \$39,196 thousand and \$65,457 thousand as of December 31, 2021 and 2020, respectively.

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CUB ELECPARTS INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3) Earnings distribution

On August 30, 2021 and May 15, 2020, the appropriation of the earnings for 2020 and 2019 was resolved in the general meeting of shareholders. The amounts of dividends distributed to owners were as follows:

	For the Year Ended December 31, 2020		For the Year Ended December 31, 2019	
	Amount per share	Amount	Amount per share	Amount
Dividends distributed to ordinary shareholders:				
Cash	\$ 1.2	146,300	6.8	835,184
Shares	-	-	0.2	24,564
	\$ 1.2	146,300	7.0	859,748

On March 8, 2022, the Company's Board of Directors resolved to appropriate the 2021 earnings, respectively, as follows:

	For the Year Ended December 31, 2021	
	Amount per share	Amount
Dividends distributed to ordinary shareholders:		
Cash	\$ 1.0	121,917
Shares	1.0	121,916
	\$ 2.0	243,833

4) Treasury shares

Under Article 28-2 of the Securities and Exchange Act, in the Board of Directors meeting on March 24, 2020, the Company is expected to repurchase 5,000 thousand treasury shares for transferring shares to the employees. However, in the Board of Directors meeting on June 17, 2020, the Company changed the purpose of the repurchase to protect the Company's credit and shareholders' interests. In accordance with the requirements of Securities and Exchange Act, treasury shares held by the Company should not be pledged, and do not hold any shareholder rights before their transfer.

The Company retired 3,361 thousand treasury shares and set the effective date of capital reduction on July 13, 2020. The related process for registration had been completed.

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CUB ELECPARTS INC. AND SUBSIDIARIES
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Unit: Thousand shares

Changes in for the year ended December 31, 2020

<u>Inflow</u>	<u>Shares</u>	<u>Addition</u>	<u>Decrease</u>	<u>Shares</u>
To protect the Company's credit and shareholders' rights and interests	<u>-</u>	<u>3,361</u>	<u>3,361</u>	<u>-</u>

5) Other equity

	<u>Exchange differences on translation of foreign financial statements</u>	<u>Unrealized gain (loss) on financial assets measured at fair value through other comprehensive income</u>	<u>Total</u>
Balance on January 1, 2021	\$ (39,196)	-	(39,196)
Exchange differences on translation of net assets of foreign operations	(8,152)	-	(8,152)
Balance on December 31, 2021	<u>(47,348)</u>	<u>-</u>	<u>(47,348)</u>
Balance on January 1, 2020	\$ (50,996)	(14,461)	(65,457)
Exchange differences on translation of net assets of foreign operations	11,800	-	11,800
Unrealized gains from financial assets measured at fair value through other comprehensive income	-	571	571
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	13,890	13,890
Balance at December 31, 2020	<u>\$ (39,196)</u>	<u>-</u>	<u>(39,196)</u>

(w) Share-based payments

On November 9, 2021 and October 23, 2020, the shareholders' meeting approved a resolution to issue 800,000 and 2,000,000 new restricted employee shares to full-time regular employees of the Company and domestic and foreign subsidiaries. The above transaction had been approved by the Financial Supervisory Commission.

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CUB ELECPARTS INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

As of December 31, 2020, share-based payment transactions of the Company are as follows:

	<u>Employee stock options</u>	<u>Employee stock options</u>
Grant date	109.11.5	109.11.24
Number of options granted	1,918,000 shares	82,000 shares
Contract term	4 years	4 years
Recipients	Limited to the full-time employees of the Company and the domestic and foreign subsidiaries	Limited to the full-time employees of the Company and the domestic and foreign subsidiaries
Vesting conditions	2~3 years of service	2~3 years of service

	<u>Employee stock options</u>
Grant date	110.11.9
Number of options granted	800,000 shares
Contract term (year)	4 year
Recipients	Limited to the full-time employees of the Company and the domestic and foreign subsidiaries
Vesting conditions	2~3 years of service

- (i) Measurable parameter of fair value at grant date

The Company adopted the Black Scholes model to evaluate the fair value of the stock option at the grant date. The assumptions adopted in this valuation model were as follows:

	<u>2020.11.5</u>	<u>2020.11.24</u>
	<u>Employee stock options</u>	<u>Employee stock options</u>
Fair value at the grant date	\$53.15~\$54.75	\$66.24~\$68.15
Share price at the grant date	\$165 per share	\$203.5 per share
Exercise price	\$165 per share	\$203.5 per share
Expected volatility	47.66%~45.47%	48.19%~45.92%
The expected life of the option (years)	3~3.5 years	3~3.5 years
Expected dividend	(Note)	(Note)
The risk-free rate	0.19%~0.20%	0.19%~0.20%

(Continued)

CUB ELECPARTS INC. AND SUBSIDIARIES
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	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.

(ii) Related information of employee stock option plans

The details of these employee stock option plans were as follows:

	For the Year Ended December 31, 2021		For the Year Ended December 31, 2020	
	Number of options (shares)	Weighted average exercise price (yuan)	Number of options (shares)	Weighted average exercise price (yuan)
Outstanding at January 1	2,000,000	166.58	-	-
Number of options granted during the year	800,000	184.5	2,000,000	166.58
Outstanding at December 31	2,800,000	171.70	2,000,000	166.58
Exercisable at December 31			-	

As of December 31, 2021 and 2020 the weighted-average remaining contractual life for outstanding option awards were 3.19 and 3.92 years, respectively. The expenses related to the share-based payments amounted to \$30,785 thousand and \$4,861 thousand, respectively.

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CUB ELECPARTS INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(x) Earnings Per Share

For the years ended December 31, 2021 and 2020, the Company's earnings per share were calculated as follows:

	For the Year Ended December 31,	
	2021	2020
Basic earnings per share		
Profit attributable to ordinary shareholders of the Company (basic)	\$ <u>515,928</u>	<u>244,534</u>
Weighted-average number of ordinary shares outstanding	<u>121,917</u>	<u>120,473</u>
	\$ <u>4.23</u>	<u>2.03</u>
Diluted earnings per share		
Profit attributable to ordinary equity holders of the Company (after adjusting the effect of dilutive potential ordinary share)	\$ <u>515,928</u>	<u>244,534</u>
Weighted-average number of ordinary shares outstanding	121,917	120,473
Effect of dilutive potential ordinary shares		
Effect of employee share bonus	<u>75</u>	<u>94</u>
Weighted average number of ordinary shares outstanding (diluted)	<u>121,992</u>	<u>120,567</u>
	\$ <u>4.23</u>	<u>2.03</u>

(y) Revenue from contract with customers

(i) Disaggregation of revenue

	Automobile Parts Division	Communications equipment and construction Group	Total
For the Year Ended December 31, 2021			
Primary geographical markets			
China	\$ 790,732	-	790,732
Taiwan	335,540	578,457	913,997
United States	1,857,381	3,520	1,860,901
Germany	244,365	-	244,365
Other countries	267,594	2,846	270,440
	\$ <u>3,495,612</u>	<u>584,823</u>	<u>4,080,435</u>

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CUB ELECPARTS INC. AND SUBSIDIARIES
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	Automobile Parts Division	Communications equipment and construction Group	Total
<u>Major products/service lines</u>			
Automobile motor switch	\$ 1,367,347	-	1,367,347
Automobile safety components and systems	1,875,373	-	1,875,373
Communication equipment, construction, and others	252,892	584,823	837,715
	<u>\$ 3,495,612</u>	<u>584,823</u>	<u>4,080,435</u>
For the Year Ended December 31, 2020			
<u>Primary geographical markets</u>			
China	\$ 568,955	-	568,955
Taiwan	102,310	1,087,254	1,189,564
United States	1,165,762	-	1,165,762
Germany	241,611	-	241,611
Other countries	174,307	-	174,307
	<u>\$ 2,252,945</u>	<u>1,087,254</u>	<u>3,340,199</u>
<u>Major products/service lines</u>			
Automobile motor switch	\$ 1,045,579	-	1,045,579
Automobile safety components and systems	1,159,385	-	1,159,385
Communication equipment and construction	-	890,601	890,601
Others	47,981	196,653	244,634
	<u>\$ 2,252,945</u>	<u>1,087,254</u>	<u>3,340,199</u>

(ii) Contract balances

	110.12.31	109.12.31
Contract assets - construction and equipment	\$ 428,751	615,507
Less: loss allowance	-	-
	<u>\$ 428,751</u>	<u>615,507</u>
Contract liabilities—advance sales receipts	\$ 161,962	14,546
Contract liabilities—advance molding receipts	21,813	26,021
Contractual liabilities – unearned revenue	101	69
	<u>\$ 183,876</u>	<u>40,636</u>

For the details of accounts receivable and loss allowance, please refer to Note 6(d).

For 2021 and 2021, the opening balance of contract liabilities recognized as revenue amounted to \$9,661 thousand and \$20,355 thousand, respectively.

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CUB ELECPARTS INC. AND SUBSIDIARIES
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The contract assets were mainly recognized revenue of project work but not yet paid up at the reporting date. The contract asset is transferred to receivables when the entitlement to payment becomes unconditional.

The contract liabilities primarily relate to the advance consideration received from contracts with automobile parts and molding sold, for which revenue is recognized when products are delivered to customers.

The major change in the balance of contract assets and contract liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received. There is no significant changes for the years ended December 31, 2021 and 2020.

On December 31, 2021 and 2020, The aggregate transaction price of the project allocated to outstanding performance obligations was \$84,106 thousand and \$119,746 thousand, respectively. The revenue is recognized progressively based on the progress towards complete satisfaction of contract activities and is expected to be completed in the next 12 to 18 months.

All consideration from contracts with customers is included in the transaction price presented above.

(z) Employee compensation and directors' and supervisors' remuneration

In accordance with the articles of incorporation, the Company should contribute between 2%~8% of the profit as employee compensation and between 1%~5% as directors' and supervisors' remuneration when there is profit for the year. Employee remuneration shall be distributed when the Company has a profit, whether the dividend is distributed to shareholders. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain conditions.

For the years ended December 31, 2021 and 2020, the amounts of employees' bonuses were estimated at \$12,997 thousand and \$5,833 thousand respectively. The amounts remuneration to directors and supervisors were estimated at \$6,499 thousand and \$2,916 thousand respectively. The estimation basis shall be calculated as the amounts of net income before tax deducted employees', directors' and supervisors' bonuses, multiplied distributed percentage of employees' bonuses, directors' and supervisors' remuneration based on the Corporation's articles of incorporation. These bonuses and remuneration were expensed under operating costs or expenses for the years ended December 31, 2021 and 2020.

These remunerations were expensed under operating costs or operating expenses during 2021 and 2020. There is no discrepancy under the circumstances of actual distribution. The information is available on the Market Observation Post System website.

(aa) Non-operating income and expenses

(i) Interest income

The details of interest income for 2021 and 2020 were as follows:

	For the Year Ended December 31,	
	2021	2020
Interest income from bank deposits	<u>\$ 4,460</u>	<u>8,556</u>

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CUB ELECPARTS INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Other income

The details of other income for 2021 and 2020 were as follows:

	For the Year Ended December 31,	
	2021	2020
Rent income	\$ 613	731
Litigation and disaster compensation revenues	19,129	-
Government grants	22,800	-
Other income - other	18,110	21,578
	\$ 60,652	22,309

(iii) Other gains and losses

The details of other gains and losses were as follows:

	For the Year Ended December 31,	
	2021	2020
Foreign exchange loss	\$ (40,701)	(84,988)
Gains on disposals of investments	1,707	-
Gains (losses) on disposal of property, plant and equipment	471	(170)
Compensation losses	(5)	(5,894)
Others	(970)	(69)
	\$ (39,498)	(91,121)

(iv) Finance costs

The details of finance costs for 2021 and 2020 were as follows:

	For the Year Ended December 31,	
	2021	2020
Interest on bank loans	\$ 31,962	24,266
Interest on lease liabilities	114	113
	\$ 32,076	24,379

(ab) Financial Instrument

(i) Credit risk

1) The maximum exposure to credit risk

The carrying amounts of financial assets and contract assets represented the maximum credit risk exposure of the Group.

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CUB ELECPARTS INC. AND SUBSIDIARIES
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2) Concentration of credit risk

The majority of the Group's customers are mostly those in the automobile part industry. To reduce accounts receivable credit risk, the Group continuously assesses its customers' financial condition. If it is necessary, the Group will ask for guarantees or warranties. The Group still regularly assesses the likelihood of collectability of accounts receivable and sets aside allowance for losses (bad debts), based on the result of management's evaluation of the overall amounts of bad debts. As of December 31, 2021 and 2020, the Group's major customers consisted of four and five customers which accounted for 30% and 27%, respectively, of accounts receivable so that management believes the concentration of credit risk.

3) Credit risks of receivables and debt securities

For the information regarding credit risk exposure of notes and accounts receivables, please refer to note 6(d).

Other financial assets carried at amortized costs included other receivables.

(ii) Liquidity risk

The following are the contractual maturities of financial liabilities, including the estimated interest payments and excluding the impact of netting agreements.

	Carrying Amount	Contractual cash flows	within 6 months	6~12 months	1~2 years	2~5 years	Over 5 years
December 31, 2021							
Non-derivative financial liabilities							
Non-interest bearing liabilities	\$ 949,951	949,951	949,951	-	-	-	-
Floating rate instruments	3,535,174	3,841,632	1,529,496	1,172,180	249,774	778,888	111,294
Current and non-current lease liabilities	12,479	12,595	5,196	3,271	2,255	1,873	-
Guarantee deposits	4,829	4,829	-	-	4,829	-	-
	<u>\$ 4,502,433</u>	<u>4,809,007</u>	<u>2,484,643</u>	<u>1,175,451</u>	<u>256,858</u>	<u>780,761</u>	<u>111,294</u>
December 31, 2020							
Non-derivative financial liabilities							
Non-interest bearing liabilities	\$ 961,662	961,662	961,662	-	-	-	-
Floating rate instruments	2,784,644	2,840,634	1,552,354	51,802	221,595	887,783	127,100
Fixed rate instrument	16,975	17,112	4,620	4,323	5,735	2,434	-
Guarantee deposits	5,730	5,730	-	-	5,730	-	-
	<u>\$ 3,769,011</u>	<u>3,825,138</u>	<u>2,518,636</u>	<u>56,125</u>	<u>233,060</u>	<u>890,217</u>	<u>127,100</u>

The Group does not expect that the cash flows included in the maturity analysis would occur significantly earlier or at significantly different amounts.

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CUB ELECPARTS INC. AND SUBSIDIARIES
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(iii) Currency risk

1) Exposure of foreign currency risk

The Group's significant exposure to foreign currency risk is as follows:

	December 31, 2021			December 31, 2020		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 72,912	27.68	2,018,204	45,793	28.48	1,304,185
EUR	1,753	31.32	54,904	1,473	35.02	51,584
CNY	20,799	4.344	90,351	18,316	4.377	80,169
JPY	1,790	0.241	430	7,662	0.276	2,115
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	7,862	27.68	217,620	5,738	28.48	163,418
CNY	67	4.344	291	114	4.377	499
JPY	-	0.2405	-	54,704	0.276	15,098

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the foreign currency exchange gains and losses resulted from the translation of cash and cash equivalents, trade receivables, other receivables, trade payables and other payables which are denominated in foreign currencies. A strengthening (weakening) of 1% of the NTD against the USD, the EUR, the CNY, and the JPY at December 31, 2021 and 2020, would have increased or decreased the profit before tax by \$15,568 thousand and \$10,071 thousand, respectively. The analysis assumes that all other variables remain constant and was performed on the same basis for both periods.

3) Foreign exchange gains and losses on monetary items

As the Group deal in diverse foreign currencies, gains and losses on foreign exchange were summarized as a single amount. The aggregate of realized and unrealized foreign exchange gains (losses) for the years ended December 31, 2021 and 2020 were \$(40,701) and \$(84,988), respectively.

(iv) interest rate analysis

Please refer to the notes on liquidity risk management and interest rate exposure of the Group's financial assets and liabilities.

The following sensitivity analysis is based on the risk exposure to the interest rates risk of derivative and non-derivative financial instruments on the reporting date. Regarding liabilities with variable interest rates, the analysis is based on the assumption that the amount of liabilities outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 1% when reporting to management internally, which also represents the Group management's assessment of the

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CUB ELECPARTS INC. AND SUBSIDIARIES
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reasonably possible interest rate change.

If the interest rate increases or decreases by 1% the Group's net income will decrease /increase by \$28,281 thousand and \$22,277 thousand for the years ended December 31, 2021 and 2020, respectively, assuming all other variable factors remain constant. This is mainly due to the Group's variable rate bank borrowings.

(v) Fair value of financial instruments

1) Types and fair value of financial instruments

The fair value of financial assets and liabilities at fair value through profit or loss, financial instruments used for hedging, and financial assets at fair value through other comprehensive income is measured on a recurring basis. The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity investments that has no quoted prices in the active markets and whose fair value cannot be reliably measured, disclosure of fair value information is not required:

	Carrying amount	December 31, 2021			
		Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Domestic unlisted stocks	\$ <u>53,505</u>	-	-	53,505	53,505
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 2,301,133	-	-	-	-
Current contract assets	428,751	-	-	-	-
Notes and accounts receivable and other receivables (including receivables due from related parties)	1,760,444	-	-	-	-
Other financial assets (including current and non-current)	12,223	-	-	-	-
Refundable deposits	<u>142,545</u>	-	-	-	-
	<u>\$ 4,645,096</u>				
Financial liabilities measured at amortized cost					
Short-term borrowings	\$ 2,287,438	-	-	-	-
Notes payables, trade payables and other payables	949,951	-	-	-	-
Current and non-current lease liabilities	12,479	-	-	-	-
Long-term borrowings (including current portion)	1,247,736	-	-	-	-
Guarantee deposits	<u>4,829</u>	-	-	-	-
	<u>\$ 4,502,433</u>				

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CUB ELECPARTS INC. AND SUBSIDIARIES
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	December 31, 2020				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 1,194,110	-	-	-	-
Current contract assets	615,507	-	-	-	-
Notes and accounts receivable and other receivables (including receivables due from related parties)	1,416,742	-	-	-	-
Other financial assets (including current and non-current)	55,406	-	-	-	-
Refundable deposits	40,962	-	-	-	-
	<u><u>\$ 3,322,727</u></u>				
Financial liabilities measured at amortized cost					
Short-term borrowings	\$ 1,594,711	-	-	-	-
Notes payables, trade payables and other payables	961,662	-	-	-	-
Current and non-current lease liabilities	16,975	-	-	-	-
Long-term borrowings (including current portion)	1,189,933	-	-	-	-
	<u><u>\$ 3,763,281</u></u>				

2) Fair value valuation technique of financial instruments not measured at fair value

The Group's valuation techniques and assumptions used for financial instruments not measured at fair value are as follows:

2.1) Financial assets measured at amortized cost

If the quoted prices in active markets are available, the market price is established as the fair value. However, if quoted prices in active markets are not available, the estimated valuation or prices used by competitors are adopted.

2.2) Financial assets measured at amortized cost (debt investment that has no active markets) and financial liabilities measured at amortized cost.

If there is quoted price generated by transactions, the recent transaction price and quoted price data is used as the basis for fair value measurement. If there is no quoted market price available, the fair value is determined by using valuation techniques and calculated as the present value of the estimated cash flows.

3) Fair value valuation technique of financial instruments measured at fair value

Non-derivative financial instruments

Fair value measurement of financial instruments was based on quoted market prices if these prices were available in an active market. The quoted price of a financial instrument obtained from main exchanges and on the run bonds from Taipei Exchange was the basis of determining the fair value of the listed companies' equity instrument, and debt instrument that has the quoted price in an active market.

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CUB ELECPARTS INC. AND SUBSIDIARIES
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If a quoted price of a financial instrument can be obtained in time and often from exchanges, brokers, underwriters, industrial union, pricing institute, or authorities and such price can reflect those actual trading and frequently happen in the market, then the financial instrument is considered to have a quoted price in an active market. Otherwise, the market is deemed to be inactive. In general, market with low trading volume or high bid ask spreads is an indication of a non active market.

Measurements of fair value of financial instruments without an active market are based on a valuation technique or quoted price from a competitor. Fair value measured by a valuation technique can be extrapolated from similar financial instruments, the discounted cash flow method, or other valuation technique including a model using observable market data at the reporting date.

If the Group's financial instruments do not have an observable prices, their fair values are estimated by comparing with competitors whose market prices are available. The main assumption used in this estimation is to calculate the product of the earnings before interest, tax, depreciation and amortization and the price to earnings ratio of listed companies on the stock market. The estimate of the fair value of equity instruments has been adjusted due to the effect of the discount arising from the lack of market liquidity of the equity security.

4) Transfers between Level 1, Level 2, and Level 3

There was no transfer between the fair value hierarchy levels for the years ended December 31, 2021 and 2020.

5) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Group's financial instruments that use Level 3 inputs to measure fair value include "financial assets measured at fair value through profit or loss – debt investments".

Most of the fair value measurements categorized within Level 3 use the single and significant unobservable input. Equity investments without an active market contains multiple significant unobservable inputs. The significant unobservable inputs of equity investments without an active market are individually independent, and there is no correlation between them.

(ac) Management of financial risk Overview

(i) Overview

The Group has exposure to the following risks from its financial instruments:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

(Continued)

CUB ELECPARTS INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The following likewise discusses the Group's exposure information, objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risks exposures, please refer to the respective notes in the accompanying non-consolidated financial statements.

(ii) Framework of risk management

The Group's finance management department provides business services for the overall internal department. It sets the objectives, policies and processes for managing the risk and the methods used to measure the risk arising from both the domestic and international financial market operations. The Group minimizes the risk exposure through derivative financial instruments. The Board of Directors regulated the use of derivative financial instruments in accordance with the Group's policy about risks arising from financial instruments such as currency risk, interest rate risk, credit risk, the use of derivative and non-derivative financial instruments and the investments of excess liquidity. The internal auditors of the Group continue with the review of the amount of the risk exposure in accordance with the Group's policies and the risk management policies and procedures. The Group has no transactions in financial instruments (including derivative financial instruments) for the purpose of speculation.

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and financial assets in debt securities.

1) Accounts receivable and other receivables

The policy adopted by the Group is to deal only with reputable parties and, where necessary, obtain collateral to mitigate the risk of financial losses arising from default. The Group only deals with the investment grade enterprises. Such information is provided by an independent rating agency; if such information is not available, the Group will rate the major customers using other publicly available financial information and mutual transaction records. The Group continuously monitors credit risk and credit ratings of the counterparty, and distributes the total amount of the transaction to eligible customers of each credit rating. Credit risk exposure is controlled through the credit limit of the counterparty that is reviewed and approved annually by the Risk Management Committee.

The Group did not have any collateral or other credit enhancements to avoid credit risk of financial assets.

2) Investments

The credit risk exposure in the bank deposits, investments with fixed income and other financial instruments are measured and monitored by the Group's finance department. As the Group deals with the banks and other external parties with good credit standing and financial institutions, corporate organization and government agencies which are graded above investment level, management believes that the Group do not have compliance issues and no significant credit risk.

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CUB ELECPARTS INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3) Guarantees

The Group's policy provides only financial security to fully owned subsidiaries. As of December 31, 2021 and 2020, the Group did not provide any guarantees to other companies besides its subsidiaries.

(iv) Liquidity risk

The Group manages and maintains sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Group's management supervises the banking facilities and ensures in compliance with the terms of the loan agreements.

Bank borrowing is an essential liquidity source for the Group. As of December 31, 2021 and 2020, the Group's unused credit line were amounted to \$899,036 thousand and \$1,155,896 thousand, respectively.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Group income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Group buys and sells derivatives in order to reduce market risks. All these transactions are made in accordance with the risk management policy.

1) Foreign currency risk

The Group is exposed to currency risk on sales and purchases that are denominated in a currency other than the functional currency of the Group's respective entity. The respective functional currencies of the Group's entities are primarily the NTD, USD, and CNY. The currencies used in these transactions are the NTD, USD, EUR, and CNY.

2) Interest rate risk

The Group's short-term loans from factoring of trade receivables bear floating interest rates. The changes in effective rate along with the fluctuation of the market interest rate influence the Group's future cash flow. The Company decreases the interest rate risk through negotiating with banks a periodically.

(ad) Capital management

The Group sets its objectives for managing capital to safeguard the capacity to continue to operate, to continue to provide a return to stockholders, to safeguard the interest of related parties, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the dividend payment and reduce the capital for redistribution to its shareholders. The Group also issues new shares or sell assets to settle any liabilities.

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CUB ELECPARTS INC. AND SUBSIDIARIES
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The Group uses the debt-to-equity ratio to manage capital. The net debt from the balance sheet is derived from the total liabilities less cash and cash equivalents. The total capital and equity include share capital, capital surplus, retained earnings, and other equity plus net debt. The total capital and equity include share capital, capital surplus, retained earnings, and other equity plus net debt.

The Group's capital management strategy is consistent with the prior year, and the gearing ratio is maintained within 50% so as to ensure financing at reasonable cost. The Group's debt-to-equity ratios at the end of the reporting periods were as follows:

	December 31, 2021	December 31, 2020
Total liabilities	\$ 4,905,158	3,959,113
Less: Cash and cash equivalents	<u>(2,301,133)</u>	<u>(1,194,110)</u>
Net debts	2,604,025	2,765,003
Total equity	<u>4,661,023</u>	<u>3,568,748</u>
Total assets	<u>\$ 7,265,048</u>	<u>6,333,751</u>
Debt-to-equity ratio	<u>35.84%</u>	<u>43.66%</u>

(ae) Investing and financing activities not affecting cash flows

(i) Requirement of right-of-use assets through lease agreement, please refer to note 6(k).

(ii) Reconciliations of liabilities arising from financing activities were as follows:

	January 1, 2021	Statements of Cash Flows	Non-Cash changes Increase (decrease) for the period	December 31, 2021
Short-term borrowings	\$ 1,594,711	692,727	-	2,287,438
Current and non-current lease liabilities	16,975	(11,526)	7,030	12,479
Long-term borrowings (including current portion)	<u>1,189,933</u>	<u>57,803</u>	<u>-</u>	<u>1,247,736</u>
Total liabilities from financing activities	<u>\$ 2,801,619</u>	<u>739,004</u>	<u>7,030</u>	<u>3,547,653</u>

	January 1, 2021	Statements of Cash Flows	Non-Cash changes Increase (decrease) for the period	December 31, 2020
Short-term borrowings	\$ 1,610,700	(15,989)	-	1,594,711
Current and non-current lease liabilities	7,827	(9,559)	18,707	16,975
Long-term borrowings (including current portion)	<u>110,000</u>	<u>1,079,933</u>	<u>-</u>	<u>1,189,933</u>
Total liabilities from financing activities	<u>\$ 1,728,527</u>	<u>1,054,385</u>	<u>18,707</u>	<u>2,801,619</u>

(Continued)

CUB ELECPARTS INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(7) Related-party transactions:

(a) Names and relationship with related parties

The followings are related parties that have had transactions with the Group during the periods covered in the consolidated financial statements:

<u>Name of related party</u>	<u>Relationship with the Group</u>
Jiu Feng Co., LTD. (Jiu Feng)	The chairman of the company is the second-degree relative with the chairman of the Company
HUNG YII AUTO PARTS CO., LTD. (HUNG YII)	The chairman of the company is the second-degree relative with the chairman of the Company
DEPO AUTO PARTS IND. CO., LTD. (DEPO)	The chairman of the company is the director of the Company
Hu Lane Associate Inc. (Hu Lane)	The chairman of the company is the director of the Company
POINT COMMUNICATION ENTERPRISE CO., LTD. (POINT COMMUNICATION)	The chairman of the company is the second-degree relative with the general manager of the Company's subsidiary, HARBINGER TECHNOLOGY
3S POCKETNET TECHNOLOGY INC. (3S POCKETNET)	The chairman of the company is the director of the Company's subsidiary - 3S System
Anhui Shangshi Pocket Electrical Engineering Co., Ltd. (Anhui Shangshi))	The chairman of the company is the director of the Company's subsidiary - 3S System

(b) Significant transactions with related parties

(i) Sale revenue

	<u>For the Year Ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Other related parties—3S POCKETNET	\$ 49,983	-
The company is controlled by key management personnel, which are second-degree relatives		
POINT COMMUNICATION	4,612	-
	<u>\$ 54,595</u>	<u>-</u>

There were no significant differences in the selling prices and trading terms between related parties and regular customers.

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CUB ELECPARTS INC. AND SUBSIDIARIES
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(ii) Purchases

The amounts of significant purchase and process transactions between the Group and associates were as follows:

	For the Year Ended December 31,	
	2021	2020
Other related parties—Hu Lane	\$ 565	-
Other related parties—3S POCKETNET	40,421	-
The company is controlled by key management personnel, which are second-degree relatives		
HUNG YII	53,396	40,883
Jiu Feng	5,811	7,630
POINT COMMUNICATION	9,290	-
	\$ 109,483	48,513

The price and trading terms of purchase and process outsourcing between the Group and related parties have no difference from non-related parties, except some specific products have no non-related party to compare with.

(iii) Receivables from related parties

The receivables due from related parties were as follows:

Account	Relationship	110.12.31	109.12.31
Accounts receivable	The company is controlled by key management personnel, which are second-degree relatives		
	POINT COMMUNICATION	\$ 4,429	6,601
	Other related parties — 3S POCKETNET	47,684	-
		\$ 52,113	6,601
Other receivables	The company is controlled by key management personnel, which are second-degree relatives		
	POINT COMMUNICATION	\$ -	210

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CUB ELECPARTS INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iv) Payables to Related Parties

The payables to related parties were as follows:

<u>Account</u>	<u>Relationship</u>	<u>110.12.31</u>	<u>109.12.31</u>
Accounts payable	The company is controlled by key management personnel, which are second-degree relatives		
	HUNG YII	\$ 6,429	4,337
	Jiu Feng	317	997
	POINT COMMUNICATION	5,050	13,394
	Other related parties—Hu Lane	230	-
		<u>\$ 12,026</u>	<u>18,728</u>
Other payables	The company is controlled by key management personnel, which are second-degree relatives		
	POINT COMMUNICATION	\$ 16	-
	Other related parties		
	DEPO	\$ -	<u>5,752</u>

(v) Transactions of property, plant and equipment

The purchases price of property, plant and equipment purchased from related parties were as follows:

	<u>110.12.31</u>	<u>109.12.31</u>
Other related parties—DEPO	<u>\$ 18,260</u>	<u>-</u>

(c) Key management personnel transactions

Key management personnel compensation includes:

	<u>For the Year Ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Short-term employee benefits	\$ 35,045	32,764
Post-employment benefits	772	933
Termination benefits	-	-
Other long-term employee benefits	-	-
Share-based payment	-	-
	<u>\$ 35,817</u>	<u>33,697</u>

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CUB ELECPARTS INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(8) Pledged assets:

The book value of the Group's pledged assets was as follows:

Item	Purpose of Pledge	<u>110.12.31</u>	<u>109.12.31</u>
Land	Collateral for long-term loans and credit lines	\$ 649,681	649,681
Buildings and Construction	Collateral for long-term loans and credit lines	594,802	619,210
Other financial assets —bank deposits	Collateral for long-term loans and credit lines	12,223	6
Other financial assets —bank deposits	Guarantee deposit for litigation	-	55,400
		<u>\$ 1,256,706</u>	<u>1,324,297</u>

(9) Commitments and contingencies:

(a) Significant unrecognized commitments

(i) The Group's unrecognized contractual commitments were as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Acquisition of property, plant and equipment	\$ <u>36,219</u>	<u>108,003</u>

(ii) The unused letters of credit

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
The unused letters of credit	\$ <u>2,716</u>	<u>543</u>

(iii) As of December 31, 2021 and 2020, the refundable deposits paid, through cooperation with the landowners, amounted to \$414,642 thousand and \$547,749 thousand, respectively.

(10) Losses Due to Major Disasters:None

(11) Subsequent Events:

In the Board of Directors meeting on February 21, 2022, the Company subscribed proportionately 13,532 thousand shares of 3S System Technology Co., Ltd., and another 10,626 thousand shares subscribed as a specified person with a par value of \$22 per share at the total price of \$531,478 thousand.

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CUB ELECPARTS INC. AND SUBSIDIARIES
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(12) Other:

- (a) A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

By function By item	For the Year Ended December 31, 2021			For the Year Ended December 31, 2020		
	Cost of sale	Operating expenses	Total	Cost of sale	Operating expenses	Total
Employee benefits						
Salary	153,577	500,790	654,367	119,395	431,508	550,903
Labor and health insurance	13,461	49,341	62,802	11,199	37,328	48,527
Pension	7,031	22,507	29,538	4,480	17,914	22,394
Other employee benefits expense	4,956	11,172	16,128	3,816	8,220	12,036
Depreciation	114,854	77,555	192,409	93,398	68,299	161,697
Amortization	1,157	42,566	43,723	1,020	24,679	25,699

(13) Other disclosures:

- (a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group for the year ended December 31, 2021:

- (i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
0	the Company	HARBINGER TECHNOLOGY	Other receivables	Yes	280,000	-	-	1.2%		-		-		-	352,560 (Note)	1,401,240 (Note)
1	CUB Shanghai	CUBTEK SHANGHAI	Other receivables	Yes	45,930	-	-	4.85%		-	Loans to related parties	-		-	103,311 (Note)	413,245 (Note)

Note: Limits are calculated as:

- (i) Pursuant to the Company’s procedure of loans to other parties, for the Company loans to those having business transactions, the amount of each fund financing shall not exceed the amount of business transaction. The amount of business transaction is the higher amount of the total purchase from or sales to.

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CUB ELECPARTS INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- (ii) Pursuant to the Company's procedure of loans to other parties, the companies who have 50% of shares held by the Company and need short-term financing for business, the maximum amount of financings shall not exceed 10% of the net worth of the lending company. The short-term represents a year, except the company's operating cycle is longer than a year.
- (iii) Pursuant to the Company's procedure of loans to other parties, the maximum amount of lending purposes shall not exceed 40% of the Company's net worth.

(ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	the Company	ITM Engine Components, Inc.	2	705,152	25,682	24,912	17,438	-	0.71 %	1,762,881	Y		
0	the Company	HARBING ER TECHNOLOGY	1.2	705,152	575,000	550,000	430,675	-	15.60 %	1,762,881	Y		
0	the Company	3S System	1.2	705,152	150,000	150,000	-	-	4.25 %	1,762,881	Y		

Note 1: The amount of the guarantees and endorsements for a single company shall not exceed 20% of the Company's current net value.

Note 2: The total amount of the guarantees and endorsements provided by the Company shall not exceed 50% of the Company's current net value.

Note 3: The relationship between the endorser/guarantor and the guaranteed party:

1. Having business relationship.
2. The Company which directly or indirectly holds more than 50% of the subsidiary

(iii) Securities held as of December 31, 2021 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account title	Highest Percentage of ownership (%)	Ending balance				Note
					Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
CUBTEK	Chimei Motor Electronics Co., Ltd.	None	Non-current financial assets at fair value through profit or loss	- %	2,800	53,505	14.74 %	53,505	

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal	Shares	Amount
the Company	Stocks - HARBING ER TECHNOLOGY	Equity method investments	HARBING ER TECHNOLOGY	Subsidiary of the Company	25,445	927,841	19,089	572,658	-	-	-	-	44,532	1,500,499
the Company	Stocks - 3S System	Equity method investments	Natural person	Subsidiary of the Company	-	-	18,707	411,554	-	-	-	-	18,707	411,554

(v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:None

(vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:None

(Continued)

CUB ELECPARTS INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$300 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
the Company	CUB Shanghai	Indirect subsidiary	Purchase	192,139	15.29%	Net 6 days	-	Same as normal customers	(28,186)	11.43%	Note
CUB Shanghai	the Company	Indirect subsidiary	Sale	(192,139)	29.03%	Net 6 days	-	Same as normal customers	28,186	16.06%	Note

Note: Related transactions have been eliminated during preparing the consolidated financial statements.

- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:None

- (ix) Trading in derivative instruments:None

- (x) Business relationships and significant intercompany transactions:

(In Thousands of New Taiwan Dollars)

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	the Company	CUB Shanghai	1	Purchase	192,139	General price and terms of payment	4.71%
1	CUB Shanghai	the Company	2	Sale	192,139	"	4.71%
0	the Company	CUB Shanghai	1	Sale	19,736	"	0.48%
1	CUB Shanghai	the Company	2	Purchase	19,736	"	0.48%
0	the Company	CUBTEK	1	Sale	90,424	"	2.22%
2	CUBTEK	the Company	2	Purchase	90,424	"	2.22%
0	the Company	CUBTEK	1	Labor costs	35,158	According to the contract	0.86%
2	CUBTEK	the Company	2	Other operating income	35,158	"	0.86%
0	the Company	CUBTEK	1	Other operating income	13,750	According to the processing contract	0.34%
2	CUBTEK	the Company	2	Other operating Cost	13,750	"	0.34%
0	the Company	HARBINGER TECHNOLOGY	1	Sale	2,579	Pricing and payment and collection terms	0.06%
3	HARBINGER TECHNOLOGY	the Company	2	Purchase	2,579	"	0.06%
0	the Company	CUB Shanghai	1	Accounts payable	28,186	Pricing and payment and collection terms	0.29%
1	CUB Shanghai	the Company	2	Accounts receivable	28,186	"	0.29%
0	the Company	CUB Shanghai	1	Accounts receivable	5,018	"	0.05%
1	CUB Shanghai	the Company	2	Accounts payable	5,018	"	0.05%
0	the Company	CUB Shanghai	1	Other receivables	1,444	"	0.02%
1	CUB Shanghai	the Company	2	Other payables	1,444	"	0.02%
0	the Company	CUBTEK	1	Accounts receivable	25,994	Pricing and payment and collection terms	0.27%
2	CUBTEK	the Company	2	Accounts payable	25,994	"	0.27%
0	the Company	CUBTEK	1	Accrued expenses	23,198	"	0.24%
2	CUBTEK	the Company	2	Accounts receivable	23,198	"	0.24%
0	the Company	CUBTEK	1	Other receivables	4,432	"	0.05%
2	CUBTEK	the Company	2	Other payables	4,432	"	0.05%
2	CUBTEK	CUBTEK SHANGHAI	3	Sale	311,021	"	7.62%
2	CUBTEK SHANGHAI	CUBTEK	3	Purchase	311,021	"	7.62%
0	the Company	HARBINGER TECHNOLOGY	1	Other receivables	96	"	-%
3	HARBINGER TECHNOLOGY	the Company	2	Other payables	96	"	-%

(Continued)

CUB ELECPARTS INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
4	ITM AUTOPARTS INTERNATIONAL	ITM	3	Sale	52,011	"	1.27%
5	ITM	ITM AUTOPARTS INTERNATIONAL	3	Purchase	52,011	"	1.27%
4	ITM AUTOPARTS INTERNATIONAL	ITM	3	Accounts receivable	25,444	"	0.26%
5	ITM	ITM AUTOPARTS INTERNATIONAL	3	Accounts payable	25,444	"	0.26%
1	CUB Shanghai	CUBTEK SHANGHAI	3	Sale	378,377	Pricing and payment and collection terms	9.27%
7	CUBTEK SHANGHAI	CUB Shanghai	3	Purchase	378,377	"	9.27%
1	CUB Shanghai	CUBTEK SHANGHAI	3	Accounts receivable	117,432	"	1.22%
7	CUBTEK SHANGHAI	CUB Shanghai	3	Accounts payable	117,432	"	1.22%
3	HARBINGER TECHNOLOGY	RISUN	3	Other payables	4,000	Loans to other parties with no interests	0.04%
7	RISUN	HARBINGER TECHNOLOGY	3	Other receivables	4,000	Loans to other parties	0.04%
7	CUBTEK SHANGHAI	CUB Shanghai	3	Sale	829	Pricing and payment and collection terms	0.02%
7	CUB Shanghai	CUBTEK SHANGHAI	3	Purchase	829	"	0.02%

Note 1: Numbers are filled in as follows:

- (i) "0" represents the parent company.
- (ii) Subsidiaries are numbered starting from "1".

Note 2: Categories of relationship with counterparty are as below:

- 1. Parent company to subsidiary.
- 2. Subsidiary to parent company.
- 3. Subsidiary to Subsidiary.

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2021 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2021			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2021	December 31, 2020	Shares (thousands)	Percentage of ownership	Carrying value			
the Company	Silver Cub Inc.	Samoa	Investment holding	233,066 (USD7,110)	233,066 (USD7,110)	7,110	100%	913,780	43,601	43,601	Subsidiary (Note 1)
Silver Cub Inc.	Golden Cub Inc.	Anguilla	Investment holding	USD7,110	USD7,110	7,110	100%	USD33,017	USD1,557	USD1,557	Subsidiary (Note 1)
the Company	Royal Cub Inc.	Seychelles	Investment holding	56,175 (USD1,919)	56,175 (USD1,919)	1,919	70%	47,126	782	547	Subsidiary (Note 1)
Royal Cub Inc.	Ever Cub Inc.	Seychelles	Investment holding	USD2,741	USD2,741	2,741	100%	USD2,432	USD28	USD28	Subsidiary (Note 1)
Ever Cub Inc.	ITM Engine Components, Inc.	Carson, U.S.A	Sales of automobile parts	USD2,807	USD2,807	2,458	100%	USD2,432	USD28	USD28	Subsidiary (Note 1)
the Company	ITM AUTOPARTS INTERNATIONAL	Taiwan	International trade	10,500	10,500	1,050	70%	8,423	1	1	Subsidiary (Note 1)
the Company	HARBINGER TECHNOLOGY	Taiwan	Communications Electronics and Government project loans	1,500,485	927,841	44,534	76.72%	1,447,414	(56,902)	(41,195)	Subsidiary (Note 1)
HARBINGER TECHNOLOGY	RISUN	Taiwan	Restrained Telecom Radio Frequency Equipment and Materials Import	5,000	5,000	500	100%	5,375	(151)	(151)	Subsidiary (Note 1)
the Company	CUBTEK	Taiwan	Motor Vehicles and Parts Manufacturing	596,907	513,200	40,595	44.61%	430,395	14,541	11,236	Subsidiary (Note 1)
CUBTEK	Chimei Motor Electronics	Taiwan	Motor Vehicles and Parts Manufacturing	84,000	84,000	2,800	14.74%	-	(14,921)	(3,693)	Note 2
CUBTEK	Globe Cub Inc.	Anguilla	Investment holding	176,330 (USD 6,200)	36,436 (USD 1,200)	6,200	100%	224,283	46,081	46,081	Subsidiary (Note 1)
Globe Cub Inc.	Glory Cub Inc.	Seychelles	Investment holding	USD 6,200	USD 1,200	6,200	100%	USD 8,929	USD 1,646	USD 1,646	Subsidiary (Note 1)
the Company	3S System	Taiwan	Investment holding	411,454	-	18,707	59.63%	393,118	(51,958)	(18,819)	Subsidiary (Note 1)

(Continued)

CUB ELECPARTS INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Note 1: The above inter-company transactions have been eliminated when preparing the consolidated financial statements.

Note 2: Starting from August 2021, transferred to financial assets measured at fair value through profit or loss.

(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2020	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2021	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
CUB Shanghai	Manufacturing, processing and selling of automobile parts and motor switches	233,066 (USD7,110)	Indirectly owned by the company	233,066 (USD7,110)	-	-	233,066 (USD7,110)	43,601	100.00%	43,601	913,780	-
CUBTEK SHANGHAI	Motor Vehicles and Parts Manufacturing	176,330 (USD6,200)	Indirectly owned by the company	36,436 (USD1,200)	139,984 USD5,000	-	176,330 (USD6,200)	46,081	44.61%	20,557	100,053	-

Note: The above inter-company transactions have been eliminated when preparing the consolidated financial statements.

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
NTD\$409,396	NTD\$409,396	2,796,614
(USD\$13,310)	(USD\$13,310)	-

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in "Information on significant transactions".

(iv) Major Shareholders:

Unit: Shares

Shareholder's name	Shareholding	Shares	Percentage
Jun Chang Investment Co., Ltd.		14,549,645	11.93 %
Jun Rui Investment Co., Ltd.		13,750,638	11.27 %
Yu, Yu-Tao		9,406,727	7.71 %
Yu, San-Chuan		8,053,631	6.60 %
Yu, Yu-Shih		8,105,009	6.64 %
Huang, Shu-Yuan		6,569,783	5.38 %

(Continued)

CUB ELECPARTS INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(14) Disclosures required for securities firm investing in countries or regions without securities authority:

(a) General information

The Group has two reportable segments: the automobile part segment and the communication equipment and construction segment. The automobile part segment is engaged in manufacturing, processing, and selling automobile parts and motor switches. The communication equipment and construction segment are engaged in the manufacturing and sale of electronic products and peripheral computing equipment and contract projects from the government.

The Group's reported segments consist of strategic business units which provide essentially products and services. They offer different products and services, and are managed separately because they require different customers and markets.

(b) Information about reportable segments and their measurement and reconciliations

The Group uses the internal management report that the chief operating decision maker reviews as the basis to determine resource allocation and make a performance evaluation. In addition, all reportable segments include depreciation and amortization of significant non-cash items. The reportable amount is the same as the report used by the chief operating decision maker.

The segments' accounting policy are same as note 4.

The Group treated intersegment sales and transfers as third party transactions. They are measured at market price.

The Company's operating segment information and the reconciliations were as follows:

For the Year Ended December 31, 2021	Automobile Parts Division	Communications equipment and construction Division	Reconciliation and eliminations	Total
Revenue:				
Revenue from external customers	\$ 3,495,612	584,823	-	4,080,435
Intersegment revenues	1,189,956	7,680	(1,197,636)	-
Interest income	6,463	136	(2,139)	4,460
Total revenue	<u>\$ 4,692,031</u>	<u>592,639</u>	<u>(1,199,775)</u>	<u>4,084,895</u>
Interest expense	\$ 28,801	5,414	(2,139)	32,076
Depreciation and amortization	213,113	23,019	-	236,132
Profit (loss) of reportable segments	<u>\$ 568,511</u>	<u>(88,613)</u>	<u>7,790</u>	<u>487,688</u>
Non-current asset capital expenditure	<u>\$ 244,856</u>	<u>70,695</u>	<u>-</u>	<u>315,551</u>
Assets of reportable segments	<u>\$ 8,037,174</u>	<u>2,772,602</u>	<u>(1,243,595)</u>	<u>9,566,181</u>
Liabilities of reportable segments	<u>\$ 3,962,792</u>	<u>812,682</u>	<u>129,684</u>	<u>4,905,158</u>

CUB ELECPARTS INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2020	Automobile Parts Division	Communications equipment and construction Division	Reconciliation and eliminations	Total
Revenue:				
Revenue from external customers	\$ 2,252,945	1,087,254	-	3,340,199
Intersegment revenues	179,688	45	(179,733)	-
Interest income	10,133	65	(1,642)	8,556
Total revenue	<u>\$ 2,442,766</u>	<u>1,087,364</u>	<u>(181,375)</u>	<u>3,348,755</u>
Interest expense	\$ 19,859	6,162	(1,642)	24,379
Depreciation and amortization	179,027	8,369	-	187,396
Profit (loss) of reportable segments	<u>\$ 222,542</u>	<u>62,737</u>	<u>(35,108)</u>	<u>250,171</u>
Non-current asset capital expenditure	<u>\$ 269,298</u>	<u>2,508</u>	<u>-</u>	<u>271,806</u>
Assets of reportable segments	<u>\$ 6,441,571</u>	<u>1,854,453</u>	<u>(768,163)</u>	<u>7,527,861</u>
Liabilities of reportable segments	<u>\$ 3,154,790</u>	<u>917,228</u>	<u>(112,905)</u>	<u>3,959,113</u>

Further explanations of the significant reconciling items of reportable segment information exhibited above are described as follows:

Total reportable segment revenues after deducting the intergroup revenues were \$1,199,775 thousand and \$181,375 thousand for the years ended December 31, 2021 and 2020, respectively.

(c) Product and service information

Revenues from external customers are detailed below:

<u>Products and services</u>	For the Year Ended December 31,	
	2021	2020
Automobile motor switch	\$ 1,367,347	1,045,579
Automobile safety components and systems	1,875,373	1,159,385
Communication equipment and construction	823,283	890,601
Others	14,432	244,634
	<u>\$ 4,080,435</u>	<u>3,340,199</u>

CUB ELECPARTS INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(d) Geographic information

In presenting the information on the basis of geography, segment revenue is based on the geographical location of customers, and segment assets are based on the geographical location of the assets.

<u>Geographical information</u>	<u>For the Year Ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Revenue from the external customers:		
Taiwan	\$ 913,997	568,955
United States	1,860,901	1,189,564
China	790,732	1,165,762
Germany	244,365	241,611
Others	270,440	174,307
	<u>\$ 4,080,435</u>	<u>3,340,199</u>
	<u>110.12.31</u>	<u>109.12.31</u>
Non-current assets:		
Taiwan	\$ 2,637,747	2,148,966
United States	34,803	35,809
China	395,728	367,134
	<u>\$ 3,068,278</u>	<u>2,551,909</u>

Non-current assets include property, plant and equipment, right-of-use assets, intangible assets, and other assets, but do not include financial instruments, deferred income tax assets, and pension fund assets.

(e) Major customer information

	<u>For the Year Ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
The sales amount of customer A's from the automobile parts segment	\$ 570,391	304,208
The sales amount of customer B's from the automobile parts segment	442,504	378,367
	<u>\$ 1,012,895</u>	<u>682,575</u>

VI. Impacts of Latest Financial Difficulties Encountered by the Company and Any of Its Affiliates on the Company's Financial Standing, if Any, in the Past Year Up to the Date the Annual Report Was Printed: None.

Seven. Discussion and Analysis of Financial Standing and Operational Achievements and Evaluation of Risk Matters

I. Financial standing

Unit: NTD thousand

Item \ Year	2020	2021	Difference	
			Amount	%
Current assets	4,702,537	6,159,753	1,457,216	30.99
Real estate, plant and equipment	1,656,596	1,875,135	218,539	13.19
Intangible asset	490,933	796,988	306,055	62.34
Other assets	677,795	734,305	56,510	8.34
Total assets	7,527,861	9,566,181	2,038,320	27.08
Current liability	2,740,574	3,759,791	1,019,217	37.19
Non-current Liabilities	1,218,539	1,145,367	(73,172)	(6.00)
Total liabilities	3,959,113	4,905,158	946,045	23.90
Share capital	1,219,166	1,219,166	—	—
Additional paid-in capital	559,889	666,220	106,331	18.99
Retained earnings	1,316,898	1,687,724	370,826	28.16
Other equities	(39,196)	(47,348)	(8,152)	20.80
Equities attributable to the owner of the parent company	3,056,757	3,525,762	469,005	15.34
Non-controlling interests	511,991	1,135,261	623,270	121.73
Total equities	3,568,748	4,611,023	1,042,275	29.21
<p>1. Main reasons for the major changes (analysis and clarification for a change ratio of 20% and above and an absolute amount involved in the change reaching NTD 10 million) in the assets, liabilities, and equity over the past two years and the impacts:</p> <p>(1) Current assets: Current assets increased mainly because of the net increase in bank borrowings worth NTD 741, 696 thousand by the Company and the subsidiary Harbinger to meet operational needs and cash in-flows of NTD 540,000 thousand from the capital increase in cash of the subsidiary CUBTEK INC. where the Company did not subscribe proportionally according to its shareholding ratio.</p> <p>(2) Intangible assets: The intangible assets increased mainly because of the new investment in 3S System Technology (smart AI imaging technology) worth around NTD 198,740 thousand and recognition of good will worth NTD 99,760 thousand in 2021.</p> <p>(3) Total assets: mainly due to the increase in cash and cash equivalents of NTD 1,107,023 thousand from 2020.</p> <p>(4) Current liabilities: mainly due to the increase in bank borrowings by NTD 693,364 thousand by the Company and the subsidiaries Harbinger to meet operational needs.</p> <p>(5) Retained earnings: mainly due to the growths in revenue and profitability in 2021.</p> <p>(6) Non-controlling interests: The non-controlling interests increased by NTD 727,751</p>				

thousand mainly because of the decrease in net value of equity by NTD 75,546 thousand from failure to subscribe new shares according to the shareholding ratio of subsidiaries Harbinger, CUBTEK INC., and 3S System Technology.

(7) Total equities: The non-controlling interests increased by NTD 623,270 thousand mainly because of the increase in retained earnings worth NTD 370,826 thousand from the growths in revenue and profitability and the failure to subscribe new shares according to the shareholding ratio of subsidiaries Harbinger, CUBTEK INC., and 3S System Technology.

2. Future response plans shall be specified in cases of significant impacts: None.

II. Financial Performance

(I) Management Outcome Comparative Analysis

Unit: NTD thousand				
Item \ Year	2020	2021	Increase (decrease) in amount	Change ratio (%)
Net operating income	3,340,199	4,080,435	740,236	22.16
Operation	2,067,788	2,409,425	341,637	16.52
Operating gross profits	1,272,411	1,671,010	398,599	31.33
Operating expenditure	886,043	1,078,348	192,305	21.70
Operating profits	386,368	592,662	206,294	53.39
Non-operating income and expenditure	(93,865)	(10,155)	83,710	(89.18)
Net profit before tax	292,503	582,507	290,004	99.15
Income tax	42,332	94,819	52,487	123.99
Net profit of current term	250,171	487,688	237,517	94.94
Other combined gains or losses (net amount)	10,981	(7,201)	-18,182	(165.58)
Total combined gains or losses for the current term	261,152	480,487	219,335	83.99
<p>The analysis and clarifications are provided below for those with a change ratio of 20% and above and an absolute amount involved in the change reached NTD 10 million:</p> <ol style="list-style-type: none"> 1. Operating income, operating cost, operating gross profit, and operating gains: The operating cost and operating gross profit grew concurrently mainly because of the COVID-19 pandemic being under control, the increase in demand for self-owned cars, and the resultant growths in sales of automotive electrical/mechanical switches and safety parts in 2021. 2. Operating expenses and operating gains: Operating expenses climbed compared to 2020 mainly due to the increase in salary and testing expenses of the subsidiary CUBTEK INC. (Shanghai) and the acquisition of 3S System Technology. 3. Non-operating income and expenditure: mainly due to the relatively fluctuating exchange rates versus US Dollar in 2020 and the resultant more losses from foreign currency exchange recognized for 2020. 4. Net profit before tax, income tax expenditure, net profit for the current term and total combined gains or losses for the current term: mainly due to the growths in revenue and the gross profit margin in 2021. 				

(II) Expected Sales Volume and the Rationale

The sales for the coming year are estimated according to the overall industrial outlook, the estimated number of purchase orders from customers, and the throughput. With the COVID-19 pandemic easing, it is expected that the demand for self-owned

cars will gradually climb during the post-pandemic era and respective heavyweight automobile manufacturers will have increased demand for parts and components, which will accordingly drive the overall revenue and performance of the Company and its subsidiaries. In addition, the Company and its subsidiaries will continue to devote R&D resources to improving their technical capabilities and advancing the production process and quality of products, satisfying customer demand, and maintaining amicable relations with suppliers to make their products more forward-looking and cost-effective and competitive and accordingly help the Group grow in the future in terms of revenue and profitability.

(III) Possible impacts on the Company's future finance and countermeasures: None.

III. Cash flow

(I) Analysis of Changes in Cash Flows Over the Past Year

Unit: NTD thousand

Item \ Year	2020	2021	Difference	
			Amount	%
Net cash in-flows from operation activities	254,529	734,231	479,702	188.47
Net cash out-flows for investments	(285,695)	(731,044)	(445,349)	155.88
Net cash flows into (out) of capital raising activities	(172,377)	1,099,156	1,271,533	(737.65)
<p>For those with a change ratio of 20% and an absolute amount involved in the change reaching 1% of the total assets for the specific year:</p> <ol style="list-style-type: none"> 1. The increase in net cash inflows from operating activities was mainly due to the net profit before tax of NTD 582,507 thousand and the increase in the payments collected in advance in 2021. 2. The increase in net cash outflows for investments was mainly due to the acquisition of real estate properties, plants, and equipment in 2021. 3. The increase in cash inflows from capital raising activities was mainly due to the increase in bank borrowings worth NTD 741, 696 thousand by the Company and the subsidiary Harbinger to meet operational needs and cash in-flows of NTD 540,000 thousand from the capital increase in cash of the subsidiary CUBTEK INC. where the Company did not subscribe proportionally according to its shareholding ratio. 				

(II) Improvement Plan for Insufficient Liquidity: No insufficient cash liquidity.

(III) Analysis of Cash Flows in the Year Ahead

Unit: NTD thousand

Balance of cash at start of term (1)	Net cash flows from operating activities throughout the year (2)	Net cash flows associated with other activities throughout the year (3)	Cash Balance (Shortage) (1)+(2)+(3)	Remedies for cash shortage	
				Investment plan	Wealth management plan
679,447	544,352	(445,700)	778,099	—	—

1. Analysis of change in cash flows throughout the year:
- (1) Cash inflows from operating activities: It is expected that the demand for private transportation tools will climb in 2023 when the COVID-19 pandemic eases and the world enters the post-pandemic era and hence domestic and foreign auto markets will be heated to drive Proactive stocking effort on the AM market. With the powerful demand for self-use cars and the inventory levels of various big brands remaining low, which will be in favor of the continuous growths in sales and the net cash inflows from operating activities.
- (2) Investments and capital-raising activities: Purchase of machinery equipment and distribution of cash dividends are expected for 2023 to result in net cash outflows for investments and capital-raising activities.
2. Remedies for expected insufficient cash and liquidity analysis: None.

IV. Impacts of major capital expenditure on financial operations over the past year

(I) Utilization of major capital expenditure and source of funding: None.

(II) Expected possible benefits: None.

V. Main reasons for profits or losses from reinvestment policies over the past year, the improvement plan, and the investment plan for the coming year

Unit: NTD thousand

Re-invested business	Investment gains/losses	recognized for main operations	Main cause of profit or loss	Improvement Plan
Silver Cub Inc.	Investment holding	43,601	Normal operation	No
Golden Cub Inc.	Investment holding	USD1,557	Normal operation	No
Shanghai Vei Sheng Auto Parts Manufacturing Co., Ltd	Manufacturing, processing and trading automobile parts and motorcycle switches	43,601	Normal operation	No
Royal Cub Inc.	Investment holding	547	Normal operation	No
Ever Cub Inc.	Investment holding	USD28	Normal operation	No
ITM Engine Components Inc.	Auto parts trading	USD28	Normal operation	No
ITM AUTOPARTS INTERNATIONAL INC.	International Trade	1	Normal operation	No
Harbinger Technology Corporation	Telecommunication electronics and government projects	(41,195)	The pandemic resulted in delays or suspension of tenders in which participation was originally	Proactively seek to take part in various tenders to improve profits.
Harvest Optoelectronics	Controlled Telecommunications	(151)		

Re-invested business	Investment gains/losses	recognized for main operations	Main cause of profit or loss	Improvement Plan
Corporation	Radio-Frequency Devices and Materials Imports		scheduled. Therefore, the said companies suffered deficits in 2021.	
CUBTEK INC.	Motor Vehicles and Parts Manufacturing	11,236	Normal operation	No
Globe Cub Inc.	Investment holding	46,081	Normal operation	No
Glory Cub Inc.	Investment holding	USD1,646	Normal operation	No
CUBTEK (Shanghai) INC.	Motor Vehicles and Parts Manufacturing	20,557	Normal operation	No
3S System Technology Inc.	R&D, production, distribution, and service of monitoring technologies, equipment, and their applications	(18,819)	were impacted by the pandemic. Tenders that were scheduled to be opened for public projects were delayed. Foreign customers were unable to work, either. Therefore, the operational status fell short of expectations.	With shipments taking place after tenders were awarded for public projects, the revenue has improved significantly. For the time being, except for public projects, opportunities in ODM/ dealership, among others, are being explored. The profitability is estimated to improve significantly from the preceding year

VI. Risk matters and assessment for the past year

(I) Impacts of Changes in Interest Rate, Exchange Rate, and Inflation on the Company's Profits or Losses and Countermeasures in the Future

1. Change in interest rate:

(1) Impacts on the profits or losses of the Company and its subsidiaries:

Interest expenses in 2020 and 2021 of the Company came to NTD 24,379 thousand and NTD 32,076 thousand, respectively, accounting for 0.73% and 0.79% of the net amount of operating income for the specific year, respectively. Funds on the market remain eased and the interest rate remains low as a whole. Therefore, the change in interest rate will not impact the Company significantly.

(2) Countermeasures in the future:

The Company and its subsidiaries periodically evaluate the interest rates

for borrowings from banks and stay in close contact with banks in order to obtain preferred rates to bring down expenditure on interest. The Company also closely watches changes in interest rates on the market and takes advantage of various capital-raising tools to reduce the impacts of change in interest rate on the profitability of the company.

2. Change in Exchange Rate:

The Company and its subsidiaries mainly export their products overseas and most quotations provided and payments received are in US Dollar; therefore, the change in exchange rate impact the Company and its subsidiaries to a certain extent. The significant appreciation of New Taiwan Dollar in 2020 resulted in losses from exchange recognized by the Group totaling NTD 84,988 thousand, accounting for 2.54% and 22.00% of the net revenue and the operating gains, respectively, which also shows that change in exchange rate impacts the Group's profitability to a certain extent. In 2021, the USD-NTD exchange rate fluctuated within a certain range and the losses from exchange recognized by the Group came to NTD 40,701 thousand, accounting for accounting for 1.00% and 6.87% of the net revenue and the operating gains, respectively.

Countermeasures: Main sales income of the Company and its subsidiaries is calculated in USD while purchases of main raw materials and supplies in NTD. Therefore, natural hedging that can be accomplished between foreign currency income and expenditure is limited. Should the USD-NTD exchange rate fluctuate significantly, it will impact the earnings of the Company and its subsidiaries to a certain extent. In order to effectively reduce the impacts of change in exchange rate on the overall profitability of the Company and its subsidiaries, we have come up substantial countermeasures as follows:

- ① Stay in close contact with financial institutions and keep track of changes in exchange rate at all times in order to adequately regulate positions of foreign currency assets to minimize the exchange risk.
- ② Continue to monitor USD trends and fully keep track of the information on the market while at the same time forecasting long-term and short-term trends in the exchange rate. When change in exchange rate is relatively significant, adequately re-negotiate the transaction price with customers in order to reduce the impacts of fluctuating exchange rates on the Company's revenue and profitability.
- ③ The Company has included foreign exchange hedging-related requirements in its "Regulations for Acquisition or Disposal of Assets". Commodities included in transactions shall be meant mainly to hedge the risks incurred from the business

operation of the company. The responsible supervisor is to adopt suitable hedging measures and strictly control hedged positions in order to reduce the risk associated with changing exchange rates.

3. Impacts of Inflation on the Company's Profits or Losses and Countermeasures in the Future:

The Company closely monitors changes of prices on the market and keep optimal interactive relations with the customer and the supplier. Therefore, impacts of inflation on the profits or losses of the Company and its subsidiaries remain limited for the time being.

(II) Policy on engaging in high-risk and high-leverage investments, lending of funds to others, endorsement and guarantee, and transactions of derivatives, main profit or loss factors, and countermeasures in the future:

1. The Company and its subsidiaries had not been engaged in high-risk and high-leverage investments or transactions of derivatives as of the date when the Annual Report was printed. If they are engaged in the above-said transactions in the future, applicable requirements under the "Regulations for Acquisition or Disposal of Assets" approved through the shareholders' meeting will be followed by the Company and its subsidiaries.
2. The Company has defined its "Operating Procedure for Lending to Others". There had been no funds lent to others that were yet to be recovered for the Company and its subsidiaries in 2021 and 2022 up to the date when the Annual Report was printed.
3. The Company has the "Operating Procedure for Endorsement and Guarantee" in place. The endorsement/guarantee provided by the Group to its subsidiaries to meet the latter's operational needs does not impact the Group undesirably.

(III) Future research and development plans and R&D expenses expected to be devoted:

The products of the Company and the subsidiaries have been mostly exported. Therefore, for the timeliness in the development of dies, quality of products, and accurate lead time, high standards are followed. This is also why we have been careful in reinforcing the product design capabilities, die design and development capabilities, and mechanical/electrical integration capabilities of R&D personnel and constantly demand enhancement. We are also hiring additional outstanding talent in related technical fields for the sake of improving the R&D capabilities of the Company and its subsidiaries. In addition, in view of the diversification of the Company's and its subsidiaries' products, we need to be more cautious in investing in and developing dies, and we will analyze the actual sales situation to select hot-selling products or models with potential for focused

development and maintenance in order to maintain a highly competitive advantage. In addition, we will deepen the research and development of Universal TPMSs (tire pressure monitoring systems), and strengthen the decoding rate and simplification of tools for the replacement of European and American TPMS vehicles. For the models of automobiles manufactured in China and sold in Europe and the US, we have devoted R&D resources to researching and developing TPMSs for the local models in China to gradually access the TPMS market in Taiwan effectively taking advantages of existing strengths of the Company and its subsidiaries. On the other hand, we explored the application of the TPMS in commercial vehicles and successfully developed the Hook and Go feature. Drivers do not need to worry about a shift in settings any more. Together with the fleet management system, it enhances the overall management service value. For mmWave Radars, we are proactively introducing the radar module manufactured by the subsidiary in ADAS-related automotive electronics and exploring its non-automotive applications in drones, rails, and public projects, for example. We also attempt to reach out to home safety care with the radar.

The R&D plans of the Company and its subsidiaries in the future will be focused on the following:

- (1) Continue to increase the completeness of our product lineup and add new vehicle models (e.g. Korean and European models) to reduce our customers' procurement costs and satisfy their needs in one purchase.
- (2) Related derivative applications of TPMS tire pressure monitoring system products
- (3) Gradually increase the launch of electronic products and develop towards higher margin and higher technology categories, and enhance the depth of products.
- (4) Develop parts for original manufacturers and take the initiative to launch more competitive products in the market.
- (5) Proactively take part in the development of TPMS on the OEM market.
- (6) Develop and apply ADAS-related sensors.
- (7) Apply mmWave Radars in automobiles and others.
- (8) Develop related for new energy-driven vehicles.

In terms of R&D budget, related expenditure has been climbing over the past few years. The increase in R&D expenditure over the past few years is mainly because of the investments in R&D equipment, the application for patents, and the hiring of high-ranking R&D talent by the Company. The continued devotion of R&D budget in the future will be focused more on the development of related core technologies reflective of the changes on

the market and the R&D status of new products.

The consolidated R&D expenses of the Company in 2021 came to NTD 506,176 thousand. In the future, deployment will be continued on advanced technologies. With new technologies and new applications, it will help enhance the additional value of existing throughput and strengthen the competitive advantages on the market for high-end and new-application products. In addition, as of the end of 2021, up to 166 patent rights had been obtained. Among them, 76% are invention-related patents (excluding subsidiaries).

For 2022, the Company is expected to invest about NTD 500 million in R&D. It, however, will be adequately planned and adjusted reflective of the global market status and the actual operational conditions of the Company. Main R&D plans of the Company in the future are as follows:

Title	Description	Status	Time to expected mass production
New-generation TPMS	The communication protocol and frequency band for TPMSs that come in new energy-driven vehicles have significantly changed. The next-generation MEMS chip will be used in combination with the novel communication module to secure business opportunities for next-generation TPMSs.	80%	2022
Original radar substitutes	Respective original radars now are incompatible with one another to result in the difficulty in building the inventory for service parts. We are currently researching and developing radars that can substitute original ones. Once the software is updated, they can be used in most models of vehicles to significantly bring down the inventory cost.	50%	2022
Automotive switch sensors capable of communication	Automotive switches and sensors have now entered the electronic age, with numerous communication protocols that are exclusive against one another. We have quite mature automotive switch/sensor modules now. By adding electronic control modules, we will be able to secure business opportunities associated with replacement of parts.	20%	2022
Detection-oriented radars	Currently, vehicles and machines are often bothered by blind spots while moving.	90%	2021 years

	mmWave Radars help precisely detect moving objects within the region without being affected by the weather conditions, illumination, or surroundings. They can be used to detect the difference in radius between inner wheels, railroad crossings, and geofencing.		
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(IV) The effect of changes in important domestic and foreign policies and laws on the Company's financial position and business operations, and response measures

The Company and its subsidiaries carry out their operations in compliance with applicable regulatory requirements of the competent authority and have not suffered significant impacts on their finance and business operation as a result of important changes in domestic and international policies and laws over the past years. In the future, the managements of the Company and its subsidiaries will pay close attention to important changes in domestic and international policies and laws at any time and adequately and spontaneously come up with countermeasures.

(V) Effects of technological changes and industrial changes on the financial standing of the company and countermeasures

The products of the Company and its subsidiaries are automotive switches and sensors as well as the TPMS. For the time being, technological changes and changes in the sector do not have obvious impacts on their financial operations. The Company and its subsidiaries will continue to pay attention to changes in the auto sector and technical advancement and adequately adjust corresponding countermeasures.

(VI) Impacts of changes in the corporate image on the management of corporate risks and the countermeasures

The Company and its subsidiaries adhere to their management beliefs, that is, honesty, robustness, return to society, with good corporate images. In the future, business operation and development will continue to be focused on proactive recruitment of talent in all fields and consolidation of the capabilities of the management in order to give back to the general public. Corporate image change to result in corporate crisis is not an issue.

(VII) Expected benefits and possible risks of M&As

The Company and its subsidiaries did not have any M&A plan over the past year up to the date when the Annual Report was printed and hence it is not applicable.

(VIII) Expected benefits and risks of expansion of manufacturing facilities

The Company and its subsidiaries did not have any plan to expand their plans over the past year up to the date when the Annual Report was printed and hence it is not applicable.

(IX) Risks associated with focused purchases or sales and countermeasures:

(1) Sales: The Company and its subsidiaries mainly deal with the manufacturing and sale of auto parts and components, with products mainly including automotive switches/sensors and the TPMS, various appliances, and communication electronics. There were no sales to a single customer that accounted for more than 20% over the past year up to the date when the Annual Report was printed and hence focused sales should not be a risk for the Company and its subsidiaries.

(2) Purchases: The Company and its subsidiaries did not have purchases from a single supplier that accounted for 20% and above of all purchases over the past year up to the date when the Prospectus was printed to result in the risk of focused purchases. The Company and its subsidiaries main optimal relations with suppliers in order to keep flexibility in supply and proactively explore and nurture new suppliers to form a complete supply chain and to reduce the risk of focused purchases.

(X) Impacts and risks of transfer or ratio of stock options in large quantities by directors, supervisors, or heavyweight shareholders holding more than 10% of all shares on the Company:

No transfer of shares in large quantities occurred over the past year up to the date when the Annual Report was printed among the Company's directors, supervisors, or shareholders with a holding ratio exceeding 10%.

(XI) Impacts and risks of the change in the management on the Company and countermeasures:

The management was not changed over the past year up to the date when the Annual Report was printed so it is not applicable.

(XII) Litigation or non-litigation incidents

1. Major lawsuits, non-lawsuits, or administrative disputes with a finalized verdict or ongoing proceedings that involve the Company over the past year up to the date when the Annual Report was printed whose results may have significant impacts on the shareholders' equity or prices of securities; the facts, target amount, start date of the lawsuit/dispute, main parties involved, and current status shall be disclosed:

Type/Case No.	Parties involved		Start date	Facts and amount involved	Current status
	Plaintiff	Defendant			

Type/Case No.	Parties involved		Start date	Facts and amount	Current status
Criminal lawsuit under the Copyright Act (2017 Min-Zhu-Shang No. 10, 2016 Zhi-Su-Shang No. 1, and 2016 Zhi-Yi No. 14)	CUB ELECPARTS INC.	Chen Xi-Chang, Chen Xi-Xun, Yeh Zhong-Hui, and E-LEAD ELECTRONIC CO., LTD.	10/20/2015	The Defendant approached the Company for the illegal intent to reproduce the TPMS that the Company has researched and developed by breaking its machine code and then copying it onto the burning device for the tire pressure sensor produced by E-LEAD and then selling the said device to LEKA Pneus Sarl in Luxembourg. It infringed upon the copyright of the Company. Therefore, CUB filed a lawsuit with the Intellectual Property Court, claiming that the Defendant infringed upon the copyright of CUB's TPMS and requesting damages from the Defendant.	The Company settled with the Defendant on 05/21/2021 and recalled the case. It is closed now.
Civil lawsuit on patent right infringement (2020 Min-Zhuan-Shang No. 26)	Orange Electronic Co., Ltd.	CUB ELECPARTS INC.	01/25/2017	Organge Electronic made a claim for NTD 1,650 thousand with CUB ELECPARTS.	The second-instance verdict came out on 03/25/2021; CUB ELECPARTS won the lawsuit. The case is closed.
I522602 Administrative lawsuit on cancellation of patent right (2020 Min-Zhuan-Shang No. 26)	Orange Electronic Co., Ltd.	Intellectual Property Office, MOEA/CUB ELECPARTS INC.	06/24/2020	The Intellectual Property Office canceled the electronic patent I522602 of Orange Electronic; Orange Electronic filed the administrative lawsuit to show its	The first-instance verdict was rendered in favor of CUB ELECPARTS and Orange Electronic appealed again.

Type/Case No.	Parties involved		Start date	Facts and amount	Current status
				disagreement on the disposition.	The appeal was overruled by the second-instance intellectual property court, too.

2. Major lawsuits and non-lawsuits or administrative disputes with a finalized verdict or ongoing proceedings that involve the Company, the Company's directors, supervisors, the President, actual person in charge, and shareholders holding more than 10% of all shares, and the associated companies over the past two years and up to the date when the Annual Report was printed with a confirmed verdict or ongoing ones whose results may have significant impacts on the shareholders' equity or prices of securities. The facts, target amount, start date of the lawsuit or dispute, main parties involved, and current status shall be disclosed: None.

3. Conditions under Article 157 of the Securities and Exchange Act found with the Company's directors, supervisors, managers, and shareholders with a holding ratio exceeding 10% over the past two years up to the date when the Annual Report was printed and current processing status: None.

(XIII) Other important risks and countermeasures:

Information security assessments and measures:

With network and communication technologies being introduced one after another incessantly, CUB ELECPARTS are constantly examining and evaluating its cybersecurity regulations and programs to ensure their adequacy and effectiveness. Nevertheless, there is no guarantee that it will not be affected by new risks and attacks given the constantly changing nature of cybersecurity threats. How to reinforce IT security, particularly in terms of cybersecurity, it is crucial for the time being.

Measures that shall be reinforced include:

1. Comprehensively reflect upon cybersecurity and system security and follow up on and correct loopholes:

(1) The IT unit checks all serving hosts and define their security level reflective of their characteristics.

(2) Assign the administrator for IT system configuration status, who will keep records and perform checks periodically according to the safety class.

2. Form the cybersecurity group: Define host safety class and reinforce IT security audits.

3. IT unit performs vulnerability scans and social engineering mail rehearsals and penetration tests periodically.

(1) At least one comprehensive vulnerability scan and social engineering mail rehearsal and penetration test a quarter or every six months.

(2) Scan as needed for relatively serious specific vulnerability or virus.

4. Strengthen the awareness of general staff about IT security:

(1) Install anti-virus software in personal computers.

- (2) Do not open emails or download unknown files.
- 5. Enhance the IT security management capability of the system administrator
 - (1) Create the system audit file in the host to avoid being installed with spyware or Trojan horse.
 - (2) Update the operating system and patches for apps in real time.
 - (3) Pay attention to related security issues in the network to prevent early on.
 - (4) Analyze the system log regularly.
 - (5) Reinforce the ability of the system administrator to read the host system log.
- 6. Reinforce cybersecurity management
 - (1) Adopt firewall for protection.
 - (2) Block internal and external networks to prevent attackers from invading the networks indirectly.
 - (3) Give access to outside networks through the proxy server whenever possible.
- 7. Consolidate system access control
 - (1) System access shall be strictly controlled.
 - (2) Usernames and passwords shall be updated periodically and no unsecure codes may be used.
 - (3) Restrict the access list and reinforce control for hosts that need to be logged remotely for maintenance purpose.
- 8. Hosts where confidential and sensitive data are saved may not be linked to the Internet.
- 9. Classify IT system safety and reinforce the configuration of information and communication security software and hardware settings to keep important IT systems or data out of the Internet.

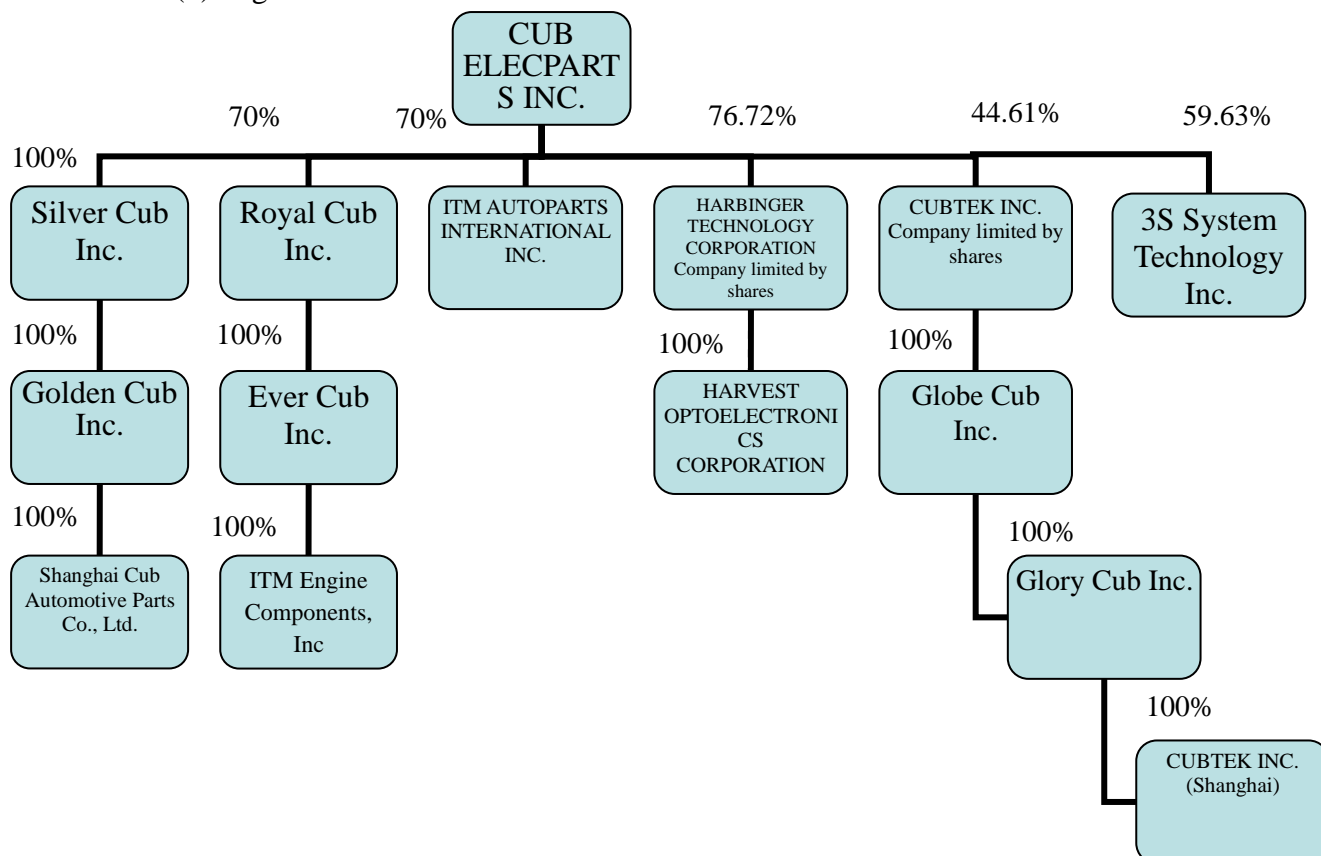
VII. Other Important Matters: None.

Eight. Special Notes

I. Information of Affiliates

(I) Consolidated Business Report of Affiliates

(1) Organizational Structural of Affiliates



Note: The affiliates mentioned above do not hold shares of the Company.

2. Profile of affiliates

December 31, 2021; Unit: NTD (USD) thousand

Name	Affiliation	Shares held by the Company or its subordinate in the affiliate			Shares held by the affiliate in the Company		
		Quantity	Ratio (%)	Amount of investment	Quantity	Ratio	Amount of investment
Silver Cub Inc.	The Company's subsidiary	7,110	100.00	233,066 (USD 7,110)	—	—	—
Golden Cub Inc.	The Company's second-tier subsidiary	7,110	100.00	USD 7,110	—	—	—
Shanghai Vei Sheng Auto Parts Manufacturing Co., Ltd	The Company's second-tier subsidiary	(Note 1)	100.00	233,066 (USD 7,110)	—	—	—
Royal Cub Inc.	The Company's subsidiary	1,919	70.00	56,175 (USD 1,919)	—	—	—

Name	Affiliation	Shares held by the Company or its subordinate in the affiliate			Shares held by the affiliate in the Company		
		Quantity	Ratio (%)	Amount of investment	Quantity	Ratio	Amount of investment
Ever Cub Inc.	The Company's second-tier subsidiary	2,741	100.00	USD 2,741	—	—	—
ITM Engine Components Inc.	The Company's third-tier subsidiary	2,458	100.00	USD 2,807	—	—	—
ITM AUTOPARTS INTERNATIONAL INC.	The Company's subsidiary	1,050	70.00	10,500	—	—	—
Harbinger Technology Corporation	The Company's subsidiary	44,534	76.72	1,500,485	—	—	—
Harvest Optoelectronics Co., Ltd.	The Company's second-tier subsidiary	500	100.00	5,000	—	—	—
CUBTEK INC.	The Company's subsidiary	40,595	44.61	596,907	—	—	—
Globe Cub Inc.	The Company's second-tier subsidiary	6,200	100.00	176,330 (USD 6,200)	—	—	—
Glory Cub Inc.	The Company's second-tier subsidiary	6,200	100.00	USD 6,200	—	—	—
CUBTEK (Shanghai) INC.	The Company's second-tier subsidiary	(Note 1)	44.61	176,330 (USD 6,200)	—	—	—
3S System Technology Inc.	The Company's subsidiary	18,707	59.63	411,554	—	—	—

3. Data of common shareholders inferred to have control or to be in a subordinate relationship: None.

2. Industries covered in the scope of operation of affiliated enterprises as a whole

Name	Main scope of operation
Silver Cub Inc.	Investment holding
Golden Cub Inc.	Investment holding
Shanghai Vei Sheng Auto Parts Manufacturing Co., Ltd	Processing of auto parts
Royal Cub Inc.	Investment holding
Ever Cub Inc.	Investment holding
ITM Engine Components Inc.	Auto parts trading
ITM AUTOPARTS INTERNATIONAL INC.	International Trade
Harbinger Technology Corporation	Telecommunication electronics and government projects
Harvest Optoelectronics Co., Ltd.	Import/export of controlled telecommunications radio-frequency devices
CUBTEK INC.	Motor Vehicles and Parts Manufacturing
Globe Cub Inc.	Investment holding
Glory Cub Inc.	Investment holding

CUBTEK (Shanghai) INC.	Motor Vehicles and Parts Manufacturing
3S System Technology Inc.	R&D, production, distribution, and service of monitoring technologies, equipment, and their applications

5. Directors, supervisors, and presidents of affiliates

December 31, 2020

Name of affiliate	Position	Name or Representative	Shareholding	
			Share(s)	Shareholding ratio
Silver Cub Inc.	Director	Yu Shan-Chuan	-	-
Golden Cub Inc.	Director	Yu Shan-Chuan	-	-
Shanghai Vei Sheng Auto Parts Manufacturing Co., Ltd	Chairman	Yu Shan-Chuan	-	-
	Director	Huang Shu-Yuan	-	-
	Director	Yu Chin-Shu	-	-
	President	Hung Yuan-Tung	-	-
Royal Cub Inc.	Director	Yu Shan-Chuan	-	-
Ever Cub Inc.	Director	Yu Shan-Chuan	-	-
ITM Engine Components Inc.	Chairman	Yu Shan-Chuan	-	-
ITM AUTOPARTS INTERNATIONAL INC.	Chairman and President	Yu Shan-Chuan	-	-
	Director	Huang Shu-Yuan	-	-
	Director	Hsiao Shih-Min	450,000	30%
	Supervisor	Hsiao Wen-Tai	-	-
Harbinger Technology Corporation	Chairman	Chou De-Xin	1,197,591-	2.06%
	Director	Yu Shan-Chuan	-	-
	Director	Hung Yuan-Tung	-	-
	Supervisor	Chang Fu-Lang	-	-
Harvest	Chairman	Yu	-	-

Name of affiliate	Position	Name or Representative	Shareholding	
			Share(s)	Shareholding ratio
Optoelectronics Co., Ltd.		Shan-Chuan		
	Director	Chou De-Xin	-	-
	Director	Hung Yuan-Tung	-	-
	Supervisor	Huang Kuo-Shou	-	-
CUBTEK INC.	Chairman	Yu Shan-Chuan	69,000	0.07%-
	Director	Chung Shih-Chung	1,225,000	1.35%
	Director	Lin Chen-Lung	-	-
	Independent director	Shih Yi-Fang	-	-
	Independent director	Chen Ling-Hsuan	-	-
	Independent director	Chiu Gui-Ling	-	-
3S System Technology Inc.	Chairman	Yu Shan-Chuan	-	-
	Director	Lee Cheng-Hung	1,860,010	3.20%
	Director	Yu Yu-Tao	-	-
	Supervisor	Chang Fu-Lang	-	-

6. Business overview of affiliates

December 31, 2021 Unit: NTD (USD) thousand (the earnings per share is indicated in NTD)

Name	Capital size	Total assets	Total liabilities	Net worth	Operating revenues	Operating gains (losses)	Gains (Losses) for the current term (after-tax)	Earnings per share (after-tax)
Silver Cub Inc.	233,066 USD7,110	913,911 USD33,017	0	913,911 USD33,017	0	0	43,601 USD1,557	0.22
Golden Cub Inc.	233,066 USD7,110	913,911 USD33,017	0	913,911 USD33,017	0	0	43,601 USD1,557	0.22
Shanghai Vei Sheng Auto Parts Manufacturing Co., Ltd	233,066 USD7,110	1,033,114 USD37,323	119,334 USD4,307	913,780 USD33,016	661,348 USD23,621	18,507 USD661	43,601 USD1,557	0.22
Royal Cub Inc.	80,250 USD2,741	67,318 USD2,432	6 USD -	67,312 USD2,432	0	0	782 USD28	0.01
Ever Cub Inc.	80,250 USD2,741	67,318 USD2,432	4 USD -	67,314 USD2,432	0	0	782 USD28	0.01
ITM Engine Components Inc.	75,497 USD2,458	104,741 USD3,784	72,217 USD2,609	32,524 USD1,175	98,405 USD3,515	(2,102) USD(75)	782 USD28	0.01
ITM AUTOPARTS INTERNATIONAL INC.	15,000	30,632	9,341	21,291	52,011	727	1	0.0007
Harbinger Technology Corporation	580,503	2,137,538	741,717	1,395,821	485,841	(40,720)	(56,902)	(0.98)
Harvest Optoelectronics Co., Ltd.	5,000	5,563	188	5,375	0	(151)	(151)	(0.30)
CUBTEK INC.	910,000	1,297,872	333,083	964,789	549,385	(52,045)	14,541	0.17
3S System Technology Inc.	580,736	528,561	74,777	453,784	166,565	(63,200)	(51,958)	(0.89)
CUBTEK (Shanghai) INC.	176,330 USD6,200	581,471	334,305	247,166	697,442	42,309	46,081 USD1,646	0.27

(II) Consolidated Financial Statement of Affiliates

Companies that shall be included in the Consolidated Financial Statements of Affiliates according to the “Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” were consistent to those to be included in the

Consolidated Financial Statements of the Parent Company and the Subsidiaries under IFRS 7 for 2020 (from January 1, 2020 to December 31, 2020) and required disclosures in the Consolidated Financial Statements of Affiliates are disclosed in the aforementioned Consolidated Financial Statements of the Parent Company and the Subsidiaries. (Refer to Page 173 of this Annual Report for details)

(III) Affiliation Report: Not applicable.

II. Organization of Private Placement Securities Over Last Year up to the Date When the Annual Report was printed: None.

III. Holding or Disposal of the Company's Shares by Its Subsidiaries over Past Year up to the Date When the Annual Report Was Printed: None.

IV. Other Matters Requiring Supplementary Information: None

V. Matters with important impacts on shareholders' equity or prices of securities as indicated in Article 36 Paragraph 3 Subparagraph 2 of the Securities and Exchange Act over the past year up to the date the Annual Report was printed: None.

CUB ELECTRONICS PARTS INC.



Chairman: Yu Shan-Chuan



April 30, 2022