

CUB ELECPARTS INC. AND SUBSIDIARIES**Consolidated Financial Statements****With Independent Auditors' Report
For the Years Ended December 31, 2024 and 2023**

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.

Table of contents

Contents	Page
1. Cover Page	1
2. Table of Contents	2
3. Representation Letter	3
4. Independent Auditors' Review Report	4
5. Consolidated Balance Sheets	5
6. Consolidated Statements of Comprehensive Income	6
7. Consolidated Statements of Changes in Equity	7
8. Consolidated Statements of Cash Flows	8
9. Notes to the Consolidated Financial Statements	
(1) Company history	8
(2) Approval date and procedures of the consolidated financial statements	8
(3) New standards, amendments and interpretations adopted	8~10
(4) Summary of material accounting policies	10~30
(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty	30~31
(6) Explanation of significant accounts	31~74
(7) Related-party transactions	75~77
(8) Assets pledged as security	78
(9) Significant commitments and contingencies	78
(10) Losses Due to Major Disasters	78
(11) Subsequent Events	78
(12) Other	79
(13) Other disclosures	
(a) Information on significant transactions	80~83
(b) Information on investees	83
(c) Information on investment in mainland China	83~84
(d) Major shareholders	83~84
(14) Segment information	85~87

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, 2024 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 7, 2025



安侯建業聯合會計師事務所
KPMG

台中市407544西屯區文心路二段201號7樓
7F, No.201, Sec.2, Wenxin Road,
Taichung City 407059, Taiwan (R.O.C.)

電話	Tel	+886 4 2415 9168
傳真	Fax	+886 4 2259 0196
網址	Web	kpmg.com/tw

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 balance sheet as of December 31, 2024 and 2023, the consolidated statement 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 material 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, 2024 and 2023, 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 Financial Statement Audit and Attestation Engagements of Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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(q) "Revenue recognition" for the accounting policy on revenue recognition; note 5(c) for accounting assumptions and 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 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 Group's 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(o) "Impairment of non-derivative financial assets" for the accounting policies. Note 5(b) for accounting assumptions, judgments and estimation uncertainty of assessment of impairment and Note 6(l) for details.

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 impairment of goodwill 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, 2024 and 2023, 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 the 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 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and 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 Chen, Cheng-Hsueh and Chen, Yen-Hui.

KPMG

Taipei, Taiwan (Republic of China)
March 7, 2025

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, 2024 and 2023
(Expressed in Thousands of New Taiwan Dollars)

Assets		December 31, 2024		December 31, 2023		Liabilities and Equity		December 31, 2024		December 31, 2023	
		Amount	%	Amount	%			Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (Note 6(a))	\$ 2,254,359	19	1,003,986	10	2100	Short-term borrowings (Notes 6(n) and 8)	\$ 1,552,580	13	967,385	10
1113	Current financial assets at fair value through profit or loss (Notes 6(b) and (q))	217,809	2	182,723	2	2130	Current contract liabilities (Note 6(y))	56,247	-	56,140	-
1140	Current contract assets (Note 6(y))	1,483,303	12	983,368	10	2150	Notes payable	7	-	12	-
1141	Current contract assets due from related parties (Note 6(y) and 7)	131	-	28,552	-	2170	Accounts payable	529,111	5	479,441	5
1150	Notes receivable, net (Note 6(c))	94,198	1	122,744	1	2180	Accounts payable to related parties (Note 7)	5,504	-	3,594	-
1160	Notes receivable due from related parties, net (Notes 6(c) and 7)	1,613	-	38	-	2200	Other payables (Note 6(o))	459,181	4	398,288	4
1170	Accounts receivables, net (Notes 6(c))	1,380,486	12	1,693,304	17	2220	Other payables to related parties(Note 6(o) and 7)	49	-	93	-
1180	Accounts receivable due from related parties, net (Notes 6(c) and 7)	2,662	-	74	-	2230	Current tax liabilities	100,122	1	136,183	2
1200	Other receivables, net (Notes 6(d))	60,329	-	16,679	-	2250	Current Provisions (Note 6(s))	111,865	1	107,621	1
1220	Current income tax assets	3,725	-	1,943	-	2280	Current lease liabilities (Note 6(r) and 7)	24,604	-	26,954	-
1310	Inventories (Note 6(e))	1,181,312	10	1,279,866	12	2300	Other current liabilities (Note 6(o))	7,383	-	6,370	-
1461	Non-current assets held for sale (Note 6(k)and 8)	-	-	240,342	2	2320	Long-term liabilities, current portion (Note 6(p) and 8)	545,997	5	248,845	3
1470	Other current assets (Note 6(m))	447,001	4	387,846	4	2321	Corporate bonds due within one year or one business cycle (Note 6(p))	1,295,340	11	-	-
1476	Other current financial assets (Note 6(m) and 8)	66,860	1	188,363	2			4,687,990	40	2,430,926	25
		7,193,788	61	6,129,828	60	Non-Current liabilities:					
	Non-current assets:					2531	Bonds payable (Note 6(q))	-	-	1,278,925	12
1510	Non-current financial assets at fair value through profit or loss (Note 6(b))	-	-	55,511	-	2540	Long-term borrowings (Notes 6(p) and 8)	1,438,718	12	1,234,309	12
1600	Property, plant and equipment (Note 6(h) and 8)	2,731,673	23	2,549,077	25	2570	Deferred tax liabilities	11,187	-	2,761	-
1755	Right-of-use assets (Note 6(i))	66,549	-	75,914	1	2580	Non-current lease liabilities (Note 6(r) and 7)	31,460	-	37,717	-
1780	Intangible assets (Notes 6(l))	716,332	6	737,041	7	2640	Net defined benefit liability, non-current	11,255	-	13,059	-
1840	Deferred tax assets	184,496	2	178,864	2	2645	Guarantee deposits received	18,996	-	4,543	-
1920	Refundable deposits (Note 6(m))	505,423	4	469,378	5			1,511,616	12	2,571,314	24
1932	Long-term accounts receivables (Notes 8)	319,276	3	-	-		Total liabilities	6,199,606	52	5,002,240	49
1990	Other non-current assets, others (Note 6(m))	97,861	1	58,206	-	Equity attributable to owners of parent: (Note 6(f) and (v))					
		4,621,610	39	4,123,991	40	3100	Ordinary shares	1,409,176	12	1,409,176	13
						3200	Capital surplus (Notes 6(f) and (q))	413,397	4	703,436	7
						3300	Retained earnings	2,480,508	21	2,150,518	21
						3400	Other equity interest	(7,491)	-	(45,976)	-
							Total equity attributable to owners of parent	4,295,590	37	4,217,154	41
						36XX	Non-controlling interests(Notes 6(g))	1,320,202	11	1,034,425	10
							Total equity	5,615,792	48	5,251,579	51
							Total liabilities and equity	\$ 11,815,398	100	10,253,819	100
	Total assets	\$ 11,815,398	100	10,253,819	100						

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, 2024 and 2023

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

		2024		2023	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000	Operating revenue (Notes 6(y) and 7)	\$ 4,670,759	100	4,397,594	100
5000	Operating costs (Notes 6(e), (t), (z), and 7)	<u>3,135,319</u>	<u>67</u>	<u>2,649,478</u>	<u>60</u>
	Gross profit	<u>1,535,440</u>	<u>33</u>	<u>1,748,116</u>	<u>40</u>
	Operating expenses (Notes 6(s), (t), (w) and (z)):				
6100	Selling expenses	367,868	8	362,221	8
6200	Administrative expenses	339,418	7	349,603	8
6300	Research and development expenses	522,009	11	554,764	13
6450	Gain on reversal and loss of Impairment determined in accordance with IFRS 9 (Note 6(c))	<u>(6,838)</u>	<u>-</u>	<u>24,011</u>	<u>1</u>
		<u>1,222,457</u>	<u>26</u>	<u>1,290,599</u>	<u>30</u>
	Operating income	<u>312,983</u>	<u>7</u>	<u>457,517</u>	<u>10</u>
	Non-operating income and expenses (Note 6(aa)):				
7100	Interest income	28,679	1	32,459	1
7010	Other income	27,283	1	36,242	1
7020	Other gains and losses	394,390	8	8,801	-
7050	Finance costs (Note 6(q), (r) and 7)	<u>(73,561)</u>	<u>(2)</u>	<u>(57,578)</u>	<u>(1)</u>
		<u>376,791</u>	<u>8</u>	<u>19,924</u>	<u>1</u>
7900	Profit before income tax	689,774	15	477,441	11
7950	Income tax expenses (Note 6(u))	<u>170,365</u>	<u>4</u>	<u>143,906</u>	<u>3</u>
	Net profit	<u>519,409</u>	<u>11</u>	<u>333,535</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))	1,424	-	(859)	-
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>1,424</u>	<u>-</u>	<u>(859)</u>	<u>-</u>
8360	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences on translation of foreign financial statements	38,926	1	(20,085)	(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>
		<u>38,926</u>	<u>1</u>	<u>(20,085)</u>	<u>(1)</u>
8300	Other comprehensive income	<u>40,350</u>	<u>1</u>	<u>(20,944)</u>	<u>(1)</u>
8500	Total comprehensive income	<u><u>\$ 559,759</u></u>	<u><u>12</u></u>	<u><u>312,591</u></u>	<u><u>7</u></u>
	Profit attributable to:				
8610	Owners of the parent	\$ 474,882	10	450,954	11
8620	Non-controlling interests	<u>44,527</u>	<u>1</u>	<u>(117,419)</u>	<u>(3)</u>
		<u><u>\$ 519,409</u></u>	<u><u>11</u></u>	<u><u>333,535</u></u>	<u><u>8</u></u>
	Comprehensive income attributable to:				
8710	Owners of the parent	\$ 514,510	11	430,805	10
8720	Non-controlling interests	<u>45,249</u>	<u>1</u>	<u>(118,214)</u>	<u>(3)</u>
		<u><u>\$ 559,759</u></u>	<u><u>12</u></u>	<u><u>312,591</u></u>	<u><u>7</u></u>
	Earnings per share (NT dollar) (Note 6(x))				
9750	Basic earnings per share	<u><u>\$ 3.37</u></u>		<u><u>3.20</u></u>	
9850	Diluted earnings per share	<u><u>\$ 3.23</u></u>		<u><u>3.09</u></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, 2024 and 2023****(Expressed in Thousands of New Taiwan Dollars)**

	Equity attributable to owners of parent						Total other equity interest			
	Retained earnings						Exchange differences on translation of foreign financial statements	Total	Non-controlling interests	Total equity
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total				
Balance at January 1, 2023	\$ 1,341,082	705,032	863,277	47,347	1,165,332	2,075,956	(26,673)	4,095,397	1,071,695	5,167,092
Profit (loss) for the period	-	-	-	-	450,954	450,954	-	450,954	(117,419)	333,535
Other comprehensive income for the period	-	-	-	-	(846)	(846)	(19,303)	(20,149)	(795)	(20,944)
Total comprehensive income for the period	-	-	-	-	450,108	450,108	(19,303)	430,805	(118,214)	312,591
Appropriation and distribution of retained earnings:										
Legal reserve	-	-	63,207	-	(63,207)	-	-	-	-	-
Cash dividends of ordinary shares	-	-	-	-	(308,484)	(308,484)	-	(308,484)	(11,317)	(319,801)
Stock dividends of ordinary shares	67,062	-	-	-	(67,062)	(67,062)	-	-	-	-
Reversal of special reserve	-	-	-	(20,674)	20,674	-	-	-	-	-
Other changes in capital surplus:										
Expenses of share option	-	19,857	-	-	-	-	-	19,857	504	20,361
Exercise of employee stock options	1,025	14,111	-	-	-	-	-	15,136	-	15,136
Conversion of convertible bonds	7	90	-	-	-	-	-	97	-	97
The difference in net equity resulting from the subscription of new shares not in proportion	-	(35,654)	-	-	-	-	-	(35,654)	35,654	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	56,103	56,103
Balance at December 31, 2023	\$ 1,409,176	703,436	926,484	26,673	1,197,361	2,150,518	(45,976)	4,217,154	1,034,425	5,251,579
Balance at January 1, 2024	\$ 1,409,176	703,436	926,484	26,673	1,197,361	2,150,518	(45,976)	4,217,154	1,034,425	5,251,579
Profit (loss) for the period	-	-	-	-	474,882	474,882	-	474,882	44,527	519,409
Other comprehensive income for the period	-	-	-	-	1,143	1,143	38,485	39,628	722	40,350
Total comprehensive income for the period	-	-	-	-	476,025	476,025	38,485	514,510	45,249	559,759
Appropriation and distribution of retained earnings:										
Legal reserve	-	-	44,294	-	(44,294)	-	-	-	-	-
Special reserve	-	-	-	19,195	(19,195)	-	-	-	-	-
Cash dividends of ordinary share	-	(281,835)	-	-	(140,918)	(140,918)	-	(422,753)	(14,547)	(437,300)
Other changes in capital surplus:										
Expenses of share option	-	5,472	-	-	-	-	-	5,472	-	5,472
The difference in net equity resulting from the subscription of new shares not in proportion	-	(13,676)	-	-	(5,117)	(5,117)	-	(18,793)	18,793	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	236,282	236,282
Balance at December 31, 2024	\$ 1,409,176	413,397	970,778	45,868	1,463,862	2,480,508	(7,491)	4,295,590	1,320,202	5,615,792

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, 2024 and 2023****(Expressed in Thousands of New Taiwan Dollars)**

	For the years ended December 31	
	2024	2023
Cash flows from (used in) operating activities:		
Profit before tax	\$ 689,774	477,441
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	212,036	220,222
Amortization expense	62,018	63,082
Gain on reversal and loss of Impairment determined in accordance with IFRS 9	(6,838)	24,011
Net loss on financial assets or liabilities at fair value through profit or loss	(26,698)	40,066
Interest expense	73,561	57,578
Interest revenue	(28,679)	(32,459)
Dividend income	(4,663)	-
Share-based payments	5,472	20,361
(Gains) losses on disposals of assets	(431)	73
Losses on disposals of intangible assets	54	6
Gain on disposal of noncurrent assets held for sale	(248,428)	-
Gains on disposals of investments	(55,636)	(49,928)
Gain on lease modification	(4)	-
Impairment leases on property, plant and equipment	9,534	-
Total adjustment	(8,702)	343,012
Changes in operating assets and liabilities:		
Changes in operating assets:		
Increase in contract assets (including related parties)	(471,514)	(902,333)
Decrease (increase) in notes receivable (including related parties)	26,971	(75,548)
Decrease (increase) in accounts receivable (including related parties)	(2,208)	(101,659)
Increase in other receivable (including related parties)	(43,768)	(4,996)
Decrease in inventories	98,554	141,409
Increase in other current and non-current financial assets	(113,831)	(177,304)
Net changes in operating assets	(505,796)	(1,120,431)
Changes in operating liabilities:		
Increase (decrease) in contract liabilities	107	(124,355)
Decrease in notes payable	(5)	(9,646)
Increase (decrease) in accounts payable (including related parties)	51,580	(19,969)
Increase in other payables (including related parties)	44,110	84,795
Increase (decrease) in other current liabilities	1,013	(5,329)
Decrease in defined benefit liabilities	(380)	(402)
Increase (decrease) in provisions	4,244	(1,471)
Net changes in operating liabilities	100,669	(76,377)
Total changes in operating assets and liabilities	(405,127)	(1,196,808)
Total adjustments	(413,829)	(853,796)
Cash inflows (outflows) generated from operations	275,945	(376,355)
Interest received	28,797	39,184
Interest paid	(74,736)	(58,819)
Dividends received	4,663	-
Income taxes paid	(205,414)	(205,300)
Net cash flows from (used in) operating activities	29,255	(601,290)
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through profit or loss, designated as upon initial recognition	(496,558)	(516,740)
Proceeds from disposal of financial assets at fair value through profit or loss, designated as upon initial recognition	599,317	343,972
Increase in receipts in advance due to disposal of assets	488,770	-
Acquisition of property, plant and equipment	(319,874)	(603,030)
Proceeds from disposal of property, plant and equipment	5,913	509
(Increase) decrease in refundable deposits	(36,045)	177,270
Acquisition of intangible assets	(33,134)	(23,011)
Proceeds from disposal of intangible assets	1,291	-
Decrease (increase) in other financial assets	121,503	(187,778)
Increase in prepayment for equipment	(9,832)	(18,569)
Net cash flows from (used in) investing activities	321,351	(827,377)
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	5,761,855	4,198,951
Decrease in short-term borrowings	(5,176,660)	(4,005,391)
Proceeds from long-term borrowings	1,345,000	1,166,953
Repayments of long-term borrowings	(844,130)	(800,520)
Increase in guarantee deposits received	14,453	391
Payments of lease liabilities	(27,769)	(29,488)
Cash dividends paid	(437,300)	(319,801)
Issuance of shares for cash	236,282	56,103
Exercise of employee stock options	-	15,136
Net cash inflows from financing activities	871,731	282,334
Effect of exchange rate changes on cash and cash equivalents	28,036	(13,695)
Net increase (decrease) in cash and cash equivalents	1,250,373	(1,160,028)
Cash and cash equivalents at beginning of period	1,003,986	2,164,014
Cash and cash equivalents at end of period	\$ 2,254,359	1,003,986

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, 2024 and 2023

(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:

These consolidated financial statements were authorized for issue by the Board of Directors on March 7, 2025.

(3) New standards, amendments and interpretations adopted:

- (a) The impact of the IFRS Accounting Standards endorsed by the Financial Supervisory Commission, R.O.C. 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, 2024:

- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”
- Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”

- (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, 2025, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS21 “Lack of Exchangeability”

(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
IFRS 18 "Presentation and Disclosure in Financial Statements"	The new standard introduces three categories of income and expenses, two income statement subtotals and one single note on management performance measures. The three amendments, combined with enhanced guidance on how to disaggregate information, set the stage for better and more consistent information for users, and will affect all the entities. • A more structured income statement: under current standards, companies use different formats to present their results, making it difficult for investors to compare financial performance across companies. The new standard promotes a more structured income statement, introducing a newly defined 'operating profit' subtotal and a requirement for all income and expenses to be allocated between three new distinct categories based on a company's main business activities. • Management performance measures (MPMs): the new standard introduces a definition for management performance measures, and requires companies to explain in a single note to the financial statements why the measure provides useful information, how it is calculated and reconcile it to an amount determined under IFRS Accounting Standards. • Greater disaggregation of information: the new standard includes enhanced guidance on how companies group information in the financial statements. This includes guidance on whether information is included in the primary financial statements or is further disaggregated in the notes.	January 1, 2027

(Continued)

CUB ELECPARTS INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The Group is evaluating the impact on its consolidated financial position and consolidated financial performance upon the initial adoption of the abovementioned standards or interpretations. 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”
- IFRS 19 “Subsidiaries without Public Accountability: Disclosures”
- Amendments to IFRS 9 and IFRS 7 “Amendments to the Classification and Measurement of Financial Instruments”
- Annual Improvements to IFRS Accounting Standards—Volume 11
- Amendments to IFRS 9 and IFRS 7 “Contracts Referencing Nature-dependent Electricity”

(4) Summary of material accounting policies:

The material accounting policies presented in the consolidated financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in 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 International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C.

(b) Basis of consolidation

1. Basis of measurement

Except for the following significant accounts, the consolidated financial statements have been prepared on a historical cost basis:

- (i) Financial instruments at fair value through profit or loss are measured at fair value;
- (ii) 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 Dollar (NTD), which is the Company’s functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

(Continued)

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

(c) Basic 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 subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which 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.

Changes in the Group’s ownership interest 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 in the consolidated financial statements

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

Name of Investor	Name of Subsidiary	Principal Activity	Shareholding		Note
			December 31, 2024	December 31, 2023	
The Company	Silver Cub Inc. (Silver)	Investment holding	100.00 %	100.00 %	
Silver Cub Inc.	Golden Cub Inc. (Golden)	Investment holding	100.00 %	100.00 %	
Golden Cub Inc.	Shanghai Wabiao Auto Parts Manufacturing Co.,Ltd. (CUB Shanghai)	Manufacture and processing of automobile parts	100.00 %	100.00 %	
The Company	ITM AUTOPARTS INTERNATIONAL INC.	International trade	70.00 %	70.00 %	
The Company	Royal Cub Inc. (Royal)	Investment holding	70.00 %	70.00 %	
Royal Cub Inc.	Ever Cub Inc. (Ever)	Investment holding	100.00 %	100.00 %	
Ever Cub Inc.	ITM Engine Components,Inc.(ITM)	Sale of automobile parts	100.00 %	100.00 %	
The Company	HARBINGER TECHNOLOGY CORP. (HARBINGER TECHNOLOGY)	Communications electronics and the government projects	76.79 %	76.72 %	Note 5 and Note 6
HARBINGER TECHNOLOGY	HARVEST OPTOELECTRONICS CORPORATION	Restrained Telecom Radio Frequency Equipments and Materials Import	- %	100.00 %	Note 4

(Continued)

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

Name of Investor	Name of Subsidiary	Principal Activity	Shareholding		Note
			December 31, 2024	December 31, 2023	
The Company	CUBTEK INC. (CUBTEK)	Manufacture and processing of automobile parts	51.20 %	45.68 %	Note 2 and Note 7
CUBTEK	Global Cub Inc. (Global)	Investment holding	100.00 %	100.00 %	
Global Cub Inc.	Glory Cub Inc. (Glory)	Investment holding	100.00 %	100.00 %	
Glory Cub Inc.	CUBTEK (SHANGHAI) INC. (CUBTEK SHANGHAI)	Manufacture and processing of automobile parts	100.00 %	100.00 %	
The Company	3S System Technology Co., Ltd. (3S System)	Video monitoring system and communications construction	60.46 %	73.75 %	Note 1 and Note3

Note 1 : On May 17, 2023, 3S System held the Shareholders' Meeting and decided to issue 2,000 thousand new shares with employee stock options at an issuance price of \$10. On March 18, 2024, employees exercised stock options for 1,000 thousand shares. The same day was the base date for the capital increase, resulting in a decrease in the company's shareholding ratio from 73.75% to 72.51%.

Note 2 : On August 6, 2024, CUBTEK INC held the Shareholder's Meeting and decided to deregister 130 thousand shares with issued new restricted employee rights, the base date for capital decrease was on August 12, 2024, resulting in an increase in the company's shareholding ratio from 45.68% to 45.75%.

Note 3 : On May 13, 2024, the Company held the Shareholder's Meeting and decided to dispose 7,328 thousand shares of 3S System, the base date for settlement was on July 16, 2024, resulting in a decrease in the company's shareholding ratio from 72.51% to 60.46%.

Note 4 : On August 7, 2023, HARVEST OPTOELECTRONICS CORPORATION held the Shareholder's Meeting and decided to apply for dissdution registration and the procedure has been completed in 2024.

Note 5 : On July 19, 2024, HARBINGER TECHNOLOGY held the Shareholder's Meeting and decided to acquire treasury stock, resulting in an increase in the company's shareholding ratio from 76.715% to 76.719%.

Note 6 : On November 5, 2024, HARBINGER TECHNOLOGY held the Shareholder's Meeting and decided to acquire treasury stock, resulting in an increase in the company's shareholding ratio from 76.719% to 76.79%

Note 7 : In the Board of Directors meeting on December 27, 2024, the Company participated in the cash increase of its subsidiary, CUBTEK. resulting in an increase in the company's shareholding ratio from 45.75% to 51.20%

3. List of subsidiaries in the consolidated financial statements : None.

(Continued)

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

(d) Foreign currencies

1. Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, 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. Nonmonetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

- (i) an investment in equity securities designated as at fair value through other comprehensive income;
- (ii) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective ; or
- (iii) qualifying cash flow hedges to the extent the hedge are effective.

2. Foreign operations

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

When a foreign operation is disposed of such that control, significant influence, or joint control 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 Group disposes of only 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 noncontrolling interests. When the Group 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.

(Continued)

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

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

The Group classifies the asset as current under one of the following criteria, and all other assets are classified as non current.

1. It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
2. It holds the asset primarily for the purpose of trading;
3. It expects to realize the asset within twelve months after the reporting period; 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.

The Group classifies the liability 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 the normal operating cycle;
2. It is held primarily for the purpose of trading;
3. It is due to be settled within twelve months after the reporting period; or
4. The Group does not have the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period.

(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.

(g) 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 Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade 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. A trade receivable without a significant financing component is initially measured at the transaction price.

1) Financial assets

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

(Continued)

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

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.

(i) 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.

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.

(ii) Financial assets at fair value through other comprehensive income (FVOCI)

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

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

On initial recognition, the Company is able to make an irrevocable election to present subsequent changes in the fair value of investments in equity instruments that is not held for trading in other comprehensive income. This election is made on an instrument by instrument basis.

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

Dividend income is recognized in profit or loss on the date on which the Group's right to receive payment is established.

(Continued)

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

(iii) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. Trade receivables that the Group 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.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

(iv) 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, trade receivables and notes receivable, other receivables, leases receivable, guarantee deposit paid and other financial assets), debt investments measured at FVOCI and contract assets.

The Group measures loss allowances at an amount equal to lifetime 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 trade receivables 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 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.

(Continued)

CUB ELECPARTS INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

12-month ECL are the portion of ECL that result from default events that are possible within the 12 months 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 ECL is the maximum contractual period over which the Group is exposed to credit risk.

ECL are a probability-weighted estimate of credit losses. 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. Evidence that a financial asset is credit-impaired includes the following observable data:

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

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charge 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 when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. 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 amounts due.

(Continued)

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

(v) 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.

2) Financial liabilities and equity instruments

(i) 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.

(ii) 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.

(iii) 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).

(iv) 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.

(Continued)

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

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. On conversion at maturity, the financial liability is reclassified to equity and no gain or loss is recognized.

(v) 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.

(vi) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, 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.

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

(vii) 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 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.

3) 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.

(Continued)

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

(h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present 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 is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(i) 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 measured at cost on initial recognition, and subsequently at cost, less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for 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.

(j) 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.

(Continued)

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

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

- (i) Buildings: 5 ~ 50 years
- (ii) Machinery and equipment: 1~10 years
- (iii) Transportation equipment: 3~8 years.
- (iv) Molding and other equipment 1~16 years
- (v) 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.

(k) 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 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 Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

(Continued)

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

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

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

The lease liability is 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 Group'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 of its assessment on whether it will exercise a extension or termination option; or
- 5) there is 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 Group 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 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 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 shortterm leases of computer equipment that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(Continued)

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

(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 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 Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

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. 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, such as lessors to negotiate and arrange a lease, are included in the measurement of the net investment. 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 Group recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of rental income.

(l) **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 computer software 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.

(Continued)

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

(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 | 1~10 years |
| 2) Patents | 24~240 months |
| 3) Trademarks | 70~159 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.

(m) **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 of other assets or cash-generating units (CGU). Goodwill arising from a business combination is allocated to 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.

(Continued)

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

(n) Provisions

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

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.

(o) Revenue recognition

(i) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group 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 Group'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 Company 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.

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

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

(Continued)

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

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 payment becomes unconditional.

If the Group 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 residential properties, commercial buildings and public 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.

(Continued)

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

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 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.

(p) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

The Group's net obligation in respect of 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.

(Continued)

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

(iii) **Short-term employee benefits**

Short-term employee benefits 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.

(q) **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 Group's grant date of a share-based payment award is the date which the Group informs its employee of the exercise price and number of exercised shares.

(r) **Income taxes**

Income taxes comprise 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 are 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, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities at the reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and 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.

(Continued)

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

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

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

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

(s) 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 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 acquisition-related transaction costs are expensed as incurred, except for the issuance of debt or equity instruments.

For each business combination, the Group measures any noncontrolling interests in the acquiree either at fair value or at the noncontrolling interest's proportionate share of the acquiree's identifiable net assets, if the noncontrolling interests are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation. Other components of noncontrolling interests are measured at their acquisition-date fair values, unless another measurement basis is required by the IFRS Accounting Standards endorsed by the FSC.

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

(Continued)

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

(t) Earnings Per Share

The Group discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic 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. 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 potentially dilutive ordinary shares, such as convertible bonds and employee compensation.

(u) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn 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:

In preparing these consolidated financial statements, management has made judgments and estimates about the future, including climate-related risks and opportunities, 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.

Estimates and underlying assumptions are reviewed on an ongoing basis and are consistent with the Group's risk management and climate-related commitments where appropriate. Revisions to estimates are recognized prospectively in the period of the change and future periods.

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:

(a) The loss allowance of trade receivable

The Group has estimated the loss allowance of trade receivables 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. Change in the economic and industrial environment may result in significant adjustment to allowance of losses on trade receivable. The relevant assumptions and input values, please refer to note 6(c).

(b) Impairment of goodwill

The assessment of impairment of goodwill requires the Group to make subjective judgments to identify CGUs, allocate the goodwill to relevant CGUs, and estimate the recoverable amount of relevant CGUs. Refer to note 6(l) for further description of the impairment of goodwill.

(Continued)

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

(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:

- (a) Level 1: quoted prices (unadjusted) in active markets for identifiable assets or liabilities.
- (b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices).
- (c) 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(ac) for assumptions used in measuring fair value.

(6) Explanation of significant accounts

(a) Cash and cash equivalents

	December 31, 2024	December 31, 2023
Petty cash and cash on hand	\$ 1,093	846
Demand deposits	<u>2,253,266</u>	<u>1,003,140</u>
Cash and cash equivalents in the consolidated statement of cash flows	<u>2,254,359</u>	<u>1,003,986</u>

As of December 31, 2024 and 2023, bank deposits held by some subsidiaries were amounted to \$132,575 thousand and \$165,257 thousand, respectively, which were restricted by the local exchange control and the bank deposits could not be remitted back to the holding company.

(Continued)

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

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

	December 31, 2024	December 31, 2023
Mandatorily measured at fair value through profit or loss:		
Non-derivative financial assets		
Stocks listed on domestic markets	\$ 217,809	156,360
Stocks emerging on domestic markets	-	26,103
Stocks unlisted on domestic markets	-	55,511
	<u>\$ 217,809</u>	<u>237,974</u>
Derivative financial assets		
Unsecured convertible corporate bonds — call provision	<u>\$ -</u>	<u>260</u>

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

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

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

	December 31, 2024	December 31, 2023
Notes receivable from operating activities	\$ 94,198	122,744
Notes receivable related parties from operating activities	1,613	38
Accounts receivable — measured as amortized cost	1,397,194	1,781,380
Accounts receivable due from related parties — measured as amortized cost	2,662	74
Long-term accounts receivables-measured as amortized cosr	319,276	-
Less: loss allowance	<u>16,708</u>	<u>88,076</u>
	<u>\$ 1,798,235</u>	<u>1,816,160</u>

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 relevant industry information. The loss allowance provisions were determined as follows:

(Continued)

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

	December 31, 2024		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 1,205,085	0.44%	5,298
1 to 30 days past due	98,630	0.78%	770
31 to 60 days past due	17,174	10.96%	1,882
61 to 90 days past due	6,112	41.77%	2,553
More than 91 days past due	16,881	36.76%	6,205
Total	<u>\$ 1,343,882</u>		<u>16,708</u>

	December 31, 2023		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 1,629,339	2.53%	41,207
1 to 30 days past due	31,172	4.88%	1,520
31 to 60 days past due	2,872	0.59%	17
61 to 90 days past due	12,166	14.97%	1,821
More than 91 days past due	228,687	19.03%	43,511
Total	<u>\$ 1,904,236</u>		<u>88,076</u>

Accounts receivable from non-related parties as of December 31, 2024, and the expected credit loss analysis for another group are as follows:

Nidec Elesys (Zhongshan) Co., Ltd. purchased 80,000 sets of radar products from CUB Shanghai. CUB Shanghai shipped the products according to the order and contract, with a total amount of \$556,016 thousand (RMB\$126,560 thousand). The overdue amount is \$495,855 thousand (RMB\$110,731 thousand). CUB Shanghai applied for perpetuation of property with the Zhongshan people's court, and has obtained the court ruling to adopt perpetuation measure (perpetuation period until June 13, 2029). The lawsuit was established through the court's adjustment procedure. CUB Shanghai have signed a mediation agreement with Nidec Elesys, Nidec Elesys agrees to pay the full amount of overdue payments and to execute according to the terms of the mediation agreement. The overdue payment will be divided into 36 installments, with each installment of RMB \$3,075 thousand starting from January 2025. As of March 7, 2025, RMB \$6,150 thousand has already been recovered.

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

(Continued)

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

	2024	2023
Balance at January 1	\$ 88,076	64,271
Impairment losses recognized	-	24,011
Impairment losses reversed	(6,838)	-
Amount written off	(40,135)	-
Discounts reversed	(24,793)	-
Effect of change in foreign exchange rates	398	(206)
Balance at December 31	<u><u>\$ 16,708</u></u>	<u><u>88,076</u></u>

None of the notes and accounts receivable held by the Group were pledged as collateral as of December 31, 2024 and 2023.

For further credit risk information, please refer to Note 6(ab).

(d) Other receivables (including related parties)

	December 31, 2024	December 31, 2023
Other receivables — business tax refund receivable	\$ 11,633	11,133
Other receivables — interests receivables	1,863	1,981
Other receivables — others	46,833	3,565
	<u><u>\$ 60,329</u></u>	<u><u>16,679</u></u>

For further credit risk information, please refer to Note 6(ab).

(e) Inventories

	December 31, 2024	December 31, 2023
Raw materials	\$ 638,219	568,676
Work in progress	202,204	254,032
Finished goods	234,528	263,156
Merchandise	106,361	194,002
	<u><u>\$ 1,181,312</u></u>	<u><u>1,279,866</u></u>

(Continued)

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

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

	For the Year Ended December 31,	
	2024	2023
Provision for warranty (reversal)	\$ 12,640	15,046
Write-down of inventories	35,106	9,110
Loss on disposal of inventory	28,168	25,688
Gain on physical inventory	(893)	(5,335)
Revenue from sale of scrap	(138)	(211)
	<u>\$ 74,883</u>	<u>44,298</u>

None of the inventories held by the Group was pledged as collateral as of December 31, 2024 and 2023.

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

On February 20, 2023, the Group acquired an additional interest in CUBTEK INC. for \$125,871 thousand in cash, increasing its ownership from 44.51% to 45.68%, and decreasing capital surplus \$35,649 thousand.

On December 28, 2023, CUBTEK INC. issued new shares with restricted employee rights were deregistered and their capital reduced because they did not meet the vested conditions. The company's recognized capital surplus was reduced by \$ 51 thousand due to changes in shareholding ratios.

On March 18, 2024, 3S System issued new shares through the exercise of employee stock options, which resulted in the Group's ownership decreasing from 73.75% to 72.51%, and a decrease in capital surplus of \$376 thousand.

On July 16, 2024, the Company disposed 7,328 thousand shares of 3S System, which resulted in the Group's ownership decreasing from 72.51% to 60.46%, and an increase in capital surplus of \$90,547 thousand.

On July 30, 2024, HARBINGER TECHNOLOGY acquired treasury stock, which resulted in the Group's ownership increasing from 76.715% to 76.719%, and a decrease in capital surplus of \$69 thousand.

On August 12, 2024, CUBTEK INC. Proceed with the cancellation and capital reduction due to the failure of employees with the restricted stock to meet the required conditions, which resulted in the Group's ownership increasing from 45.68% to 45.75%, and a decrease in capital surplus of \$3,518 thousand.

Due to its repurchase of treasury stock on November 5, 2024, the company's shareholding in HARBINGER TECHNOLOGY increased from 76.719% to 76.79%, resulting in a decrease in capital surplus by \$51.

(Continued)

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

On December 27, 2024, the company participated in a capital increase project for its subsidiary, CUBTEK INC., acquiring 10,851 thousand shares with a cash investment of \$292,981 thousand. This increased the shareholding ratio from 45.75% to 51.20%, resulting in a decrease in capital surplus by \$100,209 thousand and retained earnings by \$5,117 thousand.

(g) Material non-controlling interests of subsidiaries

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

Subsidiary	Major Operation place Registered country	Percentage of non- controlling interests	
		December 31, 2024	December 31, 2023
HARBINGER TECHNOLOGY CORP.	Taiwan	23.21 %	23.28 %
CUBTEK INC.	Taiwan	48.80 %	54.32 %
3S System Technology Co., Ltd.	Taiwan	39.54 %	26.25 %

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

	December 31, 2024	December 31, 2023
Current assets	\$ 1,577,897	1,655,559
Non-current assets	707,318	730,326
Current liabilities	(522,107)	(714,052)
Non-current liabilities	(28,246)	(13,333)
Net assets	<u>\$ 1,734,862</u>	<u>1,658,500</u>
Non-controlling interests	<u>\$ 427,404</u>	<u>412,468</u>
	For the Year Ended December 31,	
Sale revenue	<u>\$ 809,498</u>	<u>1,058,536</u>
Net income	\$ 139,592	122,315
Other comprehensive income(loss)	1,211	(58)
Total comprehensive income	<u>\$ 140,803</u>	<u>122,257</u>
Net profit, attributable to non-controlling interests	<u>\$ 30,848</u>	<u>26,858</u>
Comprehensive income, attributable to non-controlling interests	<u>\$ 31,129</u>	<u>26,845</u>

(Continued)

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

	For the Year Ended December 31,	
	2024	2023
Net cash flows from operating activities	\$ (355,732)	(308,311)
Net cash flows from investing activities	97,851	(36,715)
Net cash flows from financing activities	44,659	(41,604)
Net decrease in cash and cash equivalents	<u><u>\$ (213,222)</u></u>	<u><u>(386,630)</u></u>

(ii) Summary of CUBTEK's financial figures

	December 31, 2024	December 31, 2023
Current assets	\$ 1,067,432	687,895
Non-current assets	293,831	366,780
Current liabilities	(441,072)	(479,317)
Non-current liabilities	(19,526)	(2,097)
Net assets	<u><u>\$ 900,665</u></u>	<u><u>573,261</u></u>
Non-controlling interests	<u><u>\$ 439,525</u></u>	<u><u>311,368</u></u>

	For the Year Ended December 31,	
	2024	2023
Sale revenue	\$ <u><u>537,852</u></u>	<u><u>628,802</u></u>
Net income (loss)	\$ 34,647	(269,362)
Other comprehensive loss	(1,661)	(1,396)
Total comprehensive income (loss)	<u><u>\$ 32,986</u></u>	<u><u>(270,758)</u></u>
Net profit(loss), attributable to non-controlling interests	<u><u>\$ 19,218</u></u>	<u><u>(146,853)</u></u>
Comprehensive income, attributable to non-controlling interests	<u><u>\$ 18,426</u></u>	<u><u>(147,692)</u></u>

	For the Year Ended December 31,	
	2024	2023
Net cash flows from operating activities	\$ (67,901)	(82,234)
Net cash flows from investing activities	524,234	(39,717)
Net cash flows from financing activities	209,266	111,270
Effect of exchange rate changes on cash and cash equivalents	(2,128)	(2,062)
Net increase (decrease) in cash and cash equivalents	<u><u>\$ 663,471</u></u>	<u><u>(12,743)</u></u>

(Continued)

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

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

	December 31, 2024	December 31, 2023
Current assets	\$ 1,705,799	1,412,128
Non-current assets	404,028	316,732
Current liabilities	(898,448)	(543,510)
Non-current liabilities	(84,286)	(61,799)
Net assets	<u><u>\$ 1,127,093</u></u>	<u><u>1,123,551</u></u>
Non-controlling interests	<u><u>\$ 445,828</u></u>	<u><u>298,388</u></u>

	For the Year Ended December 31, 2024	2023
Sale revenue	\$ <u><u>1,289,281</u></u>	<u><u>674,389</u></u>
Net income (loss)	\$ (14,280)	32,816
Other comprehensive income (loss)	-	-
Total comprehensive income (loss)	<u><u>\$ (14,280)</u></u>	<u><u>32,816</u></u>
Net profit (loss) , attributable to non-controlling interests	<u><u>\$ (723)</u></u>	<u><u>5,458</u></u>
Comprehensive income, attributable to non-controlling interests	<u><u>\$ (723)</u></u>	<u><u>5,458</u></u>

	For the Year Ended December 31, 2024	2023
Net cash flows from operating activities	\$ (135,178)	(650,743)
Net cash flows from investing activities	(111,939)	22,465
Net cash flows from financing activities	407,604	445,212
Net increase (decrease) in cash and cash equivalents	<u><u>\$ 160,487</u></u>	<u><u>(183,066)</u></u>

(Continued)

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

(h) Property, plant and equipment

The cost and accumulated depreciation of the property, plants and equipment of the Group were as follows:

	<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>
Cost:							
Balance on January 1, 2024	\$ 774,060	1,118,160	650,467	34,816	826,512	547,779	3,951,794
Addition	-	10,006	11,706	717	71,281	261,184	354,894
Disposal	-	(557)	(13,854)	(6,399)	(39,933)	-	(60,743)
Reclassification	-	3,150	8,115	-	20,350	(13,415)	18,200
Effects of changes in foreign exchange rates	-	7,157	8,145	798	3,237	-	19,337
Balance on December 31, 2024	<u>\$ 774,060</u>	<u>1,137,916</u>	<u>664,579</u>	<u>29,932</u>	<u>881,447</u>	<u>795,548</u>	<u>4,283,482</u>
Balance on January 1, 2023	\$ 766,916	1,111,881	632,099	29,143	793,507	10,813	3,344,359
Addition	91	4,403	11,633	7,710	41,027	547,779	612,643
Disposal	-	-	(6,194)	(1,910)	(18,270)	-	(26,374)
Reclassification	7,053	5,682	17,271	-	12,034	(10,813)	31,227
Effects of changes in foreign exchange rates	-	(3,806)	(4,342)	(127)	(1,786)	-	(10,061)
Balance on December 31, 2023	<u>\$ 774,060</u>	<u>1,118,160</u>	<u>650,467</u>	<u>34,816</u>	<u>826,512</u>	<u>547,779</u>	<u>3,951,794</u>
Depreciation and impairment losses:							
Balance on January 1, 2024	\$ -	354,499	373,532	16,504	658,182	-	1,402,717
Depreciation	-	42,507	60,711	4,182	75,712	-	183,112
Disposal	-	(547)	(13,558)	(3,366)	(37,790)	-	(55,261)
Impairment loss	-	-	9,534	-	-	-	9,534
Effects of changes in foreign exchange rates	-	6,106	3,134	725	1,742	-	11,707
Balance on December 31, 2024	<u>\$ -</u>	<u>402,565</u>	<u>433,353</u>	<u>18,045</u>	<u>697,846</u>	<u>-</u>	<u>1,551,809</u>
Balance on January 1, 2023	\$ -	313,786	319,395	13,743	596,477	-	1,243,401
Depreciation	-	42,145	61,878	4,808	80,305	-	189,136
Disposal	-	-	(6,190)	(1,910)	(17,692)	-	(25,792)
Effects of changes in foreign exchange rates	-	(1,432)	(1,551)	(137)	(908)	-	(4,028)
Balance on December 31, 2023	<u>\$ -</u>	<u>354,499</u>	<u>373,532</u>	<u>16,504</u>	<u>658,182</u>	<u>-</u>	<u>1,402,717</u>
Carrying amounts:							
Balance on December 31, 2024	<u>\$ 774,060</u>	<u>735,351</u>	<u>231,226</u>	<u>11,887</u>	<u>183,601</u>	<u>795,548</u>	<u>2,731,673</u>
Balance on January 1, 2023	<u>\$ 766,916</u>	<u>798,095</u>	<u>312,704</u>	<u>15,400</u>	<u>197,030</u>	<u>10,813</u>	<u>2,100,958</u>
Balance on December 31, 2023	<u>\$ 774,060</u>	<u>763,661</u>	<u>276,935</u>	<u>18,312</u>	<u>168,330</u>	<u>547,779</u>	<u>2,549,077</u>

For the year ended December 31, the Group recognized an impairment loss of \$9,534 thousand on certain machinery and equipment. These assets are anticipated to be scrapped and are no longer expected to provide future economic benefits.

Please refer to Note 6(aa) for gains or losses on disposal of property, plant and equipment.

(Continued)

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

Please refer to Note 8 for the property, plant and equipment pledged to secure bank loans as of December 31, 2024 and 2023.

In the Board of Directors meeting on March 14, 2011, the Company acquired land for future expansion at a total price of \$63,549 thousand from the Chairman of the Company, Yu, San-Chuan, and his spouse, Huang, Shu-Yuan, which originally leased by the Company and adjacent to the Company's factory. The real estate has not yet transferred the account in the name of the 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 real estate has transferred the account in the name of the company in 2023.

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

(i) Right-of-use assets

The depreciation costs of land, buildings and structures, transportation equipment, and office equipment leased by the Group as a lease were 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, 2024	\$ 45,609	62,117	6,712	5,700	120,138
Addition	-	20,836	3,834	-	24,670
Decrease	-	(21,544)	(2,760)	-	(24,304)
Effects of changes in foreign exchange rates	517	264	-	-	781
Reclassification	-	(5,363)	5,363	-	-
Balance on December 31, 2024	<u>\$ 46,126</u>	<u>56,310</u>	<u>13,149</u>	<u>5,700</u>	<u>121,285</u>
Balance on January 1, 2023	\$ 15,113	51,749	4,692	5,700	77,254
Addition	30,773	24,043	2,664	-	57,480
Decrease	-	(10,596)	(644)	-	(11,240)
Effects of changes in foreign exchange rates	(277)	(3,079)	-	-	(3,356)
Balance on December 31, 2023	<u>\$ 45,609</u>	<u>62,117</u>	<u>6,712</u>	<u>5,700</u>	<u>120,138</u>
Depreciation:					
Balance on January 1, 2024	\$ 8,934	27,801	3,225	4,264	44,224
Depreciation	6,700	17,210	3,874	1,140	28,924
Decrease	-	(16,289)	(2,354)	-	(18,643)
Effects of changes in foreign exchange rates	99	132	-	-	231
Reclassification	-	(2,408)	2,408	-	-
Balance on December 31, 2024	<u>\$ 15,733</u>	<u>26,446</u>	<u>7,153</u>	<u>5,404</u>	<u>54,736</u>
Balance on January 1, 2023	\$ 2,292	11,261	2,138	3,124	18,815
Depreciation	6,692	21,257	1,731	1,140	30,820
Decrease	-	(1,734)	(644)	-	(2,378)
Effects of changes in foreign exchange rates	(50)	(2,983)	-	-	(3,033)
Balance on December 31, 2023	<u>\$ 8,934</u>	<u>27,801</u>	<u>3,225</u>	<u>4,264</u>	<u>44,224</u>
Carrying amounts:					
Balance on December 31, 2024	<u>\$ 30,393</u>	<u>29,864</u>	<u>5,996</u>	<u>296</u>	<u>66,549</u>
Balance on January 1, 2023	<u>\$ 12,821</u>	<u>40,488</u>	<u>2,554</u>	<u>2,576</u>	<u>58,439</u>
Balance on December 31, 2023	<u>\$ 36,675</u>	<u>34,316</u>	<u>3,487</u>	<u>1,436</u>	<u>75,914</u>

The right-of-use assets of the Group had not been pledged as collateral.

(Continued)

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

(j) Investment property

Investment property comprises office buildings that are leased to third parties under operating leases, including properties that are held as right-of-use assets, as well as properties that are owned by the Group. The leases of investment properties contain an initial non-cancellable lease term of 1 year. Some leases provide the lessees with options to extend at the end of the term.

For all investment property leases, the rental income is fixed under the contracts, but some leases require the lessee to reimburse the insurance costs of the Group. When this is the case, the amounts of insurance costs are determined annually.

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

	Owned property		Total
	Land	Land improvements	
Cost:			
Balance on January 1, 2023	\$ 237,902	4,871	242,773
Transferred to non-current assets held for sale	(237,902)	(4,871)	(242,773)
Balance on December 31, 2023	<u>\$ -</u>	<u>-</u>	<u>-</u>
Accumulated depreciation:			
Balance on January 1, 2023	\$ -	2,165	2,165
Depreciation	-	266	266
Transferred to non-current assets held for sale	-	(2,431)	(2,431)
Balance on December 31, 2023	<u>\$ -</u>	<u>-</u>	<u>-</u>
Carrying amounts:			
Balance on January 1, 2023	<u>\$ 237,902</u>	<u>2,706</u>	<u>240,608</u>
Balance on December 31, 2023	<u>\$ -</u>	<u>-</u>	<u>-</u>

Investment property is measured at cost on initial recognition and subsequently cost.

On April 26, 2023, the Group in order to revitalize assets and increase working capital, the Board of Directors resolved to disposal land in the Taiyuan section of Zhubei City. Therefore, the land and land improvements were transferred to non-current assets held for sale, please refer to Note 6(k).

(k) Non-current assets held for sale

On April 26, 2023, the Group was resolved to disposal land in the Taiyuan section of Zhubei City by the Board of Directors. The Group used the lower of other carrying amount and fair value less costs.

The group signed a real estate sales contract on June 12, 2024, with a total price of \$498,350 thousand. The ownership transfer was completed and the payment was received on October 29, 2024. After deducting taxes and related expenses of NT\$9,580 thousand, the recognized gain from the disposal of non-current assets held for sale is NT\$248,428 thousand.

(Continued)

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

	December 31, 2024	December 31, 2023
Property, plant and equipment	\$ -	240,342

As of December 31, 2023 , the land was pledged as collateral, please refer to Note 8.

(l) Intangible assets

The cost amortization and impairment of the intangible assets of the Group for the year ended December 31, 2024 and 2023 were as follows:

	Goodwill	Patents	Computer software	Trademarks	Value of contracts	Other intangible assets	Total
Cost:							
Balance on January 1, 2024	\$ 458,329	157,588	329,637	2,597	47,568	13,087	1,008,806
Addition	-	1,865	27,032	-	-	4,237	33,134
Reclassification	-	2,147	4,460	48	-	-	6,655
Disposal	-	(82)	(2,274)	-	-	(4,196)	(6,552)
Effect of changes in foreign exchange rates	2,616	137	1,134	-	-	-	3,887
Balance on December 31, 2024	\$ 460,945	161,655	359,989	2,645	47,568	13,128	1,045,930
Balance on January 1, 2023	\$ 458,336	153,574	315,721	2,597	47,568	9,715	987,511
Addition	-	2,726	16,913	-	-	3,372	23,011
Reclassification	-	1,359	855	-	-	-	2,214
Disposal	-	-	(3,258)	-	-	-	(3,258)
Effect of changes in foreign exchange rates	(7)	(71)	(594)	-	-	-	(672)
Balance on December 31, 2023	\$ 458,329	157,588	329,637	2,597	47,568	13,087	1,008,806
Accumulated amortization and impairment losses:							
Balance on January 1, 2024	\$ -	85,886	157,262	1,741	15,023	11,853	271,765
Amortization	-	13,923	39,268	194	5,383	3,250	62,018
Reclassification	-	2	-	-	-	-	2
Disposal	-	(27)	(984)	-	-	(4,196)	(5,207)
Effect of changes in foreign exchange rates	-	42	978	-	-	-	1,020
Balance on December 31, 2024	\$ -	99,826	196,524	1,935	20,406	10,907	329,598
Balance on January 1, 2023	\$ -	72,345	123,362	1,493	9,640	5,615	212,455
Amortization	-	13,562	37,651	248	5,383	6,238	63,082
Disposal	-	-	(3,252)	-	-	-	(3,252)
Effect of changes in foreign exchange rates	-	(21)	(499)	-	-	-	(520)
Balance on December 31, 2023	\$ -	85,886	157,262	1,741	15,023	11,853	271,765

(Continued)

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

	<u>Goodwill</u>	<u>Patents</u>	<u>Computer software</u>	<u>Trademarks</u>	<u>Value of contracts</u>	<u>Other intangible assets</u>	<u>Total</u>
Carrying amounts:							
Balance on December 31, 2024	<u>\$ 460,945</u>	<u>61,829</u>	<u>163,465</u>	<u>710</u>	<u>27,162</u>	<u>2,221</u>	<u>716,332</u>
Balance on January 1, 2023	<u>\$ 458,336</u>	<u>81,229</u>	<u>192,359</u>	<u>1,104</u>	<u>37,928</u>	<u>4,100</u>	<u>775,056</u>
Balance on December 31, 2023	<u>\$ 458,329</u>	<u>71,702</u>	<u>172,375</u>	<u>856</u>	<u>32,545</u>	<u>1,234</u>	<u>737,041</u>

1. Amortization

The amortization of intangible assets and their impairment losses are included in the statement of comprehensive income:

	For the Year Ended December 31,	
	2024	2023
Operating cost	\$ 498	1,124
Operating expense	<u>61,520</u>	<u>61,958</u>
	<u>\$ 62,018</u>	<u>63,082</u>

2. Test of goodwill impairment

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:

	December 31, 2024	December 31, 2023
CGU of HARBINGER TECHNOLOGY	\$ 319,961	319,961
CGU of ITM	41,223	38,607
CGU of 3S System	<u>99,761</u>	<u>99,761</u>
	<u>\$ 460,945</u>	<u>458,329</u>

After asset impairment testing in 2024 and 2023, the estimated recoverable amount of the CGU was higher than the carrying amount, so no impairment loss was recognized.

(Continued)

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

The key assumptions used in estimating value in use are as follows:

	December 31, 2024	December 31, 2023
Discount rate	10.09%~11.24%	9.98%~9.99%
Growth rate	2.5%~50.29%	2.5%~22.29%

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

Cash flow estimates are based on five-year financial budgets approved by management. For cash flows over a five-year period, the geometric average of the global economic growth rate of the International Monetary Fund in the past 30 years is 2.6%, which is extrapolated to subsequent years.

Budgeted EBITDA was based on expectations of future outcomes taking into account past experience, adjusted for the anticipated revenue growth. Revenue growth was projected taking into account the average growth levels experienced over the past five years and the estimated sales volume and price growth for the next five years. It was assumed that sales price would grow at a constant margin above forecast inflation over the next five years.

3. Collateral

None of the intangible assets held by the Group was pledged collateral as of December 31, 2024 and 2023.

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

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

	December 31, 2024	December 31, 2023
Other current assets:		
Prepayments	\$ 396,426	317,195
Business tax carry forward	23,184	26,251
Other deferred charges	20,810	40,518
Other current assets - other	6,581	3,882
Other financial assets - current	66,860	188,363
	\$ 513,861	576,209
Other non-current assets:		
Prepayments for equipment	\$ 97,861	58,206
Refundable deposits	505,423	469,378
	\$ 603,284	527,584

(Continued)

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

- (i) Other current assets are mainly for time deposits with maturities of more than 3 months and performance- refundable deposits, which had been pledged as collateral, please refer to Note 8.
- (ii) Refundable deposits are mainly for government project bidding and lease office.
- (n) Short-term borrowings

The details of short-term borrowings were as follows:

	December 31, 2024	December 31, 2023
Unsecured bank loans	\$ 1,527,887	947,774
Secured bank loans	24,693	19,611
	\$ 1,552,580	967,385
Unused short-term credit lines	\$ 3,821,453	3,278,874
Range of interest rates	1.85%~7.19%	1.275%~7.8%

For the collateral for short-term borrowings, please refer to Note 8.

- (o) Other payables and other current liabilities

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

	December 31, 2024	December 31, 2023
Other payables:		
Salary and bonus payable	\$ 88,805	96,342
Remuneration payable to employees, directors, and supervisors	25,781	29,400
Payable on machinery and equipment	55,215	20,195
Others	289,380	252,351
	\$ 459,181	398,288
Other payables to related parties:		
Others	\$ 49	93
Other current liabilities:		
Receipts under custody	\$ 4,126	4,898
Others	3,257	1,472
	\$ 7,383	6,370

(Continued)

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

(p) Long-term borrowings

The details of long-terms borrowings were as follows:

	December 31, 2024		
	rate	Maturity date	Amount
Secured bank loans	2.055-2.3004%	2025.08.03~2029.9.25	\$ 761,667
Syndicated secured loans	2.3535%	2028.07.07	690,000
Syndicated unsecured bank loans	2.3535%	2025.03.28	500,000
Other loans	2.325~2.75%	2026.05.27	35,405
Less:current portion			(545,997)
Arrangement fee of syndicated bank			<u>(2,357)</u>
			<u>\$ 1,438,718</u>
Unused credit lines			<u>\$ 1,110,000</u>

	December 31, 2023		
	rate	Maturity date	Amount
Secured bank loans	1.8605%~2.0745%	2026.10.01~2033.10.30	\$ 869,535
Syndicated loans	2.1597%~2.1604%	2028.06.07	500,000
Unsecured bank loans	2.1076%~2.1721%	2024.07.28~2025.08.03	116,667
Less:current portion			<u>(248,845)</u>
Arrangement fee of syndicated bank			<u>(3,048)</u>
			<u>\$ 1,234,309</u>
Unused credit lines			<u>\$ 2,025,000</u>

(i) Syndicated loans

The Group entered into a syndicated loan agreement with 12 financial institutions, such as Bank of Taiwan and E.Sun Commercial Bank, Ltd., in June 2023 with a total amount of NT\$2,300,000 thousand. The agreement period is 5 years. The funds were used for the following purposes: acquiring land, purchasing or constructing factory buildings and associated facilities, procuring machinery and equipment along with related facilities, repaying financial liabilities, and bolstering working capital for mid-term operational needs.

Under the syndicated loan agreement, the ratios and limitations shall be maintained as follows and calculated based on independent auditors' annual individual financial statements from 2023.

- 1.Current ratio (current assets /current liabilities) of an individual financial report - not less than 100%.

(Continued)

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

2. Debt ratio (total liabilities / net assets value) of an individual financial report - not higher than 190%.
3. Interest coverage ratio (sum of profit before income tax, depreciation expenses, amortizations, and interest expenses / interest expense) of an individual financial report - not less than 300%.
4. The net tangible assets value (net assets value - intangible assets) of an individual financial report - not less than 3,000,000 thousand.

The Company's current ratio was below 100%. However, according to the contract, if the borrower fails to meet any of the financial ratio covenants during any inspection, it will not be considered a default. The borrower must improve the financial ratios from the date of submission of the aforementioned financial report until the date when all financial ratio covenants are met (based on the audited annual individual financial report). From the date of submission of the financial report that does not meet the financial ratios, the borrower shall pay a compensation fee at an annual rate of 0.1% of the outstanding balance of the contract to the managing bank, which will transfer it to the joint credit banks. If the borrower fails to meet all financial ratio covenants by the next inspection date will it be considered a default for the years ended December 31, 2024. The company did not violate any loan agreement restrictions for the years ended December 31, 2023.

(ii) Collateral for long-term borrowings

For the collateral for long-term borrowings, please refer to Note 8.

(q) Bonds payable

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

	December 31, 2024	December 31, 2023
Issued convertible bonds	\$ 1,306,500	1,306,500
Unamortized discounted corporate bonds payable	(11,063)	(27,478)
Cumulative converted amount	(97)	(97)
Less: current portion	(1,295,340)	-
Corporate bonds issued balance at year-end	<u>\$ -</u>	<u>1,278,925</u>
Embedded derivative – call options, including financial assets at fair value through profit or loss	<u>\$ -</u>	<u>260</u>
Equity component – conversion options, included in capital surplus– stock options	<u>\$ 45,310</u>	<u>45,310</u>

(Continued)

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

	For the Year Ended December 31,	
	2024	2023
Embedded derivative instruments – call rights, including net loss of evaluation in financial asset and liabilities	\$ <u>260</u>	<u>1,170</u>
Interest expense	\$ <u>16,415</u>	<u>16,206</u>

- (i) CUB Holding issued its third domestic secured convertible bonds on August 29, 2022, and the significant terms of the bonds were as follows:
- 1) Offering amount: \$1,300,000 thousand
 - 2) Duration: three years (August 29, 2022 to August 29, 2025)
 - 3) Interest rate: 0%
 - 4) Conversion period: From three months after the issuance date to the maturity date. (November 30, 2022 to August 29, 2025)
 - 5) Conversion price: The conversion price of the convertible corporate bonds were determined based on August 29, 2022. The conversion price will be adjusted to \$156 per shares, according to the formula in the terms of conversion. On October 17, 2022, it was adjusted to \$141.80 per share. On September 12, 2023, it was adjusted to \$133.00 per share. On June 24, 2024, it was adjusted to \$129.80 per share.
 - 6) From three months after the issuance date to 40 days before the maturity date, if the closing price of CUB Holding shares on the TWSE is higher than 130% of the conversion price for 30 consecutive trading days or when the outstanding convertible bonds are less than 10% of the initial issued bonds, CUB Industrial may redeem the remaining bonds at their face value by cash in five trading days after the redemption date.
 - 7) According to the regulations of the conversion method, all convertible bonds recovered (including bought back from the securities companies' business offices), within 10 days after the maturity date, The interest compensation is 101.5075% of face value of convertible bond (yield to maturity 0.5%), CUB Holding needs to redeem the bonds by cash upon maturity.

CUB Holding separated its equity and liability components as follows:

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

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

(Continued)

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

(r) Lease liabilities

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

	December 31, 2024	December 31, 2023
Current	\$ <u>24,604</u>	<u>26,954</u>
Non-current	\$ <u>31,460</u>	<u>37,717</u>

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

The amounts recognized in profit or loss were as follows:

	For the Year Ended December 31, 2024	2023
Interest on lease liabilities	\$ <u>1,120</u>	<u>1,260</u>
Expenses relating to short-term leases	\$ <u>8,040</u>	<u>9,993</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ <u>1,585</u>	<u>-</u>

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

	For the Year Ended December 31, 2024	2023
Total cash outflow for leases	\$ <u>38,514</u>	<u>40,741</u>

(i) Real estate leases

The Group leases land and buildings for its office space and plants. The leases of office space and plants typically run for 1 to 9 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.

For the information of lease from related parties, please refer to Note 7.

(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.

Additionally, the Group leases photocopier and computer equipment with lease terms of 1 to 3 years, these leases are low-value items. The Group has elected not to recognize right-of-use assets and lease liabilities for these leases.

(Continued)

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

(s) Provisions

The movements in the warranties were as follows:

	Warranties
Balance at January 1, 2024	\$ 107,621
Provisions made during the period	19,247
Provisions used during the period	(8,668)
Provisions reversed during the year	(6,607)
Effect of exchange rate changes	272
Balance at December 31, 2024	\$ 111,865
Balance at January 1, 2023	\$ 109,092
Provisions made during the period	15,046
Provisions used during the period	(16,404)
Effect of exchange rate changes	(113)
Balance at December 31, 2023	\$ 107,621

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 Group expected that most of the cost would occur within 1 to 5 years after sales.

(t) Employee benefits

(i) Defined benefit plans

Reconciliation of defined benefit obligation at present value and plan asset at fair value are as follows:

	December 31, 2024	December 31, 2023
Present value of the defined benefit obligations	\$ 29,834	30,853
Fair value of plan assets	(18,579)	(17,794)
Net defined benefit liabilities	\$ 11,255	13,059

The Group's employee benefit liabilities were as follows:

	December 31, 2024	December 31, 2023
Vacation liability (Account for other payables)	\$ 4,544	4,014

The Group makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average monthly salary for the six months prior to retirement.

(Continued)

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

(i) 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 and HARBINGER TECHNOLOGY's Bank of Taiwan labor pension reserve account balance amounted to \$18,579 thousand as of report date. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

(ii) Movements in present value of the defined benefit obligations

The movement in present value of the defined benefit obligations for the Group were as follows:

	For the Year Ended December 31,	
	2024	2023
Defined benefit obligations at January 1	\$ 30,853	29,359
Current service costs and interest	497	529
Remeasurements loss (gain):		
—Return on plan assets excluding interest income	645	400
—Actuarial loss (gain) arising from demographic assumptions	-	24
—Actuarial loss (gain) arising from financial assumptions	(541)	541
Benefits paid	(1,620)	-
Defined benefit obligations at December 31	\$ 29,834	30,853

(iii) Movements of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Group were as follows:

	For the Year Ended December 31,	
	2024	2023
Fair value of plan assets at January 1	\$ 17,794	16,757
Interest income	242	252
Remeasurements loss (gain):		
—Return on plan assets excluding interest income	1,528	105
Amount allocated to the plan	635	680
Benefits paid	(1,620)	-
Fair value of plan assets at December 31	\$ 18,579	17,794

(Continued)

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

(iv) 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 ,	
	2024	2023
Current service costs	\$ 90	87
Net interest of net liabilities for defined benefit obligations	165	190
	\$ 255	277
	For the Year Ended December 31,	
	2024	2023
Administration expenses	\$ 220	233
Research and development expenses	35	44
Total	\$ 255	277

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

The Group's net defined benefit liability recognized in other comprehensive income for the years ended December 31, 2024 and 2023, are as follows:

	For the Year Ended December 31,	
	2024	2023
Accumulated amount at January 1	\$ 14,809	13,950
Recognized during the period	(1,424)	859
Accumulated amount at December 31	\$ 13,385	14,809

(vi) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

	For the Year Ended December 31,	
	2024	2023
Discount Rate	1.50%~1.63%	1.25%~1.38%
Future salary increase rate	2.00%~2.25%	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 for 2024 is \$310 thousand.

The weighted-average lifetime of the defined benefits plans is 8.4~11.2 years.

(Continued)

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

(vii) Sensitivity analysis

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

	Influences of defined benefit obligations	
	Increased 0.25%	Decreased 0.25%
December 31, 2024		
Discount Rate(Change 0.25%)	\$ (734)	761
Future salary increase rate(Change 0.25%)	742	(718)
December 31, 2023		
Discount Rate(Change 0.25%)	\$ (780)	811
Future salary increase rate(Change 0.25%)	790	(764)

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. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2024 and 2023.

(ii) Defined contribution plans

The Company and domestic subsidiaries allocate 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 these defined contribution plans, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to \$34,340 thousand and \$34,254 thousand for the years ended December 31, 2024 and 2023, respectively.

(u) Income taxes

i) The components of income tax in the years 2024 and 2023 were as follows:

	For the Year Ended December 31,	
	2024	2023
Current tax expense		
Current period	\$ 152,508	129,126
Adjustment for prior periods	2,934	8,616
Additional tax on undistributed earnings	12,129	10,354
	<u>167,571</u>	<u>148,096</u>

(Continued)

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

	For the Year Ended December 31,	
	2024	2023
Deferred tax expense (income)		
Origination and reversal of temporary differences	2,794	(4,190)
Income taxes	<u><u>\$ 170,365</u></u>	<u><u>143,906</u></u>

No income tax expense was recognized directly in equity for 2024 and 2023.

Reconciliation of income tax and profit before tax for 2024 and 2023 is as follows:

	For the Year Ended December 31,	
	2024	2023
Profit excluding income tax	<u><u>\$ 689,774</u></u>	<u><u>477,441</u></u>
Income tax using the Company's domestic tax rate	\$ 137,955	95,488
Effect of tax rates in foreign jurisdiction	(3,155)	(9,054)
Tax impact on investment gains and losses recognized under the equity method	16,537	15,795
Non-deductible expenses	34,501	753
Investment deduction	(16,428)	(33,188)
Tax exempt income	(53,354)	-
Changes in current tax losses that have not been recognized as deferred income tax assets	38,771	57,038
Change in unrecognized temporary differences	112	(2,326)
Underestimated in prior period	2,934	8,616
Foreign income taxes paid	363	430
Additional tax on undistributed earnings	<u>12,129</u>	<u>10,354</u>
Income tax expenses	<u><u>\$ 170,365</u></u>	<u><u>143,906</u></u>

ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities

The consolidated entity is able to control the timing of the reversal of the temporary differences associated with investments in subsidiaries as of December 31, 2024 and 2023. Also, management considers it probable that the temporary differences will not reverse in the foreseeable future. Hence, such temporary differences are not recognized under deferred tax liabilities. Details are as follows:

	December 31, 2024	December 31, 2023
Aggregate amount of temporary differences related to investments in subsidiaries	<u><u>\$ 122,797</u></u>	<u><u>205,480</u></u>
Amount of unrecognized deferred tax liabilities	<u><u>\$ 24,559</u></u>	<u><u>41,096</u></u>

(Continued)

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

2) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

	December 31, 2024	December 31, 2023
Tax effect of deductible Temporary Differences	\$ 23,352	23,240
Tax losses	<u>138,422</u>	<u>99,651</u>
	<u>\$ 161,774</u>	<u>122,891</u>

The R.O.C. Income Tax Act allows net losses, as assessed by the tax authorities, to offset taxable income over a period of ten years for local tax reporting purposes.

3) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2024 and 2023 were as follows:

Deferred tax assets:

	Unrealized impairment and obsolescence of inventory	Taxes losses	Allowancev for bad debt	Others	Total
Balance at January 1, 2024	\$ 13,869	138,320	13,668	13,007	178,864
(Debit) Credit on income statement	<u>7,819</u>	<u>13,774</u>	<u>(7,430)</u>	<u>(8,531)</u>	<u>5,632</u>
Balance at December 31, 2024	<u>\$ 21,688</u>	<u>152,094</u>	<u>6,238</u>	<u>4,476</u>	<u>184,496</u>
Balance at January 1, 2023	\$ 11,626	159,119	9,473	5,077	185,295
(Debit) Credit on income statement	<u>2,243</u>	<u>(20,799)</u>	<u>4,195</u>	<u>7,930</u>	<u>(6,431)</u>
Balance at December 31, 2023	<u>\$ 13,869</u>	<u>138,320</u>	<u>13,668</u>	<u>13,007</u>	<u>178,864</u>

Deferred tax liabilities:

	Unrealized foreign exchange gain	Others	Total
Balance at January 1, 2024	\$ 1,468	1,293	2,761
Credit on income statement	<u>8,361</u>	<u>65</u>	<u>8,426</u>
Balance at December 31, 2024	<u>\$ 9,829</u>	<u>1,358</u>	<u>11,187</u>
Balance at January 1, 2023	\$ 12,166	1,216	13,382
(Debit) Credit on income statement	<u>(10,698)</u>	<u>77</u>	<u>(10,621)</u>
Balance at December 31, 2023	<u>\$ 1,468</u>	<u>1,293</u>	<u>2,761</u>

iii) On December 31, 2024, the subsidiary was entitled to loss deductions in accordance with local laws and regulations. The amount of deductions that could still be deducted was as follows:

(Continued)

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

Loss year	Amount of loss			
	CUBTEK	CUB SHANGHAI	CUBTEK SHANGHAI	3S System
2016	\$ 9,951	-	-	-
2017	108,624	-	-	-
2018	151,501	-	-	-
2019	159,883	-	-	-
2020	134,365	22,725	-	-
2021	13,321	-	-	-
2022	135,542	224,616	1,498	-
2023	106,331	252,807	-	-
2024	26,651	217,390	69,717	16,189
	\$ 846,169	717,538	71,215	16,189

iv) Assessment of tax

The Company's tax returns for the years through 2022 were assessed by the Taipei National Tax administration.

(v) Capital and other equity

As of December 31, 2024 and 2023, 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 were \$1,409,176 thousand with \$10 per share.

Reconciliation of shares outstanding for 2024 and 2023 was as follows:

	Ordinary Shares	
	2024	2023
Balance on January 1	140,917	134,108
Exercise of employee stock options	-	103
Retained earnings transferred to capital	-	6,706
Balance on December 31	140,917	140,917

(i) Issuance of ordinary shares

The company's board of directors resolved on March 7, 2023 and August 9, 2023, in accordance with the provisions of the company's first issuance of employee stock option certificates and stock subscription regulations in 2020, to convert 15 thousand and 88 thousand shares ordinary shares respectively, a total of 103 thousand shares, with a par value of \$10 per share. This capital increase was approved by the Financial Supervisory Commission and was dated March 10, 2023, and August 15, 2023 respectively. Date is the base date for the capital increase, and the relevant legal registration procedures have been completed.

On May 24, 2023, the company passed the shareholders' regular meeting resolutions and used the undistributed surplus of \$67,062 thousand to increase capital and issue new shares of 6,706 thousand and with a par value of \$10 per share. This capital increase was approved by the Financial Supervisory Commission, and September 12, 2023 were used as the capital increase base dates. The relevant statutory The registration procedure has been completed

(Continued)

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

(ii) Capital surplus

The balance of capital surplus as of December 31, 2024 and 2023 were as follows:

	December 31, 2024	December 31, 2023
Additional paid-in capital	\$ -	31,262
Premium of convertible corporate bonds	280,178	530,751
Gain on disposal of assets	1,468	1,468
Employee stock options	42,744	83,365
Employee stock options (Expired)	43,697	520
Share option – convertible bonds issued	45,310	45,310
Changes in ownership interests in subsidiaries	-	10,760
	\$ 413,397	703,436

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

(iii) Retained earnings

The Company's article of incorporation stipulated that annual earnings 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 until the accumulated legal reserve equals the Company's paid-in capital;
- (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.

(Continued)

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

1) Legal reserve

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

2) Special reserve

In accordance with Rule issued by the FSC, a portion of current period earnings and undistributed prior period earnings shall be reclassified as a special earnings reserve during earnings distribution. add the current profit after tax to the items other than current after-tax net profit included in the undistributed surplus of the current period and the undistributed surplus of the previous period are added to the special surplus reserve ; Similarly, a portion of undistributed prior period earnings shall be reclassified as a special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. A special reserve is made available for earning distribution only after the deduction of the related shareholders' equity has been reversed. The balance of special reserve amounted to \$45,868 thousand and \$26,673 thousand as of December 31, 2024 and 2023, respectively.

3) Earnings distribution

On May 21, 2024 and May 24, 2023, the appropriation of the earnings for 2023 and 2022 was resolved in the general meeting of shareholders.

	2023		2022	
	Amount per share	Amount	Amount per share	Amount
Dividends distributed to ordinary shareholders:				
Cash	\$ 3.00	422,753	2.30	308,484
Shares	-	-	0.50	67,062
Total	<u>\$ 3.00</u>	<u>422,753</u>	<u>\$ 2.80</u>	<u>375,546</u>

On March 7, 2025, the Company's Board of Directors resolved to appropriate the 2024 earnings, respectively, as follows:

	2024	
	Amount per share	Amount
Dividends distributed to ordinary shareholders:		
Cash	<u>\$ 2.00</u>	<u>281,835</u>

Note: For the year ended December 31, 2024, 281,835 thousand of which was used as capital reserve to pay cash dividends.

(Continued)

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

(iv) Other equity

	Exchange differences on translation of foreign financial statements
Balance on January 1, 2024	\$ (45,976)
Exchange differences on translation of net assets of foreign operations	38,485
Balance on December 31, 2024	\$ (7,491)
Balance on January 1, 2023	\$ (26,673)
Exchange differences on translation of net assets of foreign operations	(19,303)
Balance on December 31, 2023	\$ (45,976)

(w) Share-based payments

As of December 31, 2024, share-based payment transactions of the Company are as follows:

	<u>Employee stock options</u>
Grant date	2021.11.9
Number of options granted	800,000 shares
Contract term	4 years
Vesting conditions	Limited to the full-time employees of 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>2021.11.9 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	\$153.4 per share
Expected volatility	47.87%~48.62%
The expected life of the option (years)	3~3.5years
Expected dividend	(Note)
The risk-free rate	0.39%~0.41%

(Continued)

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

(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, 2024		For the Year Ended December 31, 2023	
	Number of options (shares)	Weighted average exercise price(yuan)	Number of options (shares)	Weighted average exercise price(yuan)
Outstanding at January 1	2,697,600	\$ 171.95	2,800,000	\$ 171.70
Exercised during the year	-	-	(102,400)	\$ 147.80
Expired during the year	(1,897,600)	-	-	-
Outstanding at December 31, 2024	800,000	\$ 153.40	2,697,600	\$ 145.13
Exercisable at December 31, 2024	800,000	\$ 153.40	2,217,600	\$ 142.50

As of December 31, 2024 and 2023 the weighted-average remaining contractual life for outstanding option awards were 0.19 and 1.19 years, respectively. The expenses related to the share-based payments amounted to \$2,556 thousand and \$5,759 thousand, respectively, and the expenses of the subsidiaries were \$4,137 thousand and \$8,646 thousand, respectively.

On June 17, 2022, the stockholders' meeting approved a compensation plan to issue new restricted common stocks to employees without consideration. The shares to be issued are 200 thousand shares with a fair value of 38.8. It was decided during the Board of Directors meeting held on August 9, 2022, the base date for capital increase was on August 15, 2022. The issuance plan was authorized for effective registration by the Securities and Futures Bureau of the FSC. For those employees who achieve both service period and performance conditions set by the Company, the restricted stocks will be vested at certain percentage and time frame.

Those employees who were granted the restricted stock awards are entitled to purchase shares without remuneration, with the condition that these employees continue to provide services to the Company for at least 1 year and 2 years (from the grant date), while 35% and 65% of the restricted stocks are vested in each year. The restricted stock is kept by a trust, which is appointed by the CUBTEK, before it is vested. These shares shall not be sold, pledged, transferred, gifted, or disposed by any other means to third parties during the custody period. The voting right of these shareholders are executed by custodian, and the custodian will act based on law and regulations. If the shares remain unvested after the vesting period, the CUBTEK will repurchase all the unvested shares and cancel the shares thereafter.

(Continued)

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

Details of the restricted stock awards of CUBTEK are as follows:

	<u>2024</u>	<u>2023</u>
Outstanding at January 1	198	200
Granted during the year	(68)	-
Forfeited during the year	<u>(130)</u>	<u>(2)</u>
Outstanding at December 31	<u><u>-</u></u>	<u><u>198</u></u>

As of January 1 to December 31, 2024 and 2023 the expenses incurred by CUBTEK related to the share-based payments amounted to \$(3,572) thousand and \$4,034 thousand, respectively.

On May 17, 2023, 3S system passed the resolution of the board of directors to issue 2,000,000 employee stock option certificates. The grantees were limited to full-time employees of 3S System who met specific conditions.

As of December 31, 2024, 3S System had the following share-based payment arrangements:

	<u>Employee stock options</u>
Fair value at grant date	2023.5.17
Number of shares granted	2,000,000 shares
Contract term	4 years
Recipients	Limited to the full-time employees of 3S System
Vesting conditions	2~4 years of service

(iii) Measurable parameter of fair value at grant date

3S System 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>2023.5.17</u>
	<u>Employee stock options</u>
Fair value at grant date	\$3.01~4.54
Exercise price	\$18.24 per share
Expected volatility (%)	38.577%
Expected life (years)	2~4 years
Expected dividend	(Note)
Risk-free interest rate (%)	1.60%~1.625%

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

(Continued)

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

The detailed information regarding the aforementioned employee stock options is as follows:

	For the Year Ended December 31, 2024		For the Year Ended December 31, 2023	
	Weighted average exercise price(yuan)	Number of options (shares)	Weighted average exercise price(yuan)	Number of options (shares)
Outstanding at January 1	\$ 18.24	2,000	-	-
The quantity granted for this period	-	-	\$ 18.24	2,000
The quantity executed for this period.	\$ 18.24	1,000	-	-
Outstanding at December 31	\$ 18.24	1,000	\$ 18.24	2,000
Exercisable at December 31	\$ 18.24	1,000	\$ 18.24	-

As of January 1 to December 31, 2024 and 2023 the expenses incurred by the Group related to the share-based payments amounted to \$5,472 thousand and \$20,361 thousand, respectively.

(x) **Earnings Per Share**

The Company's earnings per share were calculated as follows:

	For the Year Ended December 31,	
	2024	2023
Basic earnings per share		
Profit attributable to ordinary shareholders of the Company	\$ 474,882	450,954
Weighted-average number of ordinary shares	140,917	140,880
	\$ 3.37	3.20
Diluted earnings per share		
Profit attributable to ordinary shareholders of the Company (basic)	\$ 474,882	450,954
After-tax impact of other gains or losses on convertible bonds (diluted)	13,340	13,901
Profit attributable to ordinary shareholders of the Company (diluted)	\$ 488,222	464,855
Weighted-average number of ordinary shares (basic)	140,917	140,880
Effect of dilutive potential ordinary shares		
Effect of conversion of convertible bonds	9,900	9,352
Effect of employee share bonus	128	102
Weighted average number of ordinary shares (after adjusting the effect of dilutive potential ordinary share)	150,945	150,334
	\$ 3.23	3.09

(Continued)

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

(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, 2024			
<u>Primary geographical markets</u>			
China	\$ 365,817	745	366,562
Taiwan	375,073	1,245,586	1,620,659
United States	1,286,163	7,458	1,293,621
Germany	178,893	-	178,893
Other countries	442,091	768,933	1,211,024
	<u><u>\$ 2,648,037</u></u>	<u><u>2,022,722</u></u>	<u><u>4,670,759</u></u>
<u>Major products/service lines</u>			
Automobile motor switch	\$ 1,115,975	-	1,115,975
Automobile safety components and systems	1,141,510	-	1,141,510
Communication equipment, construction, and others	390,552	2,022,722	2,413,274
	<u><u>\$ 2,648,037</u></u>	<u><u>2,022,722</u></u>	<u><u>4,670,759</u></u>
	Automobile Parts Division	Communications equipment and construction Group	Total
For the Year Ended December 31, 2023			
<u>Primary geographical markets</u>			
China	\$ 989,214	-	989,214
Taiwan	408,781	1,355,928	1,764,709
United States	944,659	19,623	964,282
Germany	198,297	51	198,348
Other countries	262,675	218,366	481,041
	<u><u>\$ 2,803,626</u></u>	<u><u>1,593,968</u></u>	<u><u>4,397,594</u></u>
<u>Major products/service lines</u>			
Automobile motor switch	\$ 861,176	-	861,176
Automobile safety components and systems	1,713,411	-	1,713,411
Communication equipment, construction and others	229,039	1,593,968	1,823,007
	<u><u>\$ 2,803,626</u></u>	<u><u>1,593,968</u></u>	<u><u>4,397,594</u></u>

(Continued)

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

(ii) Contract balances

	December 31, 2024	December 31, 2023	January 1, 2023
Contract assets - construction and equipment	\$ 1,483,303	983,368	109,587
Contract assets - from related parties	131	28,552	-
Less: loss allowance	-	-	-
	<u>\$ 1,483,434</u>	<u>1,011,920</u>	<u>109,587</u>
	December 31, 2024	December 31, 2023	January 1, 2023
Contract liabilities—advance sales receipts	\$ 35,464	35,835	161,169
Contract liabilities—advance molding receipts	20,696	20,051	19,257
Contract liabilities – unearned revenue	87	254	69
	<u>\$ 56,247</u>	<u>56,140</u>	<u>180,495</u>

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

The amount of revenue recognized and the opening balance of contract liabilities recognized as revenue amounted to \$14,068 thousand and \$159,099 thousand, respectively.

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, 2024 and 2023.

On December 31, 2024 and 2023, the total transaction price allocated to the unfulfilled performance obligations of the project project will be \$647,592 thousand and \$595,005 thousand respectively. The enterprise will gradually recognize this income as the project is completed. The works are expected to be completed in the next 12 to 18 months.

(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.

(Continued)

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

For the year ended December 31, 2024 and 2023, the Company estimated its employee remuneration amounting to \$ thousand and \$ thousand, respectively, and directors' and supervisors' remuneration amounting to \$ thousand and \$ thousand, respectively. There is no discrepancy between the actual remuneration and the estimation. Related information would be available at the Market Observation Post System website.

(aa) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

	For the Year Ended December 31,	
	2024	2023
Interest income from bank deposits	\$ 28,679	32,459

(ii) Other income

The details of other income were as follows:

	For the Year Ended December 31,	
	2024	2023
Rent income	\$ 883	286
Government grants	5,988	13,974
Dividend income	4,663	-
Other income - other	15,749	21,982
	\$ 27,283	36,242

(Continued)

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

(iii) Other gains and losses

The details of other gains and losses were as follows:

	For the Year Ended December 31,	
	2024	2023
Foreign exchange gains	\$ 76,139	1,491
Gain on lease modification	4	-
Noncurrent assets held for sale	248,428	-
Impairment losses on property plant and equipment	(9,534)	-
Compensation losses	(1,464)	(620)
Gains (losses) on disposal of property, plant and equipment	431	(73)
Losses on disposal of intangible assets	(54)	(6)
Gains (losses) gains on financial assets	26,698	(40,066)
Other losses	(1,894)	(1,853)
Gains on disposals of investments	55,636	49,928
	<u>\$ 394,390</u>	<u>8,801</u>

(iv) Finance costs

The details of finance costs were as follows:

	For the Year Ended December 31,	
	December 31	2023
Interest on bank loans	\$ 56,026	40,112
Interest on bonds	16,415	16,206
Interest on lease liabilities	1,120	1,260
	<u>\$ 73,561</u>	<u>57,578</u>

(ab) Financial Instrument

(i) Credit risk

1) Credit risk exposure

The carrying amounts of financial assets and contract assets represented the maximum amount exposed to credit risk.

(Continued)

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

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 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, 2024 and 2023, the Group's major customers consisted of three customers which accounted for 47% and 57%, respectively, of accounts receivable so that management believes the concentration of credit risk.

3) Receivables and debt securities

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

Other financial assets at amortized cost include other receivables, which is considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected credit losses (regarding how the financial instruments are considered to have low credit risk, please refer to Note 4(g) of the consolidated financial statements for the year ended December 31, 2024.) There were no expected credit losses for other receivables as of December 31, 2024 and 2023.

(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, 2024							
Non-derivative financial liabilities							
Non-interest bearing liabilities	\$ 993,852	993,852	993,852	-	-	-	-
fixed-rate loan	35,405	36,134	12,924	12,754	10,456	-	-
Floating rate instruments	3,501,890	3,609,728	2,019,830	98,827	316,231	1,174,840	-
Current and non-current lease liabilities	56,064	57,531	13,154	12,308	17,241	14,828	-
Guarantee deposits	18,996	18,996	-	-	18,996	-	-
Bonds payable	1,295,340	1,306,400	-	1,306,400	-	-	-
	\$ 5,901,547	6,022,641	3,039,760	1,430,289	362,924	1,189,668	
December 31, 2023							
Non-derivative financial liabilities							
Non-interest bearing liabilities	\$ 881,428	881,428	881,428	-	-	-	-
Floating rate instruments	2,450,539	2,565,906	987,643	275,218	49,413	1,253,632	-
Current and non-current lease liabilities	64,671	66,749	15,189	12,735	13,286	22,571	2,968
Guarantee deposits	4,543	4,543	-	-	4,543	-	-
Bonds payable	1,278,925	1,306,500	-	-	1,306,500	-	-
	\$ 4,680,106	4,825,126	1,884,260	287,953	1,373,742	1,276,203	2,968

(Continued)

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

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

(iii) Currency risk

1) Exposure to foreign currency risk:

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

	December 31, 2024			December 31, 2023			
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD	
<u>Financial assets</u>							
<u>Monetary items</u>							
USD	\$	38,010	32.785	1,246,158	39,261	30.71	1,205,509
EUR		384	34.14	13,110	370	33.98	12,573
CNY		24,094	4.478	107,893	23,745	4.327	102,745
<u>Financial liabilities</u>							
<u>Monetary items</u>							
USD	\$	6,249	32.785	204,873	4,462	30.705	137,006

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, trade and other receivables, loans and borrowings, and trade and other payables that are denominated in foreign currency. A strengthening (weakening) of 1% of the NTD against the USD, EUR and CNY as of December 31, 2024 and 2023 would have increased (decreased) the net profit after tax by \$9,298 thousand and \$9,467 thousand, respectively. This analysis assumes that all other variables remain constant, and the analysis is performed on the same basis for 2023.

3) Foreign exchange gain and loss on monetary items

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the three month ended December 31, 2024 and 2023, and the years ended December 31, 2024 and 2023, the foreign exchange gain (including realized and unrealized portions) amounted to \$76,139 thousand and \$1,491 thousand, 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

(Continued)

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

assessment of the reasonably possible interest rate change.

If the interest rate increases or decreases by 1% the Group's net income will decrease /increase by \$28,015 thousand and \$19,604 thousand for the years ended December 31, 2024 and 2023, 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 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 lease liabilities, disclosure of fair value information is not required:

		December 31, 2024			
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Domestic listed stocks	\$ 217,809	217,809	-	-	217,809
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 2,254,359	-	-	-	-
Notes and accounts receivable and other receivables (including receivables due from related parties)	1,846,931	-	-	-	-
Other financial assets	66,860	-	-	-	-
Refundable deposits	505,423	-	-	-	-
	<u>\$ 4,673,573</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities measured at amortized cost					
Short-term borrowings	\$ 1,552,580	-	-	-	-
Notes and accounts payables and other payables (including payables due from related parties)	993,852	-	-	-	-
Lease liabilities (including current and non-current)	56,064	-	-	-	-
Bonds payable (including current portion)	1,295,340	-	-	-	-
Long-term borrowings (including current portion)	1,984,715	-	-	-	-
Guarantee deposits	18,996	-	-	-	-
	<u>\$ 5,901,547</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		December 31, 2023			
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Financial assets mandatorily measured at fair value through profit or loss	\$ 260	-	260	-	260
Domestic unlisted stocks	156,360	156,360	-	-	156,360
Domestic emerging stocks	26,103	26,103	-	-	26,103
Domestic unlisted stocks	55,511	-	-	55,511	55,511
	<u>\$ 238,234</u>	<u>182,463</u>	<u>260</u>	<u>55,511</u>	<u>238,234</u>

(Continued)

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

		December 31, 2023			
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 1,003,986	-	-	-	-
Notes and accounts receivable and other receivables (including receivables due from related parties)	1,821,706	-	-	-	-
Current contract assets	188,363	-	-	-	-
Refundable deposits	469,378	-	-	-	-
	\$ 3,483,433	-	-	-	-
Financial liabilities measured at amortized cost					
Short-term borrowings	\$ 967,385	-	-	-	-
Notes and accounts payables and other payables (including payables due from related parties)	881,428	-	-	-	-
Lease liabilities (including current and non-current)	64,671	-	-	-	-
Bonds payable	1,278,925	-	-	-	-
Long-term borrowings (including current portion)	1,483,154	-	-	-	-
Guarantee deposits	4,543	-	-	-	-
	\$ 4,680,106	-	-	-	-

2) Fair value valuation techniques 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 techniques of financial instruments measured at fair value

3.1) Derivative financial instruments

Measurement of the fair value of derivative instruments is based on the valuation techniques generally accepted by market participants such as the discounted cash flow or option pricing models. Fair value of forward currency is usually determined by the forward currency exchange rate.

(Continued)

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

3.2) Non-derivative financial instruments

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis. Whether transactions are taking place 'regularly' is a matter of judgment and depends on the facts and circumstances of the market for the instrument.

Quoted market prices may not be indicative of the fair value of an instrument if the activity in the market is infrequent, the market is not well-established, only small volumes are traded, or bid-ask spreads are very wide. Determining whether a market is active involves judgment.

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.

4) Transfers between Level 1 and Level 2

There was no transfer between the fair value hierarchy levels for the years ended December 31, 2024 and 2023.

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".

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) 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 consolidated financial statements.

(Continued)

CUB ELECPARTS INC. AND SUBSIDIARIES
Notes to the Consolidated 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 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.

3) Guarantees

The Group's policy is to provide financial guarantees only to wholly owned subsidiaries. At December 31, 2024 and 2023, no other guarantees were outstanding.

(Continued)

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

(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, 2024 and 2023, the Group's unused credit line were amounted to \$3,821,453 thousand and \$3,278,874 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 committee.

1) Foreign currency risk

The Group's exposure to the risk of fluctuation in foreign currency exchange rates relates primarily to the Group's sales and purchases that are denominated in a currency different from the functional currencies of the Group. The respective functional currencies of the Group'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 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 Group 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 maintain the interest of related parties, and to maintain an optimal capital structure to reduce the cost of capital.

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

The Group 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.

(Continued)

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

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, 2024	December 31, 2023
Total liabilities	\$ 6,199,606	5,002,240
Less: Cash and cash equivalents	<u>(2,254,359)</u>	<u>(1,003,986)</u>
Net debts	3,945,247	3,998,254
Total equity	<u>5,615,792</u>	<u>5,251,579</u>
Adjusted equity	<u>\$ 9,561,039</u>	<u>9,249,833</u>
Debt-to-equity ratio	<u>41.26%</u>	<u>43.23%</u>

(ae) Investing and financing activities not affecting cash flows

The Group's investing and financing activities which did not affect the current cash flow in the years ended December 31, 2024 and 2023, were as follows:

- (i) Requirement of right-of-use assets through lease agreement, please refer to Note 6(i).
- (ii) The conversion of convertible corporate bonds into ordinary shares, please refer to Note 6(q).

Reconciliations of liabilities arising from financing activities were as follows:

	January 1, 2024	Statements of Cash Flows	Non-Cash changes Increase (decrease) for the period	December 31, 2024
Short-term borrowings	\$ 967,385	585,195	-	1,552,580
Current and non-current lease liabilities	64,671	(27,769)	19,162	56,064
Long-term borrowings (including current portion)	1,483,154	500,870	691	1,984,715
Bonds payable	<u>1,278,925</u>	<u>-</u>	<u>16,415</u>	<u>1,295,340</u>
Total liabilities from financing activities	<u>\$ 3,794,135</u>	<u>1,058,296</u>	<u>36,268</u>	<u>4,888,699</u>

	January 1, 2023	Statements of Cash Flows	Non-Cash changes Increase (decrease) for the period	December 31, 2023
Short-term borrowings	\$ 773,825	193,560	-	967,385
Current and non-current lease liabilities	45,659	(29,488)	48,500	64,671
Long-term borrowings (including current portion)	1,116,319	366,433	402	1,483,154
Bonds payable	<u>1,262,816</u>	<u>-</u>	<u>16,109</u>	<u>1,278,925</u>
Total liabilities from financing activities	<u>\$ 3,198,619</u>	<u>530,505</u>	<u>65,011</u>	<u>3,794,135</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 Jiu Feng is the second-degree relative with the chairman of the Company
HUNG YII AUTO PARTS CO., LTD. (HUNG YII)	The chairman of HUNG YII is the second-degree relative with the chairman of the Company
Hu Lane Associate Inc. (Hu Lane)	The chairman of Hu Lane is the director of the Company
POINT COMMUNICATION ENTERPRISE CO., LTD. (POINT COMMUNICATION)	The chairman of POINT COMMUNICATION 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 3S POCKETNET is the director of the Company's subsidiary - 3S System
Yu, Yu-Tao	Yu, Yu-Tao is the first-degree relative with the chairman of the company

(b) Significant transactions with related parties

(vi) Sale revenue

	<u>For the Year Ended December 31,</u>	
	<u>2024</u>	<u>2023</u>
Other related parties		
POINT COMMUNICATION	\$ 1,898	1,784
3S POCKETNET	<u>3,486</u>	<u>1,726</u>
	<u>\$ 5,384</u>	<u>3,510</u>

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

(Continued)

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

(vii) Purchases

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

	For the Year Ended December 31,	
	2024	2023
Other related parties		
HUNG YII	\$ 37,268	27,266
Jiu Feng	1,603	1,071
POINT COMMUNICATION	12,783	11,097
Hu Lane	520	406
3S POCKETNET	1,108	4,898
	<u>\$ 53,282</u>	<u>44,738</u>

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.

(viii) Receivables from related parties

The receivables due from related parties were as follows:

Account	Relationship	December 31, 2024	December 31, 2023
Accounts receivable	Other related parties		
	POINT COMMUNICATION	\$ 1,779	112
	3S POCKETNET	2,496	-
		<u>\$ 4,275</u>	<u>112</u>

(ix) Payables to Related Parties

Account	Relationship	December 31, 2024	December 31, 2023
Account payables	Other related parties		
	HUNG YII	\$ 2,880	2,006
	Jiu Feng	119	117
	POINT COMMUNICATION	1,591	1,382
	Hu Lane	166	89
	3S POCKETNET	748	-
		<u>\$ 5,504</u>	<u>3,594</u>

(Continued)

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

<u>Account</u>	<u>Relationship</u>	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Other payables	Other related parties		
	Hu Lane	-	67
	Jiu Feng	49	26
		<u>\$ 49</u>	<u>93</u>

(x) Contract Asset

<u>Account</u>	<u>Relationship</u>	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Contract Asset	Other related parties		
	3S POCKEINET	<u>\$ 131</u>	<u>28,552</u>

(xi) Lease

On December 12, 2022, the Group leased land from Yu Yu-Tao, another related person, and signed a five-year lease contract with reference to the land rental market in neighboring areas. The lease period was from January 1, 2023 to December 31, 2027, the estimated total contract value was \$30,772 thousand. For the and years ended , the Group recognized the amount of \$380 thousand and \$486 thousand, respectively, as interest expense. As of December 31, 2024 and 2023, the balance of lease liabilities amounted to \$18,788 thousand and \$24,833 thousand, respectively.

(xii) Others

<u>Account</u>	<u>Relationship</u>	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Refundable deposits	Other related parties-3S POCKEINET	\$ 2,231	-
Prepayments	Other related parties-3S POCKEINET	1,046	-
		<u>\$ 3,277</u>	<u>-</u>

(c) Key management personnel transactions

Key management personnel compensation includes:

	<u>For the Year Ended December 31, 2024</u>	<u>2023</u>
Short-term employee benefits	\$ 47,197	46,607
Post-employment benefits	568	1,377
Other long-term employee benefits	-	-
Termination benefits	-	-
Share-based payment	(3,573)	4,106
	<u>\$ 44,192</u>	<u>52,090</u>

(Continued)

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

(8) Assets pledged as security:

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

Assets pledged as security	Liabilities secured by pledge	December 31, 2024	December 31, 2023
Land	Collateral for long-term loans and credit lines	\$ 730,345	730,345
Land (Non—current assets held for sale)	Collateral for long-term loans and credit lines	-	237,902
Buildings and Construction	Collateral for long-term loans and credit lines	534,309	563,894
Other financial assets— bank deposits	Collateral for long-term loans and Guarantee of deposit	9,544	37,009
		<u><u>\$ 1,274,198</u></u>	<u><u>1,569,150</u></u>

(9) Significant commitments and contingencies:

(a) Significant unrecognized commitments

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

	December 31, 2024	December 31, 2023
Acquisition of property, plant and equipment	\$ <u><u>351,717</u></u>	<u><u>268,242</u></u>

(ii) The unused letters of credit

	December 31, 2024	December 31, 2023
The unused letters of credit	\$ <u><u>45,630</u></u>	<u><u>45,624</u></u>

(iii) As of December 31, 2024 and 2023, the refundable deposits paid, amounted to \$773,348 thousand, \$384,868 thousand, respectively.

(iv) As of December 31, 2024 and 2023, the Group signed a research and development project with the Ministry of Economic Affairs, ROC, and issued deposit guarantee notes of \$0 thousand and \$25,000 thousand, respectively.

(10) Losses Due to Major Disasters:None

(11) Subsequent Events:None

(Continued)

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

(12) Other:

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

By function By item	For the Year Ended December 31, 2024			For the Year Ended December 31, 2023		
	Cost of sale	Operating expenses	Total	Cost of sale	Operating expenses	Total
Employee benefits						
Salary	136,771	534,871	671,642	124,613	587,426	712,039
Labor and health insurance	15,632	56,527	72,159	14,897	59,331	74,228
Pension	8,579	26,016	34,595	8,010	26,521	34,531
Other employee benefits expense	3,934	15,873	19,807	4,590	12,877	17,467
Depreciation	104,190	107,846	212,036	112,275	107,947	220,222
Amortization	498	61,520	62,018	1,124	61,958	63,082

(Continued)

CUB ELECPARTS INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(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, 2024:

(i) Loans to other parties:

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
1	CUBTEK	CUBTEK SHANGHAI	Other receivables	Yes	181,953	181,953	181,953	2.7~2.8125%	Operating translation	-	Operating translation	-		-	353,871	353,871

Note 1 : The cap calculation for CUBTEK:

- (i) Pursuant to the CUBTEK’s procedure of loans to other entity, for the CUBTEK loans to those individual entity 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 within the year.

The business amount referred hereof is either amount of inventory or sales between the two parties, whichever is higher.

- (ii) In accordance with the CUBTEK’s procedures for loan to other entity, the loan is limited to entity whose entire shares are being held directly or indirectly by the CUBTEK. If there is a need for short-term financing due to business needs, the maximum limit for loan shall not exceed 30% of the net value of the entity. Short term refers to period of one year. However, entity shall be subjected to its business cycle if its business period is longer than one year.

- (iii) Pursuant to the CUBTEK’s procedure of loans to other parties, the maximum amount of loan shall not exceed 30% of the CUBTEK’s net worth.

(ii) Guarantees and endorsements for other parties:

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	the Company	ITM Engine Components, Inc.	2	4,295,590	49,253 (USD1,500)	49,178	37,047	-	1.14 %	4,295,590	Y	N	N
0	the Company	HARBINGER TECHNOLOGY	2	4,295,590	800,000	800,000	560,092	-	18.62 %	4,295,590	Y	N	N
0	the Company	3S System	2	4,295,590	1,660,000	1,660,000	628,590	-	38.64 %	4,295,590	Y	N	N
1	CUBTEK	CUBTEK SHANGHAI	1	353,871	135,690	134,340	24,692	-	15.19 %	353,871	Y	N	Y

Note 1: The cap calculation for the company:

- (1) The amount of the guarantees and endorsements for a single company shall not exceed 100% of the Company's current net value.
- (2) The total amount of the guarantees and endorsements provided by the Company shall not exceed 100% of the Company's current net value.
- (3) The relationship between the endorser/guarantor and the guaranteed party:
- ((1)). Having business relationship.
- ((2)). The Company which directly or indirectly holds more than 50% of the subsidiary.

(Continued)

CUB ELECPARTS INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Note 2: The cap calculation for CUBTEK:

- (1) The total amount of the CUBTEK's accumulated external endorsement guarantees and the amount of endorsement guarantees for a single enterprise with a holding ratio of more than 50% shall not exceed 30% of the CUBTEK's current net value.
- (2) The relationship between the endorser/guarantor and the guaranteed party:
 - ((1)) Having business relationship.
 - ((2)) Companies that the CUBTEK directly and indirectly holds more than 50% of the voting shares.
 - ((3)) Companies that directly and indirectly hold more than 50% of the CUBTEK's voting shares.
 - ((4)) Companies that the CUBTEK directly and indirectly holds more than 90% of the voting shares.
- (iii) Securities held as of December 31, 2024 (excluding investment in subsidiaries, associates and joint ventures):

Unit : Thousands Shares

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	
HARBINGER TECHNOLOGY	Wistron Corporation	None	Current financial assets at fair value through profit or loss	780	81,120	- %	81,120	
HARBINGER TECHNOLOGY	ABILITY OPTO-ELECTRONICS TECHNOLOGY CO., LTD	None	Current financial assets at fair value through profit or loss	283	59,572	- %	59,572	
HARBINGER TECHNOLOGY	Browave Corporation	None	Current financial assets at fair value through profit or loss	545	77,117	- %	77,117	

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

Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counter-party	Relationship with the Company	If the counter-party is a related party, disclose the previous transfer information				References for determining price	Purpose of acquisition and current condition	Others
							Owner	Relationship with the Company	Date of transfer	Amount			
the Company	Construction in progress	Jan 1, 2023 to Dec. 31, 2024	766,154	According to the contract	True-Dreams Construction CO., LTD.	Non-related parties	-	-	-	-	Public bidding	Be used in operation	None

- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:

Name of company	Type of property	Transaction date	Acquisition date	Book value	Transaction amount	Amount actually receivable	Gain from disposal	Counter-party	Nature of relationship	Purpose of disposal	Price reference	Other terms
CUBTEK	Land	Jun 12, 2024	Jan 15, 2018	240,342	498,350	498,350	248,428	GOLD STONE DEVELOPMENT CO., LTD	Non-related party	Asset revitalization	Valuation report	None

(Continued)

CUB ELECPARTS INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(vii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
CUB Shanghai	CUBTEK SHANGHAI	Subsidiaries directly held by the Company	Sale	(111,530)	(46.27)%	Monthly settlement of 120 days	-	Same as normal customers	67,094	11.20%	
CUBTEK SHANGHAI	CUB Shanghai	Subsidiaries directly held by the Company	Purchase	111,530	32.78%	Monthly settlement of 120 days	-	Same as normal customers	67,094	18.58%	
CUBTEK	CUBTEK SHANGHAI	Subsidiaries directly held by the Company	Sale	(130,941)	(39.96)%	Monthly settlement of 120 days	-	Same as normal customers	120,709	89.91%	
CUBTEK SHANGHAI	CUBTEK	Subsidiaries directly held by the Company	Purchase	130,941	38.39%	Monthly settlement of 120 days	-	Same as normal customers	120,709	72.41%	

Note 1: The transactions have been eliminated upon consolidation.V

(viii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts
					Amount	Action taken		
CUBTEK	CUBTEK SHANGHAI	Indirect subsidiary	120,709	122.66%	43,645	Actively collecting collection	-	-

(ix) Trading in derivative instruments:Please refer to Notes 6(b).

(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	93,684	General price and terms of payment	2.01%
1	CUB Shanghai	the Company	2	Sale	93,684	"	2.01%
0	the Company	CUB Shanghai	1	Purchase	16,616	"	0.36%
1	CUB Shanghai	the Company	2	Sale	16,616	"	0.36%
0	the Company	CUB Shanghai	1	Accounts payable	14,499	"	0.12%
1	CUB Shanghai	the Company	2	Accounts receivable	14,499	"	0.12%
0	the Company	CUBTEK	1	Sale	57,265	"	1.23%
2	CUBTEK	the Company	2	Purchase	57,265	"	1.23%
0	the Company	CUBTEK	1	Accounts receivable	17,805	"	0.15%
2	CUBTEK	the Company	2	Accounts payable	17,805	"	0.15%
3	HARBINGER TECHNOLOGY	3S System	3	Accounts payable	84,583	"	0.72%
8	3S System	HARBINGER TECHNOLOGY	3	Contracts assets	24,417	"	0.21%
8	3S System	HARBINGER TECHNOLOGY	3	Accounts receivable	60,166	"	0.51%
3	HARBINGER TECHNOLOGY	3S System	3	Purchase	76,050	"	1.63%
8	3S System	HARBINGER TECHNOLOGY	3	Sale	76,050	"	1.63%
4	ITM AUTOPARTS INTERNATIONAL	ITM	3	Sale	34,216	"	0.73%
5	ITMI	ITM AUTOPARTS INTERNATIONAL	3	Purchase	34,216	"	0.73%
4	ITM AUTOPARTS INTERNATIONAL	ITM	3	Accounts receivable	29,214	"	0.25%
5	ITM	ITM AUTOPARTS INTERNATIONAL	3	Accounts payable	29,214	"	0.25%
1	CUB Shanghai	CUBTEK SHANGHAI	3	Sale	111,530	"	2.39%
7	CUBTEK SHANGHAI	CUB Shanghai	3	Purchase	111,530	"	2.39%
1	CUB Shanghai	CUBTEK SHANGHAI	2	Accounts receivable	69,747	"	0.59%
7	CUBTEK SHANGHAI	CUB Shanghai	3	Accounts payable	69,747	"	0.59%

(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
1	CUB Shanghai	CUBTEK SHANGHAI	3	Rent revenue	11,921	According to the contract	0.26%
7	CUBTEK SHANGHAI	CUB Shanghai	3	Rent expense	11,921	"	0.26%
2	CUB Shanghai	CUBTEK SHANGHAI	3	Other receivable	218,364	"	1.83%
7	CUBTEK SHANGHAI	CUBTEK	3	Other payables	76,165	"	0.63%
7	CUBTEK SHANGHAI	CUBTEK	3	Accounts payable	262,908	"	2.23%
2	CUBTEK	CUBTEK SHANGHAI	3	Accounts receivable	120,709	"	1.02%
2	CUBTEK	CUBTEK SHANGHAI	3	Revenue from patent grants	25,971	"	0.56%
7	CUBTEK SHANGHAI	CUBTEK	3	Royalty expense	25,971	"	0.56%
2	CUBTEK	CUBTEK SHANGHAI	3	Sale	130,941	"	2.80%
7	CUBTEK SHANGHAI	CUBTEK	3	Purchase	130,941	"	2.80%

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, 2024 (excluding information on investees in Mainland China):

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

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2024			Highest percentage of ownership during the year	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2024	December 31, 2023	Shares (thousands)	Percentage of ownership	Carrying value				
the Company	Silver Cub Inc.	Samoa	Investment holding	233,066 (USD 7,110)	233,066 (USD 7,110)	7,110	100.00 %	1,017,165	100.00 %	(32,734)	(32,734)	Subsidiary (Note)
Silver Cub Inc.	Golden Cub Inc.	Anguilla	Investment holding	USD 7,110	USD 7,110	7,110	100.00 %	USD 31,650	100.00 %	USD (1,019)	USD (1,019)	Subsidiary (Note)
the Company	Royal Cub Inc.	Seychelles	Investment holding	56,175 (USD 1,919)	56,175 (USD 1,919)	1,919	70.00 %	35,409	70.00 %	(20,380)	(14,266)	Subsidiary (Note)
Royal Cub Inc.	Ever Cub Inc.	Seychelles	Investment holding	USD 2,741	USD 2,741	2,741	100.00 %	USD 1,543	100.00 %	USD (634)	USD (634)	Subsidiary (Note)
Ever Cub Inc.	ITM Engine Components, Inc.	Carson, U.S.A	Sales of automobile parts	USD 2,807	USD 2,807	2,458	100.00 %	USD 1,543	100.00 %	USD (634)	USD (634)	Subsidiary (Note)
the Company	ITM AUTOPARTS INTERNATIONAL	Taiwan	International trade	10,500	10,500	1,050	70.00 %	12,199	70.00 %	4,327	3,029	Subsidiary (Note)
the Company	HARBINGER TECHNOLOGY	Taiwan	Communications Electronics and Government project loans	1,500,485	1,500,485	44,534	76.79 %	1,631,686	76.79 %	139,592	105,414	Subsidiary (Note)
HARBINGER TECHNOLOGY	RISUN	Taiwan	Restrained Telecom Radio Frequency Equipment and Materials Import	-	5,000	-	- %	-	100.00 %	20	20	Subsidiary (Note)
the Company	CUBTEK	Taiwan	Manufacture and processing of automobile parts	1,015,759	722,778	54,593	51.20 %	461,123	51.20 %	35,100	15,881	Subsidiary (Note)
CUBTEK	Globe Cub Inc.	Anguilla	Investment holding	271,880 (USD 9,200)	271,880 (USD 9,200)	9,200	100.00 %	(182,040)	100.00 %	(147,304)	(147,304)	Subsidiary (Note)
Globe Cub Inc.	Glory Cub Inc.	Seychelles	Investment holding	USD 9,200	USD 6,200	9,200	100.00 %	USD (5,365)	100.00 %	USD (4,585)	USD (4,585)	Subsidiary (Note)
the Company	3S System	Taiwan	Video monitoring system and communications construction	781,090	942,306	36,767	60.46 %	772,903	73.75 %	(14,280)	(12,723)	Subsidiary (Note)

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

(c) Information on investment in mainland China:

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

(Continued)

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

(In Thousands of New Taiwan Dollars/ In Thousands of United States 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, 2024	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2024	Net income (losses) of the investee	Percentage of ownership	Highest percentage of ownership during the year	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 (USD 7,110)	Indirectly owned by the company	233,066 (USD 7,110)	-	-	233,066 (USD 7,110)	(32,734)	100 %	100.00%	(32,734) (Note)	1,017,165	-
CUBTEK SHANGHAI	Manufacture and processing of automobile parts	271,880 (USD 9,200)	Indirectly owned by the CUBTEK	271,880 (USD 9,200)	-	-	271,880 (USD 9,200)	(147,304)	51.20 %	51.20 %	(75,420) (Note)	(93,204)	-

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, 2024	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
NTD\$504,946 (USD\$16,310)	NTD\$504,946 (USD\$16,310)	3,369,475

(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”.

(d) Major Shareholders:

Unit: Shares

Shareholding Shareholder’s name	Shares	Percentage
Jun Chang Investment Co., Ltd.	15,722,089	11.15 %
Jun Rui Investment Co., Ltd.	14,799,668	10.50 %
Yu, Yu-Shih	10,391,653	7.37 %
Yu, Yu-Tao	9,181,575	6.51 %
Yu, San-Chuan	9,082,883	6.44 %
Huang, Shu-Yuan	7,587,862	5.38 %

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

(14) Segment information:

(a) General information

The Group has two reportable segments: segment Auto Parts and segment Communication Equipment and Engineering. Segment Auto Parts engaged in the manufacturing, processing and trading of various auto parts and automobile and motorcycle motor switches. Segment Communication Equipment and Engineering is engaged in trading and manufacturing of communications electronic products, computer peripheral equipment and other products, as well as contracting of government projects and other businesses.

The reportable segments are the Group's strategic divisions. They offer different products and services, and are managed separately because they require different technology and marketing strategies. Most of the strategic divisions were acquired separately. The management of the acquired divisions remains employed by the Group.

(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. The internal management report includes profit before taxation, but not including any extraordinary activity and foreign exchange gain or losses because taxation, extraordinary activity, and foreign exchange gain or losses are managed on a group basis, and hence they are not able to be allocated to each reportable segment. In addition, not all reportable segments include depreciation and amortization of significant non-cash items. The reportable amount is similar to that in the report used by the chief operating decision maker.

The operating segment accounting policies are similar to those described in note 4 "significant accounting policies" except for the recognition and measurement of pension cost, which is on a cash basis.

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

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

	2024			
	Segment Auto Parts	Segment Communication Equipment and Engineering	Reconciliation and elimination	Total
Revenue				
Revenue from external customers	\$ 2,648,037	2,022,722	-	4,670,759
Intersegment revenues	486,558	76,057	(562,615)	-
Interest revenues	18,098	12,095	(1,514)	28,679
Total revenue	<u>\$ 3,152,693</u>	<u>2,110,874</u>	<u>(564,129)</u>	<u>4,699,438</u>
Interest expense	\$ 50,620	23,298	(357)	73,561
Depreciation and amortization	224,604	41,193	8,257	274,054
Reportable segment profit or loss	<u>\$ 241,332</u>	<u>125,333</u>	<u>152,744</u>	<u>519,409</u>

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

2024				
	Segment Auto Parts	Segment Communication Equipment and Engineering	Reconciliation and elimination	Total
Capital expenditure	\$ 288,761	64,247	-	353,008
Reportable segment assets	\$ 6,355,054	4,374,995	1,085,349	11,815,398
Reportable segment liabilities	\$ 3,676,070	1,533,087	990,449	6,199,606
2023				
	Segment Auto Parts	Segment Communication Equipment and Engineering	Reconciliation and elimination	Total
Revenue				
Revenue from external customers	\$ 2,803,626	1,593,968	-	4,397,594
Intersegment revenues	912,936	138,957	(1,051,893)	-
Interest revenues	12,886	19,792	(219)	32,459
Total revenue	\$ 3,729,448	1,752,717	(1,052,112)	4,430,053
Interest expense	\$ 55,814	2,142	(378)	57,578
Depreciation and amortization	257,082	25,863	359	283,304
Reportable segment profit or loss	\$ (5,359)	155,261	183,633	333,535
Capital expenditure	\$ 608,882	17,159	-	626,041
Reportable segment assets	\$ 5,328,890	4,095,223	829,706	10,253,819
Reportable segment liabilities	\$ 2,884,965	1,332,724	784,551	5,002,240

The material reconciling items of the above reportable segment are as below:

Total reportable segment revenue after deducting the intersegment revenue was 564,129 in 2024 (2023: \$1,052,112).

(c) **Product and service information**

Revenue from the external customers of the Group was as follows:

Product and services	2024	2023
Automobile motor switch	\$ 1,115,975	861,176
Automobile safety components and systems	1,141,510	1,713,411
Communication equipment, construction, and others	2,413,274	1,823,007
Total	\$ 4,670,759	4,397,594

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

(d) Geographic information

In presenting 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.

Geographical information	2024	2023
Revenue from external customers:		
Taiwan	\$ 1,620,659	1,764,709
United States	1,293,621	964,282
China	366,562	989,214
Germany	178,893	198,348
Other countries	<u>1,211,024</u>	<u>481,041</u>
Total	<u><u>\$ 4,670,759</u></u>	<u><u>4,397,594</u></u>
	December 31,	December 31,
Geographical information	2024	2023
Non current assets:		
Taiwan	\$ 3,192,278	3,031,695
United States	41,222	38,607
China	<u>378,915</u>	<u>349,936</u>
Total	<u><u>\$ 3,612,415</u></u>	<u><u>3,420,238</u></u>

(e) Major customers

	2024	2023
A customer of Segment Auto Parts	\$ 291,981	177,451
B customer of Segment Auto Parts	454,722	330,266
C customer of Segment Auto Parts	-	492,010
A customer of Segment Communication Equipment and Engineering	<u>483,352</u>	<u>758,442</u>
	<u><u>\$ 1,230,055</u></u>	<u><u>1,758,169</u></u>