

Caswell, Inc.

2023 Annual Report

Annual Report Website: <https://mops.twse.com.tw>
<https://www.cas-well.com/>

Printing Date: April 30, 2024

I. Spokesperson

Spokesperson : Hans Chen
Position : Assistant Vice Manager
Email : spokesman@cas-well.com
Telephone : (02)7727-5788
Deputy Spokesperson : Ray Lin
Position : Deputy General Manager of Sales
Email : spokesman@cas-well.com
Telephone : (02)7727-5788

II. The Company Address

Headquarters : 12F., No. 308, Jianguo 1st Road, Xinzhuang District, New Taipei City
Plant : No. 11, Da'an Rd., Xinzhuang Dist., New Taipei City
Telephone : (02)7727-5788

III. Stock Transfer Agency

Name : Stock Affairs Department of Grand Fortune Securities Co., Ltd
Address : 6F., No. 6, Sec. 1, Zhongxiao W. Rd., Zhongzheng Dist., Taipei City
Website : <http://www.gfortune.com.tw>
Telephone : (02) 2371-1658

IV. The CPAs for the Latest Financial Statements

CPA : Hui-Chih Kou, Pei-Chi Chen
Name of CPA Firm : KPMG
Address : 68F, No. 7, Section 5, Xinyi Road, Taipei City
Website : <http://www.kpmg.com.tw>
Telephone : (02)8101-6666

V. Overseas Securities Exchange Where Securities are Listed and Method of Inquiry: None

VI. The Company website: <http://www.cas-well.com>

Table of Contents of Annual Report

| | | |
|-----------|---|-----|
| Chapter 1 | Letter to Shareholders | 1 |
| Chapter 2 | The Company Profile | 4 |
| | I. Date of Incorporation..... | 4 |
| | II. The Company History..... | 4 |
| Chapter 3 | Corporate Governance Report | 11 |
| | I. Corporate Organization..... | 11 |
| | II. Information Regarding Directors and the Management Team..... | 15 |
| | III. Status of Corporate Governance..... | 37 |
| | IV. Information About CPA Professional Fee | 100 |
| | V. Information About Replacement of CPA | 100 |
| | VI. Other important information on corporate governance | 101 |
| Chapter 4 | Capital Overview | 106 |
| | I. Capital Stock and Shares | 106 |
| | II. Handling of Corporate Bonds: | 113 |
| | III. Issuance of preferred stocks, overseas depository receipts, employee stock option certificates, new restricted employee shares, mergers and acquisitions, or issuance of new shares for the acquisition of other companies..... | 125 |
| | IV. Implementation of capital utilization plan | 125 |
| Chapter 5 | Operational Overview | 126 |
| | I. Business Activities..... | 126 |
| | II. Analysis of market and production and marketing situation | 149 |
| | III. Employees information..... | 159 |
| | IV. Environmental protection expenditure | 159 |
| | V. Labor relations..... | 160 |
| | VI. Information Security Management..... | 163 |
| | VII. Major agreements | 168 |
| Chapter 6 | Financial Information | 169 |
| | I. Most Recent 5-Year Financial Information..... | 169 |
| | II. Financial Analysis for the Most Recent 5 Years..... | 173 |
| | III. Audit Committee's report for the most recent year's financial statement | 178 |
| | IV. Financial Statements for the Most Recent Fiscal Year | 178 |
| | V. The Parent Company Only Financial Statements for the Most Recent Fiscal Year, Certified by CPAs: | 178 |

| | | | |
|-----------|------|---|-----|
| | VI. | In the Most Recent Fiscal Year and Up to the Date of Publication of the Annual Report, Any Financial Difficulties Experienced by the Company or Its Affiliates and How Said Difficulties Will Affect the Company's Financial Situation..... | 178 |
| Chapter 7 | | Review and Analysis of Financial Status and Financial Performance and Risk Matters | 179 |
| | I. | Financial Status | 179 |
| | II. | Financial Performance | 180 |
| | III. | Analysis cash flows | 181 |
| | IV. | Major capital expenditure for the most recent year and its effect on financial position and operation of the Company | 182 |
| | V. | The Company reinvestment policy for the most recent fiscal year, main reasons for profits/losses generated thereby, plan for improving reinvestment profitability, and investment plans for coming year..... | 182 |
| | VI. | Risk management and evaluation..... | 184 |
| | VII. | Other Important Matters: None..... | 191 |
| Chapter 8 | | Special Disclosure..... | 192 |
| | I. | Information on Affiliates..... | 192 |
| | II. | Handling of private placement of securities: no such situation occurred in the most recent year and up to the publication date of the annual report..... | 198 |
| | III. | Holding or disposition of the Company's shares by subsidiaries: no such situation occurred in the most recent year and up to the publication date of the annual report..... | 198 |
| | IV. | Other Necessary Additional Notes | 198 |
| | V. | Situations Listed in Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act, which Might Materially Affect Shareholders' Equity or the Price of the Securities | 198 |

Chapter 1. Letter to Shareholders

Dear Shareholders,

We have entered the post-pandemic period in 2023. Although we expect a gradual global economic recovery, the overall environment is impacted by international inflation, rising interest rates and lower-than-expected post-pandemic economic performance in China. This has led to weak demand in global end markets and prolonged inventory adjustments in industrial supply chains. This has dampened growth momentum in several industries. In addition, ongoing conflicts such as the Russian-Ukrainian war and the Israeli-Palestinian conflict continue to have a negative impact on global economic development and social stability. As a result, consolidated net operating revenue for 2023 was NT\$4,082,437 thousand, a decrease of NT\$900,235 thousand or 18% compared to 2022, which was NT\$4,982,672 thousand. Net income after tax was NT\$322,707 thousand, a decrease of NT\$105,625 thousand or 25% compared to 2022, which was NT\$428,332 thousand. Despite the negative impact of the economic environment on sales and profitability in 2023, the Company has been actively developing and seeking new products and next-generation products, winning a record number of projects in the past three years. We hope that in the future, when the economy returns to normal, we will be able to transform ourselves and make a successful transition, bringing new growth performance to the company.

With the continuous development of digital technology and internet communications (5G), innovative applications of cloud and edge computing continue to emerge. With the proliferation of connected devices and the transmission of large amounts of data, cybersecurity issues such as ransomware attacks continue to emerge, posing a serious threat to business operations. Supply chain attacks have also recently become an emerging target, particularly affecting industries with significant capital expenditures, such as industrial infrastructure and technology applications. As a result, information security has become a key focus for governments and businesses worldwide. In addition, the rapid development of artificial intelligence (AI) technology has brought new momentum to cybersecurity. AI can help organizations improve their cybersecurity defenses, but it can also be used by attackers to launch more destructive attacks. As a result, major technology companies are actively investing in AI cybersecurity and developing various AI cybersecurity products and services. By integrating AI with cybersecurity technology, they aim to help enterprises strengthen their cybersecurity resilience, improve corporate governance, and reduce operational risks to build a more secure and reliable network environment and provide robust protection for enterprises and organizations.

The main operation plan of the Company in 2024 is to integrate various innovative designs, technologies, experience and innovative thinking of strategic partners developed in recent years. the Company will explore the excellent R&D capabilities for software, ruggedness and hardware accumulated over the years, combining various ingenuity and innovation of R&D teams and customers' industrial experience and needs, and taking into account the development trend of science and technology, actively seek strategic partners, and carry out continuous design and development of more netcom security system platforms, cloud server systems, cloud computing and enterprise client network packet switches, software-defined wide area network (SD-WAN) and virtual/extended client equipment (vCPE/uCPE), industrial Internet control, storage and security gateways, and edge computing intelligent gateways. Based on the requirements of network traffic management, data packet storage and transmission and data security in various cloud application service fields, low latency of fog computing/edge computing, Edge AI, deep learning and intelligent computing applications, the Company helps customers to integrate software and hardware in a complete and quick manner, shortens the development time of various application platform systems, and provides comprehensive product lines with high cost performance in combination with advantageous supply chain and manufacturing resources, thus meeting the needs of customers for diversified IT/OT/CT/DT network security application products and services.

The Company will continue to invest in research and development of high-performance multicore processors (Intel/AMD X86 and RISC/ARM architectures), high-bandwidth Ethernet networks (10G/25G/40G/100/200GbE), network switches, data processing units (DPU), and field-programmable gate arrays (FPGA). the Company will also work with customers to develop servers and server Board remote management systems (LOM/BMC) to address and prevent various network and hacker attacks. The Company will also continue to invest in and promote a new business model of system integration services and solution sales. This will enable the Company to explore new business directions and gradually increase unit sales prices and value, thereby improving profitability. Besides this, since customers have specific requirements for the production history, test verification, customized specifications, quality certification system, maintenance service/record and global distribution management of system products, the Company continuously develops and refines information integrated platform services, test verification software suite, improves the automation degree of process verification software/process, optimizes the global delivery center and logistics management information system, fully docks with customers' internal systems, makes the test verification products more complete, and actively achieves the short, medium and long term goals of ISO-27001 and the active development of ESG policies to provide customers with better supply chain choices.

Chapter 2 The Company Profile

1. Date of Incorporation: April 19, 2007

2. The Company History

| | |
|------|---|
| 2007 | <ul style="list-style-type: none"> ● Pushi Technology Co., Ltd.(former name of the Company)was established, with paid-in capital of NT\$10,000 thousand (the same below) ● The Company developed the first set of self-ownedNVR Linuxcore, laying the cornerstone of otherLinuxapplications in the future |
| 2008 | <ul style="list-style-type: none"> ● The Company moved to Zhonghe Yuandong Century Plaza ● The Company launched 10G optical fiber network Bypass card ● Total paid-in capital amounted to NT\$125,000 thousand after an increase in cash capital of NT\$115,000 thousand. Portwell, Inc. obtained 90% equity ● The Company changed its name to: CASwell, Inc. ● The Company launched the NAS/SAN/DAS multifunctional integrated storage device EverNAS 2/4 bays used by small and medium-sized enterprises ● The Company cooperated with Intel to launch EP80579 (Tolapai), an integrated chip application server. ● The Company set up a software research and development center ● The import plan of the whole new generation of P-QUA 3 ● The Company launched the 12-slot extraction hard disk voice streaming server ● The Company established the American distribution service logistics center |
| 2009 | <ul style="list-style-type: none"> ● The Company merged with Weifu Technology Co., Ltd. (hereinafter referred to as Weifu Technology), with a share swap ratio of 0.8: 1. The paid-in capital amounted to NT\$ 248,200 thousand with a capital increase of NT\$ 123,200 thousand. ● Based on the merger with Waifu Technology, the Company obtained 100% equity of Waifu Technology’s American subsidiary Waver Technologies, Inc (hereinafter referred to as Waver) ● The employee bonus was transferred to increase capital by NT\$ 660 thousand, and the paid-in capital amounted to NT\$ 248,860 thousand. ● ISO 9001 Quality Management System was introduced ● The Company strategically cooperated with Freescale to develop the first NPU Networking appliance product CAK-2000 ● The Company introduced the new generation of Westmere Processor product series ● The Company launched Freescale enterprise-class network voice application server ● The Company developed the second generation of PCI-Express 10G network card before the American Intel ● The Company launched the fanless Cavium low-order desktop network application server |

| | |
|------|---|
| | <ul style="list-style-type: none"> ● The Company adopted Core i7, the latest process of American Intel, to provide high-end application servers in the network ● The Company introduced modular network card, which could be used by customers across platforms ● Total paid-in capital amounted to NT\$260,000 thousand after an increase in cash capital of NT\$11,140 thousand. |
| 2010 | <ul style="list-style-type: none"> ● The Company moved to the R & D center of Datong Science and Technology Park Group in Shulin District ● The Company passed TUV NORD ISO 9001 quality management system certification and obtained ISO 9001 quality management system certificate ● The employee bonus was transferred to increase capital by NT\$ 4,350 thousand, and the surplus was transferred to increase capital by NT\$ 39,000 thousand. The paid-in capital amounted to NT\$ 303,350 thousand. ● The Company's distribution service logistics center introduced self-developed distribution service management system (HMS) integrating internal information systems ● The Company liquidated the American subsidiary Waver ● The Company merged with Wailian Technology Co., Ltd. (hereinafter referred to as Wailian Technology), with a share swap ratio of 1:1. The paid-in capital amounted to NT\$ 442,336 thousand with a capital increase of NT\$ 138,986 thousand. ● Based on the merger with Wailian Technology, the Company obtained 76.92% equity of Waifang Technology Co., Ltd. (hereinafter referred to as Waifang Technology). The Company was mainly responsible for BIOS technical consultation and writing ● The Company established a new product business group and received the first ATCA customization project ● Import plan of research and development of full range of LGA-1156 products ● Import plan of Intel's next generation of ATOM Embedded products ● Import plan of the new generation of PCIe Gen2 NIC module (Barton Hill) ● The Company promoted the MMBS cloud server product plan ● The Company joined Taiwan Province Cloud Industry Association as a founding member |
| 2011 | <ul style="list-style-type: none"> ● The Company cooperated with Ming Chi University of Technology ● The Company set up the software quality control department ● The Company launched the 1Gb LOM card, which passed the certification and was adopted by customers in their full range of network security systems ● The Company passed TUV NORD ISO 14001 Environmental Management System and OHSAS 18001 Occupational Safety and Health Management System certification. ● The employee bonus was transferred to increase capital by NT\$ 12,000 thousand. The surplus was transferred to increase capital by NT\$ 119,431 thousand. The capital reserve was transferred to increase paid-in capital by NT\$ 26,540 thousand. The paid-in capital amounted to NT\$ 600,307 thousand. |

| | |
|------|--|
| | <ul style="list-style-type: none"> ● The Company disposed of all shares of its subsidiary Portwell Technology ● The Company introduced a new generation of Gen3 Bypass to strengthen the complete functions of software and hardware ● The C-Ver Diagnostic tool pioneered by the Company allows products to be fully verified on the client side ● The Company began to develop Intel Crystal Forest Family QAT Cave Creek HW Acceleration series ● The Company began to develop the Acceleration Card Program of Hardware Acceleration ● Research and development of 80x70mm 4x SFP and SFP+ black box/blue box technology leading plan ● The Company began to develop 10G Base-T high-end 10G Copper network card ● The Company passed 14001:2004 certification ● The Company passed OHSAS 18001:2007 certification ● The Company built its own after-sales maintenance service management system(eRMA) |
| 2012 | <ul style="list-style-type: none"> ● The Company's distribution service management system(HMS)and after-sales maintenance service management system(eRMA) were seamlessly integrated ● The Company established a new Fanless product line CAF-xxxx ● The Company set out to research and develop the high, medium and low product lines of Intel's new generation of Haswell , Grantley, Denlow, Shark Bay ● The Company started to develop Intel new generation ATOM product line, Rangeley, Bay trail ● The Company strategically cooperated with Tileria strategically to develop network processor NIC module, system ● The Company started to develop 40G NIC Module ● The Company set up the Hsinchu R&D Center ● The Company introduced the TL 9000 telecoms quality management system ● The Company released new product Mellanox 40G QSFP NIC module ● The Company developed the new technology of the 3.5th generation of Bypass, and introduced a more powerful and intelligent network security mechanism ● The Company released the first miniaturized 4xSFP+ Bypass module, providing a safer, faster and denser network card ● The Company planned a series of standard network cards to expand the application of products to network storage, VoIP, wireless endpoint access and network monitoring system ● The Log service had been developed, providing customers with more real-time and reliable information inquiry service of production history ● The Company built the Taiwan Distribution Service Logistics Center ● The Financial Supervisory Commission approved the public offering of shares of the Company. |

| | |
|------|--|
| 2013 | <ul style="list-style-type: none"> ● The Company obtained the TL9000 telecommunications quality management system certification ● The Company was listed in the OTC as emerging stock. ● The Company established the distribution service logistics center in the Netherlands, Europe ● The Company introduced a patented five-in-one integrated button LCD screen ● The Company launched Intel’s 4th generation of Haswell series products ● The Company launched Intel’s new generation of Bay Trail & Rangeley series products ● The Company cooperated with American the Company Tiler to launch Tiler 72-core overspeed network accelerator card module ● The Company launched the 9-core ultra-micro network accelerator card ● The Company launched the 16-core ultra-micro network accelerator card ● The Company launched x86/Tiler dual-system hybrid architecture system platform ● The Company launched a variety of 1U and 2U rack Tiler super-core network security system platforms |
| 2014 | <ul style="list-style-type: none"> ● With regard to SDN/NFV, the Company cooperated with Intel strategically and actively invested in the research and development of network virtual application and software-defined architecture ● In response to the vigorous development of cloud computing and Internet of Things, the Company provides all kinds of software and hardware products and services needed to construct the data center ● The Company launched various types of Ethernet cards to meet the needs of different servers in high-speed data packet exchange ● The Company launched ARM 64bit server system to provide another high-performance and low-power option for data center ● The Company launched Romley-EP 2U rack server platform supporting up to 240G network bandwidth. ● The Company launched 40G Mellanox Ethernet card ● The Company cooperated strategically with Ennoconn Technology to meet the demand of higher productivity ● The Company incorporated into Ennoconn Technology to officially set up FOXCOON Technology Group, and arranged the quantitative transfer project of production line to obtain the advantages of higher quality and cost control ● The Company established the Japanese subsidiary CASO,INC ● The Company won the 23rd National Rock Award and 17th Little Giant Award |
| 2015 | <ul style="list-style-type: none"> ● The Company launched the Rangleley fanless system specializing in network performance processing ● The Company exhibited a product presentation based on SDN/NFV concept in Beijing City ● The Company completed a variety of cutting-edge micro servers such as CCS and AFA and conceptual machines of All Flash array product, focusing on cloud market applications |

| | |
|------|---|
| | <ul style="list-style-type: none"> ● The Company launched a 10G base-T copper Ethernet network card ● The Company launched a high-density 4-port 10G Ethernet card ● The Company launched a two-port GbE medical-grade Ethernet card ● The Company launched a new generation of Tiler 72 cores CAT-8020 network high-performance system ● The Company constructed a high-quality enterprises with ISO-28000 safety certification and established more complete supply chain safety management ● The Company launched Intel's new generation of Skylake-S 1U network security series products ● The Company launched Intel's new generation of Skylake-U Desktop fanless products ● The Company launched Intel's new generation of Haswell-EP 1U/2U high-end network security products ● The Company acquired 82% equity of Beijing Caswell Ltd. and established a sales and service base in China. ● The Company set up Beijing Caswell-Shanghai Branch, and established a R&D team besides the sales base. ● The Company set up a production operation management center and set up a production and supply management team ● The Company set up a system assembly and testing production line, which can not only expand the production capacity, but also control the production quality of high-level systems |
| 2016 | <ul style="list-style-type: none"> ● The advanced CAR-5040 won the Interop Tokyo 2016 best of show Award in Japan. ● 2U 12Bay Storage Server went on the market for mass production ● Application of vCPE in the new market ● Import of full series of Kabylake's new platform ● 24x10G SDN network card module went the market for mass production ● The Company took the lead in the industry to propose the product application concept of Embedded world ● The Company planned the application of related products in the telecom market ● The Company planned the application of related products in the wide-temperature industrial control market ● The Company obtained the order of the third generation of UTM project of a leading the Company in the global UTM market ● The Company obtained the order of the second generation of UTM project of a leading the Company in the European UTM market ● The Company successfully entered the South China market, and obtained the 1U/2U product order of a well-known client engaged in network security ● The Company obtained Intel Associate member qualification |
| 2017 | <ul style="list-style-type: none"> ● The Company set up the subsidiary Caswell Americas, Inc ● CAR-5050, a high-end network security device, with a high-speed bandwidth up to 480G, was launched and listed ● Import of Bluetooth wireless serial port connection technology |

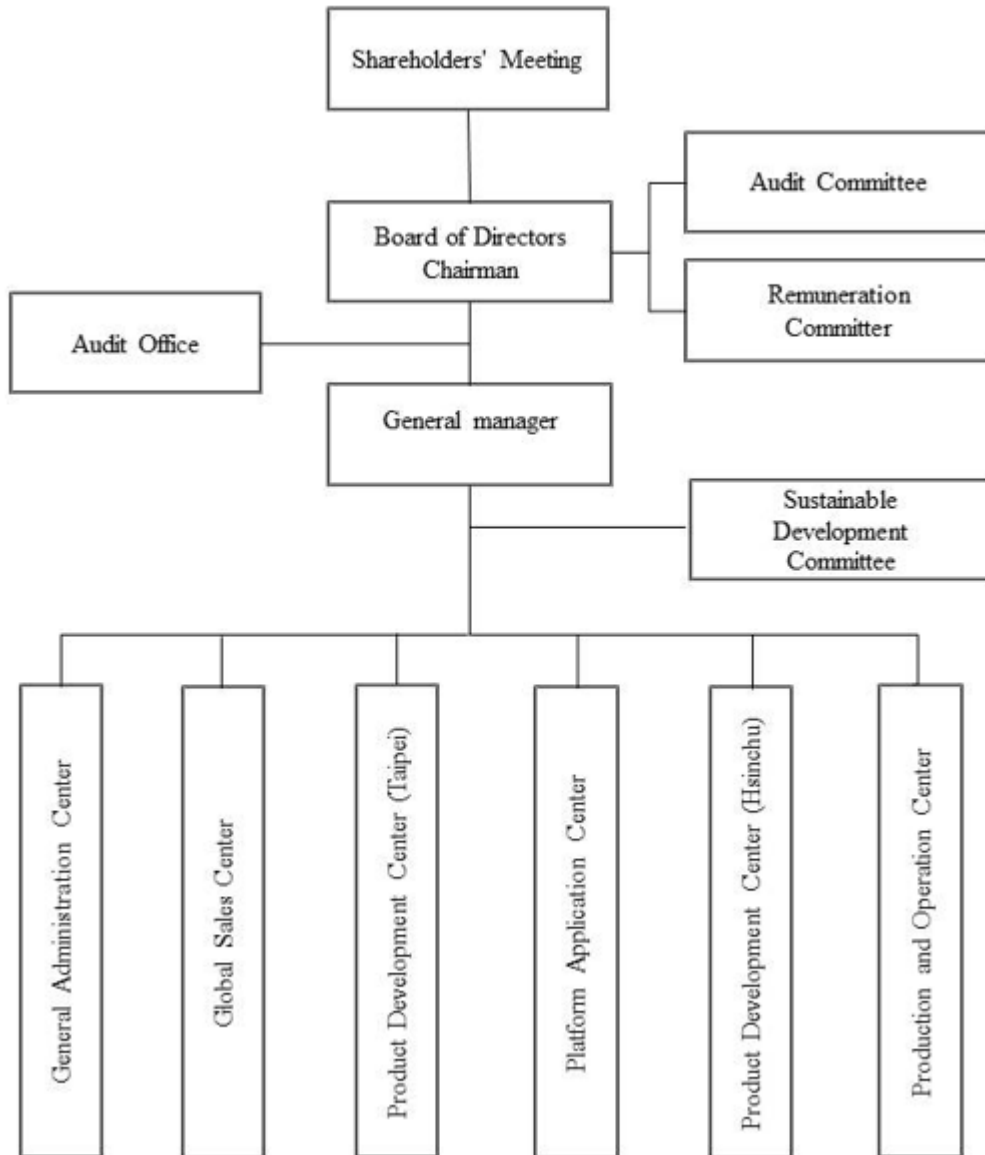
| | |
|------|---|
| | <ul style="list-style-type: none"> ● 100G optical fiber network module went on the market for mass production ● 8x10G optical fiber network port, with PCIe16 high-speed network module, went on the market for mass production ● Related products of Intel Skylake-Server platform went on the market for mass production ● Related products of Intel NPU Denverton platform went on the market for mass production ● The Company obtained uCPE/SD-WAN related large-scale projects in the Telecom market ● The white card Server of 1/2U Purley platform went on the market for mass production, focusing on the cloud computing market ● Import of RF antenna design verification into full Desktop system ● The Company planned the application of PoE Switch related products ● The Company planned the application of OPS related products |
| 2018 | <ul style="list-style-type: none"> ● The Company was listed on Taiwan Stock Exchange Corporation. ● The Company arranged industrial control automation products and integrated industrial control systems to integrate investment in manufacturers. ● The Company expanded network storage (NAS) software research and development resources and proposed new storage-related (NAS) software and hardware product solutions ● The Company proposed new software-defined network product line products ● The Company proposed new industrial control and automation product lines ● The Company introduced the full range of product lines of the American customer SD-WAN |
| 2019 | <ul style="list-style-type: none"> ● The Company acquired 52% equity of APLIGO GmbH, a German system integration and service provider ● The Company acquired 40% equity of HAWKEYE TECH, CO., LTD, an integrated communication system and multi-wireless intelligent communication system manufacturer in Taiwan, China ● The Company won the best SDN vendor of CIOAdvisorAPAC in 2019 ● The Company proposed new products of industrial network security product line ● The Company proposed new products of 5G edge computing product line |
| 2020 | <ul style="list-style-type: none"> ● The Company proposed new products of industrial network security product line ● The Company proposed new products of 5G edge computing product line ● The Company proposed new products of telecom application switch product line ● The Company purchased further interests of subsidiaries, resulting in the shareholding ratio of Apligo GmbH increased from 52% to 66.67% and the shareholding ratio of Hawkeye increased from 40% to 60.64% ● The industrial network security product line was introduced into the related application of automobile assembly plants in Japan ● |

| | |
|------|--|
| | <ul style="list-style-type: none"> ● The industrial network security product line was introduced into the related application of plants in France ● The subsidiary in Beijing distributed world-famous Internet security brands' solutions, including the software, the hardware and the service ● The subsidiary in Japan distributed multiple wireless software-defined WAN brands' solutions, including the software, the hardware and the service. |
| 2021 | <ul style="list-style-type: none"> ● The Company established the Xinzhuang Operation Center ● The Company proposed new product lines of Caswell standard narrow network interface card ● The Company invested the design and development of programmable switch servers for advanced network traffic load balancing ● The industrial network security product line became one of the solutions for cyber security of the Fab ● The Company proposed new products of remote access control function softwares of the product lines of network attached storage ● The product lines of software-defined WAN was successfully introduced into the 5G application of the telecom operators in India ● Netcom security was successfully introduced into the application of the lotto lottery tickets in Korea ● Netcom security was successfully introduced into the enterprise network monitoring device in Russia |
| 2022 | <ul style="list-style-type: none"> ● The Company proposed new product lines of Caswell narrow bypass network interface card NIF ● The Company expanded the industrial and Fab network security product lines for different application scenarios ● Design and development of high-density 96GbE independent network port products with 2U height chassis ● The high-density rack is developed and designed to fit the 6RU controller room with 8 independent network ports of 128GbE ● The Company partnered with AMD to develop a new platform, AMD Ryze 700 AM5, for network communications product applications ● The Company set up the Privatized 5G demonstration factory field ● Design and development of electronic label wireless gateway controller ● High-speed computing server with built-in 8 slots, network card up to 100G, and high scalability. |
| 2023 | <ul style="list-style-type: none"> ● Relocating to Huaku National Landmark as the new global operations center ● Established overseas manufacturing capabilities in Germany and Malaysia to reduce supply chain risks and increase global operational flexibility. ● Obtaining the ISO27001 Information Security Management certification enhances the confidentiality, integrity, and availability of data protection for listed companies ● Completed the ISO14064-1 Carbon Footprint Verification Report, emphasizing the global trend of environmental protection. ● Completed ESG sustainability report. |

Chapter 3 Corporate Governance Report

1. Corporate Organization

(1) Organization Chart



(2) Department Functions

| Department | Functions |
|-------------------------------------|--|
| General Manager | <ul style="list-style-type: none"> ● Making overall plans for the formulation of operation and management policies and decisions, implementing the resolutions of the Board of Directors, and leading the heads of various departments. ● Responsible for appointing management representatives and attending management review meetings to confirm the implementation of quality system. |
| Audit Office | <ul style="list-style-type: none"> ● Participating in and supervising the establishment of internal control system. ● Evaluating the appropriateness and effectiveness of the internal control system. ● Ensuring the degree and quality of internal control operation. ● Implementing other matters required by laws and regulations. |
| General Administration Center | <ul style="list-style-type: none"> ● Financial Division: fund management, accounting and tax affairs handling, preparation of financial statements and related management statements, etc. ● Resource Management Division: Personnel appointment and dismissal, job change, performance evaluation, rewards and punishments, insurance, salary and benefits, fixed asset management and inventory, general affairs and maintenance management, procurement and payment, etc. ● Information Technology Department: planning and system implementation, self-developed system and data maintenance, host hardware, network system maintenance, etc. |
| Global Sales Center | <ul style="list-style-type: none"> ● Responsible for developing new markets and new customers. ● Responsible for product promotion, introduction, and sales. ● Assist project clients in global distribution management and operations. |
| Product Development Center (Taipei) | <ul style="list-style-type: none"> ● Electronic R&D Division: hardware product design, development, testing, verification and design change, providing technical support to business division and production center, etc. ● Firmware R&D Division: firmware product design, |

| Department | Functions |
|---|---|
| | <p>development, testing, verification and design change, providing technical support to business division and production center, etc.</p> <ul style="list-style-type: none"> ● Product Management Division: responsible for product market trend survey, product design planning, product research and development progress control, product cost control, etc. ● Technologic Document Support Division: responsible for file management of system and R&D technical files, BOM establishment and maintenance of each R&D unit, preservation and management of ISO quality manual and programs, forms and specifications of each unit, etc. ● Mechanical Engineering Division: design and development of system institutions, design of packaging materials, providing technical support to product planning department, business division and production center, etc. |
| <p>Product Development Center (Hsinchu)</p> | <ul style="list-style-type: none"> ● Electronic R&D Division: hardware product design, development, testing, verification and design change, providing technical support to business division and production center, etc. ● Firmware R&D Division: firmware product design, development, testing, verification and design change, providing technical support to business division and production center, etc. |
| <p>Platform Application Center</p> | <ul style="list-style-type: none"> ● Software Engineering Division: responsible for product driver development, product sample program development, software product design, software related technical support, etc. ● Application Engineering Department: providing technical support to business units, assisting customers to learn to use products, verifying product problems from customers, and carrying out research related to product application and safety. ● System Engineering Department: Design, development, and validation of system products, providing technical support to production centers, writing product technical documentation, and resolving customer feedback on product issues. ● Quality Engineering Division: software verification and |

| Department | Functions |
|---------------------------------|---|
| | <p>release, development of production line inspection system, assistance in solving customer development/use problems, development of automated verification and testing tools, etc.</p> <ul style="list-style-type: none"> ● Quality Assurance Division: adding, modifying and managing the programs related to various quality certification and management systems, providing various quality reports (weekly/monthly reports) to customers, handling and tracking various exceptions, etc. |
| Production and Operation Center | <ul style="list-style-type: none"> ● General Administration Division: including procurement, production management and material management, responsible for the supervision and management of all production affairs of the Company. ● Manufacturing Division: cooperating with order demand and production schedule, manufacturing products that meet the requirements of quality and order quantity, and achieving the Company's relevant operational objectives. ● Engineering Division: undertaking the production process work such as technology transfer of new products, production line operation guidance, elimination of production problems, and repair of defective products. ● Materials Division: responsible for the incoming goods receiving, production line material preparation, shipment, sales support, etc. ● Quality Control Division: quality discrimination and control of incoming parts and finished products. ● Taiwan HUB: responsible for various import and export operations of goods belonging to project customers. ● Product Maintenance Division: tracking and management of RMA returned products, RMA material application, cost statistics and management, providing RMA reports required by customers, etc. |

2. Information Regarding Directors and the Management Team

(1) Directors and supervisors

April 15, 2024

| Title | Nationality/ Place of Registration | Name | Gender Age | Date Elected | Term | Date First Elected | Shareholding When Elected | | Current Shareholding | | Spouse & Minor Shareholding | | Shareholding by Nominees | | Major Experience (Education) | Other Position Concurrently Held at the Company and Other Companies | Executives, Directors or Supervisors who Are Spouses or within the Second Degree of Kinship | | | Remarks |
|-----------|--|------------------------------|---------------|--------------|----------------|-----------------------|------------------------------|----------------------|----------------------|----------------------|--------------------------------|----------------------|-----------------------------|----------------------|---|---|--|------|----------------------------|---------|
| | | | | | | | Shares | % of Shareholding | Shares | % of Shareholding | Shares | % of Shareholding | Shares | % of Shareholding | | | Title | Name | Nature of Relationships | |
| Chairman | R.O.C. | Ennoconn Corporation | — | 2023.06.14 | Three Years | 2014.12.5 | 20,000,000 | 33.32% | 20,000,000 | 27.27% | — | — | — | — | Bachelor of Electronic Engineering, St. John's and St. Mary's Institute of Technology Senior Assistant Vice President of Hon Hai Precision Industry Co., Ltd. | Chairman and CEO of Ennoconn Corporation; Chairman of CASwell, Inc.; Chairman of GOLDTeK; Chairman of Dexatek Technology Ltd.; Chairman of Ennoconn Investment Holdings Co. Ltd.; Chairman of EnnoRise Corporation, Ltd.; Director of Ennoconn Corporation (Suzhou); Chairman of Poslab Technology Corporation Chairman of AIS Cayman Technology Group; Chairman of Ennoconn International Investment Co., Ltd.; Director of Marketech International Corp.; Director of Ennomech Precision Co., Ltd.; Director of Vecow Co., Ltd.; Director of Kontron AG; Director of ENGA Technology Co., Ltd.; Director of Hanchu Co., Ltd.; Director of Xinpu Star Investment Co., Ltd. | — | — | — | — |
| | | Representative: Steve Chu | Male 61-70 | | | | 50,000 | 0.08% | 50,000 | 0.07% | — | — | — | — | | | — | — | — | |
| Directors | R.O.C. | Ennoconn Corporation | — | 2023.06.14 | Three Years | 2014.12.5 | 20,000,000 | 33.32% | 20,000,000 | 27.27% | — | — | — | — | Department of Business Administration, Feng Chia University Engineering Management, Nan Ya Plastics Corporation | Director of CASwell, Inc.; General manager of Mainland Ennoconn Corporation; Director of Ennoconn International Investment Co., Ltd.; Chairman of Ennomech Precision Co., Ltd.; Chairman of Ennomech Precision (Cayman) Co., Ltd.; | — | — | — | — |



| Title | Nationality/ Place of Registration | Name | Gender Age | Date Elected | Term | Date First Elected | Shareholding When Elected | | Current Shareholding | | Spouse & Minor Shareholding | | Shareholding by Nominees | | Major Experience (Education) | Other Position Concurrently Held at the Company and Other Companies | Executives, Directors or Supervisors who Are Spouses or within the Second Degree of Kinship | | | Remarks |
|-------------------------|--|--------------------------------|-----------------|--------------|----------------|-----------------------|------------------------------|----------------------|----------------------|----------------------|--------------------------------|----------------------|-----------------------------|--|--|--|--|------|----------------------------|---------|
| | | | | | | | Shares | % of Shareholding | Shares | % of Shareholding | Shares | % of Shareholding | Shares | % of Shareholding | | | Title | Name | Nature of Relationships | |
| | | | | | | | | | | | | | | | | | | | | |
| | | Representative: Aven Lou | Male 51-60 | | | | - | - | - | - | - | - | - | Vice President in Operation and Management of Hon Hai Precision Industry Co., Ltd. | Chairman of Ennoconn Investment Holdings Co., Ltd.; Chairman of Foshan City Ennoconn Investment Co., Ltd.; Chairman of Huaen Investment Co., Ltd.; Director of Marketech International Corp.; Director of GOLDTeK Director of Innovative Systems Integration Limited; Chairman of Ennoconn Corporation (Suzhou); Director of ENGA Technology Co., Limited; | | | | | |
| Directors | R.O.C. | Ennoconn Corporation | - | 2023.06.14 | Three Years | 2020.6.16 | 20,000,000 | 33.32% | 20,000,000 | 27.27% | - | - | - | - | Master's Degree in Business Administration, West Coast University General Manager, American Industrial Systems Inc. | Director of Caswell, Inc.; President of Ennoconn Corporation, Chairman of American Industrial Systems Inc.; Director of VECOW CO.LTD.; Director of AIS Cayman Technology Group; Director of Ennoconn International Investment Co., Ltd.; Director of POSLAB Technology Corp.; Director of Marketech International Corp.; Director of Arbor Technology Corporation; Director of ENNOWELL ; Director of Gemini Data (US) | - | - | - | - |
| | | Representative: Nelson Tsay | Male 51-60 | | | | - | - | - | - | - | - | - | - | | | | | | |
| Directors | R.O.C. | Reaforl Hung | Male 51-60 | 2023.06.14 | Three Years | 2010.10.11 | 193,446 | 0.32% | 115,446 | 0.16% | - | - | - | - | Master, Department of Innovation and Entrepreneurship Management, Shih Chien University (EMBA) R&D Vice President of Portwell, Inc. | Pres Director of CASO, INC Chairman, Hawkeye Tech, Co., Ltd. | - | - | - | - |
| Independent Director | R.O.C. | Jennifer Shao | Female 51-60 | 2023.06.14 | Three Years | 2013.04.09 | - | - | - | - | - | - | - | - | Master's in Business Administration, National Chung Hsing University Vice President, Hanyou Investment Consulting Co., Ltd. | Director of Bentech Systems Corporation, Independent Director, Remuneration Committee and Audit Committee Member of CASwell, Inc. Chairman Of Caiying Investment Co., Ltd. | - | - | - | - |

| Title | Nationality/ Place of Registration | Name | Gender Age | Date Elected | Term | Date First Elected | Shareholding When Elected | | Current Shareholding | | Spouse & Minor Shareholding | | Shareholding by Nominees | | Major Experience (Education) | Other Position Concurrently Held at the Company and Other Companies | Executives, Directors or Supervisors who Are Spouses or within the Second Degree of Kinship | | | Remarks |
|-------------------------|--|-------------------|---------------|--------------|----------------|------------------------|------------------------------|----------------------|----------------------|----------------------|--------------------------------|----------------------|-----------------------------|----------------------|---|---|--|------|----------------------------|---------|
| | | | | | | | Shares | % of Shareholding | Shares | % of Shareholding | Shares | % of Shareholding | Shares | % of Shareholding | | | Title | Name | Nature of Relationships | |
| Independent Director | R.O.C. | Wen-Chang Fang | Male 61-70 | 2023.06.14 | Three Years | 2013.04.09 (Note 1) | - | - | - | - | - | - | - | - | Ph.D. in Computer Science from Northwestern University, Dean of the College of Business at National Taipei University | Independent Director of AcSIP Technology Corp. President of Dayeh University Director of Jingwen High School | - | - | - | - |
| Independent Director | R.O.C. | Luke Teng | Male 61-70 | 2023.06.14 | Three Years | 2023.06.14 | - | - | - | - | - | - | - | - | Business Administration Program, National Chengchi University Director of Advanced Power Electronics Corp. | Corporate Representative Director of Tainet Communication System Corp. Independent Director of Tul Corporation | - | - | - | - |

Note 1: During his initial term, Independent Director Wen-Chang Fang served from 2013.04.09 to 2020.06.15.



(2) Major shareholders of the Company’s major corporate shareholders :

a. Major shareholders of corporate shareholders

April 2, 2024

| Name of Corporate Shareholder | Major shareholders of corporate shareholders |
|-------------------------------|---|
| Ennoconn Corporation | Baoxin International Investment Co., Ltd. (24.21%), Account of the Fuh Hwa Taiwan Technology Dividend Highlight ETF Securities Investment Trust Fund managed by Taipei Fubon Commercial Bank Co., Ltd. (3.93%), Investment account of Google International Limited managed by Citibank Taiwan (3.56%), Yuanta Taiwan Value High Dividend ETF Investment Trust managed by Hua Nan Commercial Bank (3.50%), Hung Yang Venture Investment Co., Ltd. (1.51%), Investment account of Norges Bank managed by Citibank Taiwan (1.48%), Labor Pension Fund (the New Labor Pension System) (1.45%), Chunghwa Post Co., Ltd. (0.97%), Investment account of Morgan Stanley & Co. International Limited managed by HSBC Bank (Taiwan) Limited (0.93%), Account of Capital Marathon (0.92%) |

Note 1: For director or supervisor who acts as a corporate shareholder’s representative, please specify the corporate shareholder’s name.

Note 2: Please specify names of the major shareholders of the given corporate shareholder (top ten shareholders) and the ratio of shareholding. Where the major shareholder is a corporation, please complete the following Table 2.

Note 3: If the legal person shareholder is not organized as a Company, the “names of shareholders” and the “ratio of shareholding” in the preceding paragraph shall be “names of founders or donors” and the “ratio of fund or donation”.

b. Major Shareholders of Major Corporate Shareholder

April 2, 2024

| Name of Corporate Shareholders | Major Shareholders of the Corporate Shareholders |
|---|---|
| Baoxin International Investment Co., Ltd. | Hon Hai Precision Industry Co., Ltd. 100% |
| Hung Yang Venture Investment Co., Ltd. | Hon Hai Precision Industry Co., Ltd. 97.95%, Baoxin International Investment Co., Ltd. 2.05% |
| Chunghwa Post Co., Ltd. | Ministry of Transportation 100% |

Note 1: The names of the major corporate shareholders referred to in Table 1, if any, shall be specified.

Note 2: Please specify names of the major shareholders of the given shareholder (top ten shareholders) and the ratio of shareholding.

Note 3: If the legal person shareholder is not organized as a Company, the “names of shareholders” and the “ratio of shareholding” in the preceding paragraph shall be “names of founders or donors” and the “ratio of fund or donation”.

(3) Disclosure of Information on Professional Qualifications of Directors and Independence of Independent Directors:

| Qualifications Name | Professional Qualifications and Experience (Note 1) | Independence Criteria | Number of Other Public Companies where the Individual Concurrently Serves as an Independent Director |
|--|--|-----------------------|--|
| Representative of Ennoconn Corporation: Steve Chu | Steve Chu, the Chairman, graduated from Electronic Engineering, St.John's and St.Mary's Institute of Technology. He used to be the Senior Assistant Vice President of Hon Hai Precision Industry Co., Ltd., and is currently the Chairman of Ennoconn Corporation. He has solid capabilities of operational judgment, business management, crisis management, industrial knowledge, global market viewpoint, leadership and decision-making. | N/A | 0 |
| Representative of Ennoconn Corporation: Aven Lou | Aven Lou, the Director, graduated from Business Administration, Feng Chia University. He used to be the Vice President of Hon Hai Precision Industry Co., Ltd., and is currently the Chairman of Ennoconn International Investment Co., Ltd. He has solid capabilities of operational judgment, accounting and financial analysis, business management, crisis management, industrial knowledge, global market | N/A | 0 |

| Qualifications Name | Professional Qualifications and Experience (Note 1) | Independence Criteria | Number of Other Public Companies where the Individual Concurrently Serves as an Independent Director |
|--|---|-----------------------|--|
| | viewpoint, leadership and decision-making. | | |
| Representative of Ennoconn Corporation: Nelson Tsay | Nelson Tsay, the Director, graduated with a Master's degree in Business Administration from West Coast University, USA. He used to be the Chairman of American Industrial Systems Inc., and is currently the President of Ennoconn Corporation. He has solid capabilities of operational judgment, business management, crisis management, industrial knowledge, global market viewpoint, leadership and decision-making. | N/A | 0 |
| Reaforl Hung | Reaforl Hung, the Director, graduated from Innovation Management and Entrepreneurship Program, Shih Chien University. He used to be the R&D Vice President of Portwell, Inc., and is currently the President of Caswell, Inc. He has solid capabilities of operational judgment, business management, crisis management, industrial knowledge, global market viewpoint, leadership and decision-making. | N/A | 0 |

| Qualifications Name | Professional Qualifications and Experience (Note 1) | Independence Criteria | Number of Other Public Companies where the Individual Concurrently Serves as an Independent Director |
|------------------------|---|---|--|
| Jennifer Shao | Jennifer Shao, the Independent Director, graduated from Business Administration Graduate School, National Chung Hsing University. She used to be the Vice President of Hanyou Investment Consulting Co., Ltd., and is currently the Director of Zhishuo Investment Consulting Co., Ltd. She has solid capabilities of accounting and financial analysis, business management, crisis management, industrial knowledge, global market viewpoint, leadership and decision-making. | Independent Director him/herself, the spouse, relative within the second degree of kinship (or held by the person under others' names) held 0 share of the Company nor act as a director, supervisor or employee of the Company, companies with a specific relationship or affiliates, and no one has provided the Company or its affiliates with business, legal, financial, accounting and other services for remuneration in the past 2 years. | 0 |
| Wen-Chang Fang | Wen-Chang Fang, the Independent Director, graduated with a Ph.D. from Northwestern University in the United States. He previously served as the Dean of the College of Business at the National Taipei University, he brings academic expertise, crisis management skills, industry knowledge, international market insight, leadership and decision-making skills. | | 0 |
| Luke Teng | Luke Teng, the independent director, graduated from the Chairman Business | | 1 |

| Qualifications Name | Professional Qualifications and Experience (Note 1) | Independence Criteria | Number of Other Public Companies where the Individual Concurrently Serves as an Independent Director |
|------------------------|---|-----------------------|--|
| | Administration Program at National Chengchi University. He used to be the Chairman for Tainet Communication System Corp., and currently the Vice Chairman and Chief Strategy Officer of Advance Power Electronics Corp., and Chairman of Future Technology Consulting, Inc. He has solid capabilities of operational judgment, business management, crisis management, industrial knowledge, global market viewpoint, leadership and decision-making. | | |

Note 1: Not under any of the categories stated in Article 30 of the Company Act.

(4) Diversity and Independence of the Board of Directors:

a. Diversity of the Board of Directors:

The Company's "Corporate Governance Best-Practice Principles" stipulates that the diversity should be considered in the Board of Directors' composition. An appropriate diversification policy should be formulated based on its own operation, business type, and development needs. It should include but not limited to the following two major standards:

- (a) Basic requirements and values: gender, age, nationality and culture, etc.
- (b) Professional knowledge and skills: professional background (such as law, accounting, industry, finance, marketing or technology), professional skills and industry experience, etc.

The members of the Board of Directors shall have the knowledge, skills and accomplishments necessary to perform their duties. To achieve the ideal goals of corporate governance, the overall Board of Directors should have the following capabilities:

- (a) Capability to make sound business judgments.
- (b) Accounting and financial analysis capabilities.
- (c) Business management ability.
- (d) Crisis management capability.
- (e) Industrial Knowledge.
- (f) Global market viewpoint.
- (g) Leadership skills.
- (h) Capability to make decisions.

The current Board of Directors of the Company is composed of seven directors, including three independent directors. Board members are selected considering their diverse complementary capabilities across different industry domains. The Company also pays attention to gender equality in the composition of the Board of Directors. At present, the target ratio of female directors is set at over 14%, and currently, out of the 7 directors, one is female, achieving a ratio of 14%. This meets the Company's specific management goal of diversifying the Board of Directors.

| Name | Title | Diversity Policy | | | | | | | | | | | |
|----------------|----------------------|------------------|-------|-----------------------------|-----------------------------------|---|--|---------------------|------------------------------|----------------------|-------------------------|-------------------|------------------------------|
| | | Gender | Age | Concurrently as an employee | Professional knowledge and skills | | | | | | | | |
| | | | | | Academic experience | Capability to make sound business judgments | Accounting and financial analysis capabilities | Business management | Crisis management capability | Industrial Knowledge | Global market viewpoint | Leadership skills | Capability to make decisions |
| Steve Chu | Chairman | Male | 61~70 | | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Aven Lou | Directors | Male | 51~60 | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Nelson Tsay | Directors | Male | 51~60 | | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Reaforl Hung | Directors | Male | 51~60 | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Jennifer Shao | Independent Director | Female | 51~60 | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Wen-Chang Fang | Independent Director | Male | 61~70 | | ✓ | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Luke Teng | Independent Director | Male | 61~70 | | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |

b. Independence of the Board of Directors:

The current Board of Directors of the Company is composed of seven directors, including three independent directors (with a ratio of 43%). No situation listed in Article 26-3, Paragraph 3 and Paragraph 4 of the Securities and Exchange Act applies to the three independent directors, including to describe the situations of spouses and relatives within the second degree of kinship between the directors, supervisors, or directors and supervisors.

(5) Information on the President, Vice Presidents, Assistant Vice Managers, and Supervisors of Divisions and Branch Units

April 15, 2024

| Position | Nationality | Name | Gender | Date Elected | Shareholding | | Spouse & Minor Shareholding | | Shareholding by Nominees | | Major Experience (Education) | Other Position Concurrently Held at the Company and Other Companies | Managerial Officer who Are Spouses or within the Second Degree of Kinship | | | Note |
|---|-------------|---------------|--------|--------------|--------------|-------|-----------------------------|-------|--------------------------|---|--|--|---|------|-------------------------|------|
| | | | | | Shares | % | Shares | % | Shares | % | | | Position | Name | Nature of Relationships | |
| General Manager | R.O.C. | Reaforl Hung | Male | 2011.9.27 | 115,446 | 0.16% | — | — | — | — | Master, Department of Innovation and Entrepreneurship Management, Shih Chien University (EMBA) R&D Vice President of Portwell, Inc. | Director, CASO, INC. Chairman, Hawkeye Tech, Co., Ltd. | — | — | — | — |
| Senior Vice President of R&D Department | R.O.C. | Frank Hsu | Male | 2015.1.1 | 449,840 | 0.61% | 39,438 | 0.05% | — | — | Master, Department of Communication Engineering, National Taipei University R&D Vice President of Portwell, Inc. | Representative of legal person director of Caswell International Investment Co., Lt and Supervisor of Beijing Caswell Ltd. | — | — | — | — |
| Senior Vice President of Product Development Center | R.O.C. | Stephen Chang | Male | 2013.6.1 | 120,165 | 0.16% | — | — | — | — | Master, Department of Control Engineering, National Chiao Tung University Assistant Vice Manager, Accusys Technology Co., Ltd. | — | — | — | — | — |
| Vice President of General Administration Center | R.O.C. | Carrie Huang | Female | 2009.7.1 | 177,272 | 0.24% | — | — | — | — | Master, Department of Business Management, National Taipei University Senior Financial Manager of Portwell, Inc. | Supervisor of HAWKEYE TECH, CO., LTD | — | — | — | — |
| Vice President of Sales Center | R.O.C. | Ray Lin | Male | 2018.1.3 | 20,838 | 0.03% | — | — | — | — | Master, Department of Business Management, | Executive Director of | — | — | — | — |

| Position | Nationality | Name | Gender | Date Elected | Shareholding | | Spouse & Minor Shareholding | | Shareholding by Nominees | | Major Experience (Education) | Other Position Concurrently Held at the Company and Other Companies | Managerial Officer who Are Spouses or within the Second Degree of Kinship | | | Note |
|---|-------------|------------|--------|--------------|--------------|-------|-----------------------------|---|--------------------------|---|--|---|---|------|-------------------------|------|
| | | | | | Shares | % | Shares | % | Shares | % | | | Position | Name | Nature of Relationships | |
| | | | | | | | | | | | Donghua University Senior Business Manager of Portwell, Inc. | Beijing Caswell Ltd. | | | | |
| Vice President of Product Development Center | R.O.C. | Jack Tsai | Male | 2019.1.1 | 20,000 | 0.03% | — | — | — | — | Bachelor, Department of Electrical Engineering, Datong University of Technology Assistant Manager of Hardware R&D, Accusys, Inc. | — | — | — | — | — |
| Vice President of Platform Application Center | R.O.C. | Alan Yu | Male | 2019.1.1 | 8,556 | 0.01% | — | — | — | — | Master, Department of Electrical Engineering, Ocean University Chief Engineer of software R&D, Accusys, Inc. | — | — | — | — | — |
| Assistant Vice President, Product Planning Department | R.O.C. | Pomah Yen | Male | 2012.8.1 | — | — | — | — | — | — | Master, Computer Science & Information Engineering, Taipei University Product Manager of Portwell Technology Co., Ltd. | Director of CASO, INC., President of Americas Inc. | — | — | — | — |
| Assistant Vice Manager of Information Technology Department | R.O.C. | Simon Chiu | Male | 2019.1.1 | 1,856 | 0.00% | — | — | — | — | Master, Department of Industrial Management, National Chung Hua University E Senior Manager of Portwell Technology Co., Ltd. | — | — | — | — | — |



| Position | Nationality | Name | Gender | Date Elected | Shareholding | | Spouse & Minor Shareholding | | Shareholding by Nominees | | Major Experience (Education) | Other Position Concurrently Held at the Company and Other Companies | Managerial Officer who Are Spouses or within the Second Degree of Kinship | | | Note |
|---|-------------|-------------|--------|--------------|--------------|-------|-----------------------------|-------|--------------------------|---|--|---|---|------|-------------------------|------|
| | | | | | Shares | % | Shares | % | Shares | % | | | Position | Name | Nature of Relationships | |
| Assistant Vice Manager of R&D Department | R.O.C. | Eric Chang | Male | 2020.1.1 | 8,000 | 0.01% | — | — | — | — | Master, Department of Electrical Engineering, Ocean University R&D Manager of Portwell Technology Co., Ltd. | — | — | — | — | — |
| Assistant Vice President, Product Planning Department | R.O.C. | Hans Chen | Male | 2021.4.1 | — | — | 1,000 | 0.00% | — | — | Doctor, Department of Electronic Engineering, National Taiwan University of Science and Technology Senior Product Manager, Caswell, Ltd. | Director of HAWKEYE TECH, CO., LTD | — | — | — | — |
| Assistant Vice President, Product Planning Department | R.O.C. | Yannic Chou | Male | 2021.4.1 | 1,000 | 0.00% | — | — | — | — | Master, Industrial Engineering and Management, National Chiao Tung University. Senior Product Manager, Caswell, Ltd. | — | — | — | — | — |
| Head of Internal Audit | R.O.C. | Grace Lan | Female | 2018.7.23 | — | — | — | — | — | — | Bachelor, Department of Accounting, Fu-Jen Catholic University Head of Internal Audit of Sung Gang Asset Management Corp.Limited | — | — | — | — | — |
| Accounting Manager | R.O.C. | Amber Lee | Female | 2022.4.29 | — | — | — | — | — | — | Bachelor, Department of Public Finance and Tax Administration, National Taipei University of Business KPMG Vice Manager | — | — | — | — | — |

Range of Remuneration

| Range of Remuneration Paid to Directors | Name of Director | | | |
|--|---|---|---|---|
| | Total Amount of Remuneration(A+B+C+D) | | Total Amount of Remuneration(A+B+C+D+E+F+G) | |
| | The Company | All Companies H in Consolidated Financial Statements | The Company | All Companies I in Consolidated Financial Statements |
| Less than NT\$1,000,000 | Ennoconn Corporation (representative: Aven Lou), Ennoconn Corporation representative: Nelson Tsay, Reaforl Hung, James Huang, Jennifer Shao, Wen-Chang Fang and Luke Teng | Ennoconn Corporation (representative: Aven Lou), Ennoconn Corporation representative: Nelson Tsay, James Huang, Jennifer Shao, Benny Wang, Wen-Chang Fang and Luke Teng | Ennoconn Corporation (representative: Aven Lou), Ennoconn Corporation representative: Nelson Tsay, James Huang, Jennifer Shao, Benny Wang, Wen-Chang Fang and Luke Teng | Ennoconn Corporation (representative: Aven Lou), Ennoconn Corporation representative: Nelson Tsay, James Huang, Jennifer Shao, Benny Wang, Wen-Chang Fang and Luke Teng |
| NT\$1,000,000 (inclusive) - NT\$2,000,000 (exclusive) | Ennoconn Corporation (Representative: Steve Chu) | Ennoconn Corporation (Representative: Steve Chu) Reaforl Hung | Ennoconn Corporation (Representative: Steve Chu) | Ennoconn Corporation (Representative: Steve Chu) |
| NT\$2,000,000 (inclusive) - NT\$3,500,000 (exclusive) | | | | |
| NT\$3,500,000 (inclusive) - NT\$5,000,000 (exclusive) | | | | |
| NT\$5,000,000 (inclusive) - NT\$10,000,000 (exclusive) | | | Reaforl Hung | Reaforl Hung |
| NT\$10,000,000 (inclusive) - NT\$15,000,000 (exclusive) | | | | |
| NT\$15,000,000 (inclusive) - NT\$30,000,000 (exclusive) | | | | |
| NT\$30,000,000 (inclusive) - NT\$50,000,000 (exclusive) | | | | |
| NT\$50,000,000 (inclusive) - NT\$100,000,000 (exclusive) | | | | |
| Over NT\$100,000,000 | | | | |
| Total | 9 levels | 9 levels | 9 levels | 9 levels |

- b. Remuneration to Supervisors: not applicable
- c. Remuneration of the President and Vice President

December 31, 2023; Unit: NT\$ thousand

| Position | Name | Salary (A) | | Severance Pay and Pension (B) | | Bonus and Allowance (C) | | Employee Compensation (D) | | | | Ratio of Total Remuneration (A+B+C+D) to Net Income (%) | | Compensation from an Invested the Company Other than the Company's Subsidiary |
|-----------------------|--------------------|-------------|--|-------------------------------|--|-------------------------|--|---------------------------|-------|--|-------|---|--|---|
| | | The Company | All Companies in Consolidated Financial Statements | The Company | All Companies in Consolidated Financial Statements | The Company | All Companies in Consolidated Financial Statements | The Company | | All Companies in Consolidated Financial Statements | | The Company | All Companies in Consolidated Financial Statements | |
| | | | | | | | | Cash | Stock | Cash | Stock | | | |
| General Manager | Reaforl Hung | | | | | | | | | | | | | |
| Senior Vice President | Frank Hsu | | | | | | | | | | | | | |
| Senior Vice President | Stephen Chang | | | | | | | | | | | | | |
| Vice President | Carrie Huang | 10,560 | 10,560 | 590 | 590 | 10,854 | 10,854 | 2,700 | — | 2,700 | — | 24,704 7.66% | 24,704 7.66% | None |
| Vice President | Ray Lin | | | | | | | | | | | | | |
| Vice President | Jack Tsai (Note 1) | | | | | | | | | | | | | |
| Vice President | Alan Yu (Note 1) | | | | | | | | | | | | | |

Note 1: Jack Tsai and Alan Yu were promoted to Vice Presidents on January 1, 2023.

Range of Remuneration

| Range of Remuneration Paid to the President and Vice Presidents | Name of President and Vice President | |
|---|--|--|
| | The Company | All Companies in Consolidated Financial Statements |
| Less than NT\$1,000,000 | — | — |
| NT\$1,000,000 (inclusive) - NT\$2,000,000 (exclusive) | — | — |
| NT\$2,000,000 (inclusive) - NT\$3,500,000 (exclusive) | Frank Hsu, Carrie Huang, Ray Lin, Jack Tsai, Alan Yu | Frank Hsu, Carrie Huang, Ray Lin, Jack Tsai, Alan Yu |
| NT\$3,500,000 (inclusive) - NT\$5,000,000 (exclusive) | Stephen Chang | Stephen Chang |
| NT\$5,000,000 (inclusive) - NT\$10,000,000 (exclusive) | Reaforl Hung | Reaforl Hung |
| NT\$10,000,000 (inclusive) - NT\$15,000,000 (exclusive) | — | — |
| NT\$15,000,000 (inclusive) - NT\$30,000,000 (exclusive) | — | — |
| NT\$30,000,000 (inclusive) - NT\$50,000,000 (exclusive) | — | — |
| NT\$50,000,000 (inclusive) - NT\$100,000,000 (exclusive) | — | — |
| Over NT\$100,000,000 | — | — |
| Total | 7 people | 7 people |

d. Name of managers distributing employee compensation and distribution

December 31, 2023; Unit: NT\$ thousand

| | Position | Name | Stock | Cash | Total | Proportion to Earnings After Tax |
|--------------------|---|---------------|-------|-------|-------|----------------------------------|
| Managerial Officer | General Manager | Reaforl Hung | — | 4,000 | 4,000 | 1.24% |
| | Senior Vice President | Frank Hsu | | | | |
| | Senior Vice President | Stephen Chang | | | | |
| | Vice President and Head of Finance | Carrie Huang | | | | |
| | Vice President | Ray Lin | | | | |
| | Vice President (Note 1) | Jack Tsai | | | | |
| | Vice President (Note 1) | Alan Yu | | | | |
| | Assistant Vice President, Product Planning Department | Pomah Yen | | | | |
| | Assistant Vice President, Product Planning Department | Hans Chen | | | | |
| | Assistant Vice President, Product Planning Department | Yannic Chou | | | | |
| | Assistant Vice Manager of Information Technology Department | Simon Chiu | | | | |
| | Assistant Vice Manager of R&D Department | Eric Chang | | | | |
| | Accounting Manager | Amber Lee | | | | |

Note 1: Jack Tsai and Alan Yu were promoted to Vice Presidents of R&D Department on January 1, 2023.

e. The Company's remuneration policy

- (a) Specify and compare the remunerations to Directors, Presidents and Vice Presidents of the Company in proportion to the earnings after tax from the Company and companies included in the consolidated financial statements in the most recent 2 years, and specify the policies, standards, combinations, procedure of decision-making of remunerations and their relation to business performance and future

risk:

- i. Analysis of total remuneration, as a percentage of net income stated in the parent the Company only financial statements, paid to the Directors, President, and Vice Presidents during the past 2 fiscal years

Unit: NT\$ thousand

| Year Item | 2022 | | | | 2023 | | | |
|------------------------------|--------------|--|---------------------------------------|--|--------------|--|---------------------------------------|--|
| | Remuneration | | As percentage of net income after tax | | Remuneration | | As percentage of net income after tax | |
| | The Company | All Companies in Consolidated Financial Statements | The Company | All Companies in Consolidated Financial Statements | The Company | All Companies in Consolidated Financial Statements | The Company | All Companies in Consolidated Financial Statements |
| Directors | 14,901 | 15,669 | 3.48% | 3.65% | 13,170 | 14,070 | 4.07% | 4.35% |
| President and Vice President | 21,010 | 21,010 | 4.91% | 4.91% | 24,704 | 24,704 | 7.66% | 7.66% |

The director's remuneration for 2023 decreased compared to 2022, owing to a decline in net profit after tax for 2023. Conversely, the total remuneration for the president and vice president for 2023 increased compared to 2022, attributable to a rise in the number of vice presidents by 2.

- ii. The policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and the correlation with risks and business performance.
 - The director's remuneration of the Company is determined in accordance with Article 19 of the Company's Articles of Incorporation. The remuneration for directors performing duties for the Company is based on their degree of involvement in the Company's operations and the value of their contributions, taking into account domestic and international industry standards, and is authorized by the Board of Directors. Furthermore, according to Article 23 of the Company's Articles of Incorporation, if the Company makes a profit in the fiscal year, a provision of up to 2% shall be set aside for director's remuneration. The Company regularly evaluates director's remuneration according to the "Rules for Performance Evaluation of Board of Directors." The performance evaluation standards for directors include aspects such as degree of operational

involvement, professional development and contribution, board performance, company operations, and governance performance. The assessment of director's performance and the actual remuneration disbursed are all subject to review by the Remuneration Committee before being submitted for approval by the Board of Directors. Taking into account the aforementioned evaluation criteria, the main reason for the decrease in director's remuneration by 10.2% compared to the previous year is primarily attributed to the ongoing global economic recovery being hindered, which has affected growth momentum, leading to a decrease in operating income and pre-tax net profit. As a result, director's remuneration accounts for 4.35% of after-tax net profit.

- The remuneration structure for the Company's managers mainly consists of base salary, bonuses, and employee remuneration. The base salary is determined based on the position held and the responsibilities undertaken, taking into account industry standards for similar positions. Bonuses are calculated considering future industry trends and risks, as well as the Company's annual operational performance, financial condition, operational status, and individual performance. Employee remuneration is provided in accordance with Article 23 of the Company's Articles of Incorporation, which stipulates that if the Company makes a profit in the fiscal year, a provision of 2-5% should be set aside for employee benefits. The Company bases the issuance of bonuses for each manager on their performance evaluation results. Performance evaluation criteria include financial indicators, which assess the profitability of the Company and the achievement rate of managers' targets. Non-financial indicators: Operational management capabilities, participation in sustainable operations, and timely review of the remuneration system based on actual operational conditions and relevant regulations. The actual remuneration disbursed to managers is all subject to review

by the Remuneration Committee before being submitted for approval by the Board of Directors.

- The review of the Company's remuneration policy, related payment standards, and system is primarily based on the overall operational status of the Company. It is determined based on the achievement rate of performance and contribution to enhance the overall team effectiveness of the Board of Directors and the organization. Furthermore, we reference industry salary standards to ensure that the remuneration for our management team remains competitive, enabling us to retain and attract excellent management talent. All significant decisions made by the Company's management team are carefully considered after assessing material risks. Managers are also responsible for managing and mitigating risks within their scope of duties. The performance related to these decisions is reflected in the Company's profitability results. To further mitigate operational risks, the Company has purchased liability insurance for directors and managers. As of now, there have been no litigation cases. Therefore, the likelihood of directors and managers bearing responsibility, obligations, or liabilities in the future is low.

3. Status of Corporate Governance

(1) Operation of the Board of Directors:

A total of 6 meetings of the Board of Directors were held in 2023 and 2024. The attendance of the directors is as follows:

| Position | Name | Attendance in Person B | Attendance by Proxy | Attendance Rate [(B)/(A)] | Note |
|----------------------|--|------------------------|---------------------|---------------------------|--|
| Chairman | Ennoconn Corporation Representative: Steve Chu | 6 | 0 | 100% | Reelected |
| Director | Ennoconn Corporation Representative: Aven Lou | 6 | 0 | 100% | Reelected |
| Director | Ennoconn Corporation Representative: Nelson Tsay | 6 | 0 | 100% | Reelected |
| Director | Reaforl Hung | 6 | 0 | 100% | Reelected |
| Independent Director | Jennifer Shao | 6 | 0 | 100% | Reelected |
| Independent Director | James Huang | 2 | 0 | 100% | Elected then left the Board of Directors on June 14, 2023, attended 2 meetings |
| Independent Director | Benny Wang | 2 | 0 | 100% | Elected then left the Board of Directors on June 14, 2023, attended 2 meetings |
| Independent Director | Wen-Chang Fang | 4 | 0 | 100% | Newly Appointed |
| Independent Director | Luke Teng | 4 | 0 | 100% | Newly Appointed |

Other matters to be recorded:

1. With regard to the implementation of the Board of Directors, if any of the following circumstances occurs, the dates, terms of the meetings, contents of motions, all independent directors' opinions and the Company's handling of such opinions should be specified:

(1) Matters listed in Article 14-3 of the Securities and Exchange Act

A total of 5 Board meetings were held in 2023. The details of the decisions taken can be found on pages 98-99 of the annual report. All independent directors had no objection to the matters listed in Article 14-3 of the Securities and Exchange Act, and they were approved accordingly.

(2) Other resolutions of the Board of Directors, which the Independent Director(s) voiced objection or reservation that are documented or issued through a written statement in addition to the above: None

2. Regarding recusals of directors from voting due to conflicts of interests, the names of the directors, contents of motions, reasons for recusal, and results of voting should be specified:

| Date of Board Meetings | Name of Director | Major Resolutions | Reasons of Avoiding Conflicts of Interest | Voting |
|------------------------|------------------------------|--|--|--|
| 2023/03/09 | Steve Chu Reaforl Hung | Proposal to assess and establish compensations and remuneration for Directors and managers for 2023. | Have an interest relationship with itself and the legal person it represents | Not participated in the discussion and voting for avoiding conflicts of interest |
| 2023/08/09 | Directors | Directors Individual Remuneration Distribution | Have an interest relationship with itself and the legal person it represents | Not participated in the discussion and voting for avoiding conflicts of interest |
| 2023/08/09 | Reaforl Hung | Manager Remuneration Distribution | Have an interest relationship with itself and the legal person it represents | Not participated in the discussion and voting for avoiding conflicts of interest |
| 2024/03/13 | Reaforl Hung | Proposal to assess and establish compensations and remuneration for | Have an interest relationship with itself and the legal | Not participated in the discussion |

| | | | | |
|--|--|----------------------------------|----------------------|---|
| | | Directors and managers for 2024. | person it represents | and voting for avoiding conflicts of interest |
|--|--|----------------------------------|----------------------|---|

3. TWSE/TPEX listed companies shall disclose the information of self-evaluation (or peer evaluation) of the Board of Directors, such as evaluation cycle, period, scope, method, and contents:

| Evaluation Frequency | Evaluation Period | Evaluation Scope | Evaluation Method | Evaluation Content | Evaluation Result | Report Submission Date of Board of Directors |
|----------------------|--|---|------------------------------------|--|------------------------|--|
| Once a year | From January 1, 2023 to December 31, 2023. | Board of Directors | Board of Directors self-evaluation | <ol style="list-style-type: none"> 1. Their degree of participation in the Company's operations 2. Improvement of the quality of the Board of Directors' decision making 3. Composition and structure of Board of Directors 4. Election and continuing education of the Directors. 5. Internal control | Excellent | 2024.03.13 |
| | | Board member | Director self-evaluation | <ol style="list-style-type: none"> 1. Execution of the Company's goals and tasks 2. Understanding of the director's roles and responsibilities 3. Their degree of participation in the Company's operations 4. Management and communication of the internal relations 5. Expertise and continuing education of the Directors 6. Internal control | Excellent | |
| | | Audit Committee Remuneration Committee | Committee member self-evaluation | <ol style="list-style-type: none"> 1. Their degree of participation in the Company's operations | Excellent Excellent | |

| | | | | | | |
|----|--|--|--|--|--|--|
| | | | | 2. Awareness of the duties of Functional Committee 3. Improvement of the quality of the Functional Committee's decision making 4. Composition and member election of Functional Committee 5. Internal control | | |
| 4. | <p>Measures taken to strengthen the functionality of the Board of Directors in the current and the latest year, and implementation status:</p> <p>(1) Enhance the quality of the Board of Directors: Establish a corporate governance supervisor responsible for corporate governance matters, strengthen the functions of the Board of Directors, adopt a system for nominating candidates for the Board of Directors, and ensure that the Board of Directors is diverse and professionally competent. Each year, directors are provided with training and regular briefings on policies and regulations to enhance the Board of Directors ability to function and make decisions.</p> <p>(2) Strengthening Board Structure: The Company has established an Audit Committee, consisting of all independent directors in their respective professions, to review significant matters. In addition, a Remuneration Committee is established to annually evaluate and review the compensation system for the Company's directors and executive officers and to make recommendations to the Board for its consideration.</p> <p>(3) Compliance with Director's Conflict of Interest: If any director has a conflict of interest, they will voluntarily recuse themselves from the Board meeting.</p> <p>(4) Compliance with Laws and Regulations: The Board of Directors has indeed complied with the "Board Meeting Operation and Management Regulations" and upheld the spirit of information transparency. The major decisions of the Board of Directors were announced on the MOPS and the Company's website in accordance with the regulations, and the implementation was satisfactory.</p> <p>(5) Internal Control: The audit unit monitors the Company's internal controls and risk management, and the head of audit reports on its implementation at Board meetings.</p> | | | | | |

(2) Information on the operation of the Audit Committee:

As of the date of publication of the Annual Report, total of 5 meetings of the Audit Committee were held in 2023 and 2024. The attendance of the Committee Member is as follows:

| Position | Name | Attendance in Person (B) | Attendance by Proxy | Attendance Rate (B/A) | Note |
|----------------------|----------------|--------------------------|---------------------|-----------------------|--|
| Independent Director | Jennifer Shao | 5 | — | 100.00% | Reelected |
| Independent Director | James Huang | 2 | — | 100.00% | Elected then left the Board of Directors on June 14, 2023, attended 2 meetings |
| Independent Director | Benny Wang | 2 | — | 100.00% | Elected then left the Board of Directors on June 14, 2023, attended 2 meetings |
| Independent Director | Wen-Chang Fang | 3 | — | 100.00% | Newly Appointed |
| Independent Director | Luke Teng | 3 | — | 100.00% | Newly Appointed |

Other matters to be recorded:

- The date of the Board meeting, the term, contents of the proposals, contents of motions, contents of independent directors' objections, reservations or material proposals, and the Company's handling of the resolutions of the Audit Committee should be recorded under the following circumstances in the operations of the Audit Committee meeting:

- Matters listed in Article 14-5 of the Securities and Exchange Act

| Audit Committee Date (Term) | Major Resolutions | Opinions of all Independent Directors and the Company's handling of opinions of Independent Directors |
|--|--|---|
| 2023/03/09 (1 st Meeting for 2023) | <ol style="list-style-type: none"> 2022 Annual Operating Report 2022 Annual Financial Statement Setting the base date of capital increase | Approved by all Independent Directors |

| | | | |
|--|--|---|--|
| | | <p>for the first domestic unsecured conversion of corporate bonds by converting ordinary shares to issue new shares in the first quarter of 2023.</p> <ol style="list-style-type: none"> 4. 2022 Employee Remuneration Plan 5. 2022 Directors Remuneration Plan 6. 2022 Earnings Distribution Plan 7. 2022 Statement of Internal Control System. 8. 2023 Business Plan 9. Independence and competency assessment and Appointment and Remuneration of the CPAs for 2023 10. Amendment to the Corporate Social Responsibility Guidelines 11. Renewal of the short-term credit line with banks and financial products borrowing facilities 12. The Company applied for a long-term loan from the bank by using real estate as collateral. | |
| | <p>2023/05/04 (2nd Meeting for 2023)</p> | <ol style="list-style-type: none"> 1. Financial statements for the first quarter of 2023. 2. Amendments to the Election Procedures of Directors 3. Amendment to the “Board Meeting Procedural Rules” 4. Amendments to the Procedures for Acquiring or Disposing of Assets 5. Renewal of the short-term credit line with banks and financial products borrowing facilities 6. Proposed Draft of the “Regulations for Pre-approval of Non-assurance Services Provided by the Company’s Auditors” | <p>All independent directors agreed to pass; Amendment No. 4 Amendment to the Procedures for Acquisition and Disposal of Assets: Director James Huang suggested that the amendment clause does not need adjustment, but for transactions in Article 8, Paragraph 2 and Paragraph 3, if the transaction amount exceeds 10% of the Company’s paid-</p> |

| | | |
|--|---|---|
| | | up capital or is a small amount but beneficial to the Company's investment, it is hoped that it can be explained in the latest major financial business report at the Board of Directors meeting. |
| 2023/08/09 (3rd Meeting for 2023) | <ol style="list-style-type: none"> 1. Financial statements for the second quarter of 2023 2. Proposal to Change Deputy Spokesperson 3. Change of Business Registration Address 4. Renewal of the short-term credit line with the Company's bank and financial products borrowing facilities 5. The Company plans to acquire real estate ownership after December, 2027 | Approved by all Independent Directors |
| 2023/11/09 (4th Board Meeting for 2023) | <ol style="list-style-type: none"> 1. Financial statements for the third quarter of 2023 2. Proposal funding for Subsidiary Apligo GmbH 3. 2024 audit plan | Approved by all Independent Directors |
| 2024/3/13 (1st Board Meeting for 2024) | <ol style="list-style-type: none"> 1. 2023 Annual Operating Report 2. 2023 Annual Financial Statement 3. 2023 Earnings Distribution Plan 4. 2023 Statement of Internal Control System. 5. 2024 Business Plan 6. Independence and competency assessment and Appointment and Remuneration of the CPAs for 2024 7. Amendments to Board Performance Evaluation Method 8. Amendment to the "Board Meeting Procedural Rules" 9. Renewal of the short-term credit line with banks and financial products borrowing facilities | Approved by all Independent Directors |

- (2) Other matters which were not approved by the Audit Committee but were approved by two-thirds or more of all directors: None
2. If there were independent directors who abstained from voting due to conflict of interest, the independent directors' names, contents of the proposal, causes of avoiding conflicts of interest and participation in voting should be specified: None
3. Communications between the Independent Directors, the Company's chief internal auditor and CPAs (should include the material items, methods and results of audits of corporate finance or operations, etc.).
- (1) The internal audit unit of the Company communicates with independent directors from time to time by mail and symposiums and submits audit reports to independent directors on a monthly basis according to the audit plan. When necessary, the audit head will attend the meeting of Audit Committee to report and communicate on matters such as audit business, omission and improvement and make records and report them to the Board of Directors.

| Date | Motion | Recommendations and results |
|------------|---|---|
| 2023.01.19 | ● Report on the implementation status of audits from December 2022 to January 2023. | No objections |
| 2023.02.20 | ● Report on the implementation status of audits from January 2023 to February 2023. | No objections |
| 2023.03.09 | ● Discussion of the Company's 2022 Statement of Internal Control System. | After discussion, if the independent directors have no objection, the proposal will be submitted to the Board of Directors for deliberation |
| 2023.03.24 | ● Report on the implementation status of audits from February 2023 to March 2023. | No objections |
| 2023.04.26 | ● Report on the implementation status of audits from March 2023 to April 2023. | No objections |
| 2023.05.17 | ● Report on the implementation status of audits from April 2023 to May 2023. | No objections |
| 2023.06.26 | ● Report on the implementation status of audits from May 2023 to June 2023. | No objections |
| 2023.07.25 | ● Report on the implementation status of audits from June 2023 to July 2023. | No objections |
| 2023.08.10 | ● Report on the implementation status of audits in July 2023. | No objections |
| 2023.09.25 | ● Report on the implementation status of audits from August 2023 to September 2023 | No objections |
| 2023.10.30 | ● Report on the implementation status of audits from September 2023 to October 2023 | No objections |
| 2023.11.09 | ● The Company's 2023 audit plan | After discussion, if the independent directors have no objection, the |

| | | |
|------------|---|---|
| | | proposal will be submitted to the Board of Directors for deliberation |
| 2023.11.21 | ● Report on the implementation status of audits from October 2023 to November 2023 | No objections |
| 2023.12.26 | ● Report on the implementation status of audits from November 2023 to December 2023 | No objections |
| 2024.01.18 | ● Report on the implementation status of audits from December 2023 to January 2024 | No objections |
| 2024.02.02 | ● Report on the implementation status of audits in January 2024 | No objections |
| 2024.03.13 | ● Discussion of the Company's 2023 Statement of Internal Control System. | After discussion, if the independent directors have no objection, the proposal will be submitted to the Board of Directors for deliberation |

(2) Before major investment cases and financial reports are issued, independent directors will communicate with accountants beforehand and reach consistent conclusions.

| Date | Motion | Recommendations and results |
|------------|---|---|
| 2023.03.09 | <ul style="list-style-type: none"> ● CPAs explained the contents, findings and key audit items of the 2022 consolidated financial statements after the audit ● Update the recent auditing standards | The CPA replied to the inquiry of the independent directors, and all the independent directors had no opinion |
| 2023.05.04 | ● CPAs explained the content of the 2023 1st consolidated financial statements after review | The CPA replied to the inquiry of the independent directors, and all the independent directors had no opinion |
| 2023.08.09 | ● CPAs explained the content of the 2023 2nd consolidated financial statements after review | The CPA replied to the inquiry of the independent directors, and all the independent directors had no opinion |
| 2023.11.09 | <ul style="list-style-type: none"> ● CPAs explained the content of the 2023 3rd consolidated financial statements after review ● 2022 audit plan | The CPA replied to the inquiry of the independent directors, and all the independent directors had no opinion |
| 2024.03.13 | ● CPAs explained the contents, findings and key audit items of the 2023 consolidated financial statements after the audit | The CPA replied to the inquiry of the independent directors, and all the independent directors had no opinion |

(3) Implementation Status of Corporate Governance and Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof

| Evaluation Item | Implementation Status | | | Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof |
|---|-----------------------|----|---|--|
| | Yes | No | Description | |
| 1. Does the Company establish and disclose its corporate governance best-practice principles based on the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies? | ✓ | | The Company has established “Corporate Governance Best Practice Principles” in accordance with the “Corporate Governance Best Practice Principles for Listed and Over-the-Counter Companies” and published them on the Company’s website and on MOPS. | No material difference |
| 2. Shareholding structure & shareholders’ rights | | | | No material difference |
| (1) Does the Company establish and implement internal operating procedures to deal with shareholders’ suggestions, doubts, disputes, and litigations? | ✓ | | (1) The Company sets up the spokesperson system to handle relevant issues. The Company deeply understands and coordinates on the handling of the suggestions or concerns of shareholders, and has formulated the “Corporate Governance Best-Practice Principles” to ensure shareholders’ rights and interests, which is implemented in accordance with relevant procedures. | |
| (2) Does the Company possess a list of its major shareholders with controlling power as well as the ultimate | ✓ | | (2) The Company has appointed a share transfer agency to handle relevant affairs on behalf of the Company, to monitor the shareholding status of directors, executives, and | |

| Evaluation Item | Implementation Status | | | Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof |
|--|-----------------------|----|---|--|
| | Yes | No | Description | |
| owners of those major shareholders? | | | shareholders holding more than ten percent of shares, and regularly report the changes in their shareholdings every month according to regulations. | |
| (3) Does the Company establish and execute a risk management and firewall system within its affiliates? | ✓ | | (3) The Company formulated the “Procedures for Transactions with Related Parties of Specific Companies and Group Enterprises” and the “Regulations Governing Monitoring of Subsidiaries” to clearly specify the management of personnel and assets with affiliates, and conducts effective risk control through the implementation of internal control and internal audit systems. | |
| (4) Does the Company establish internal rules against insiders using undisclosed information to trade in securities? | ✓ | | (4) The Company has established the “Processing Procedures for Significant Internal Information” to specify the operating procedures for maintaining the confidentiality of significant internal information, and promotes the concept in which undisclosed information that is not made public may not be used to trade the Company’s securities during the monthly internal reporting. Content includes directors being prohibited from trading their stocks during the thirty days prior to the annual financial report announcement and the fifteen | |

| Evaluation Item | Implementation Status | | | Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof |
|--|-----------------------|----|---|--|
| | Yes | No | Description | |
| | | | days prior to each quarterly financial report announcement. | |
| <p>3. Composition and responsibilities of the Board of Directors</p> <p>(1) Does the Board of Directors plan to formulate a diversification policy, specific management goals, and implement them?</p> | ✓ | | <p>(1) According to our Corporate Governance Best Practice Principles, the composition of the Board of Directors should take into account diversity, including basic criteria and values (such as gender and age) as well as professional knowledge and skills (professional background, expertise and industry experience). For information on the Board's diversification policy and its implementation, please refer to the Board's Diversity and Independence Statement on pages 23-25.</p> <p>The specific management goal is to gradually increase the understanding and background of the Board members in corporate governance, environmental sustainability, corporate social responsibility, and legal matters in order to enhance their ability to oversee and guide the Company in response to international development trends. The Company's Board of Directors currently meets diversity</p> | No material difference |

| Evaluation Item | Implementation Status | | | Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof |
|--|-----------------------|----|--|--|
| | Yes | No | Description | |
| (2) Does the Company voluntarily establish other functional committees in addition to the legally-required Remuneration Committee and Audit Committee? | ✓ | | requirements. However, in order to meet future development needs, the composition of diversity will continue to be reviewed and the goal of diversifying Board members will be strengthened during the election process. (2) Although the Company has not set up other functional committees at present, it can still effectively supervise the implementation of the its business through the operation of independent directors and the Audit Committee. Other functional committees will be set up according to needs in the future. | |
| (3) Does the Company establish standards and methods to evaluate the performance of the Board of Directors, conduct the evaluation annually and regularly, report the results of evaluations to the Board of Directors, and use them as a reference for individual directors' remuneration and nomination and renewal? | ✓ | | (3) The Company established the "Board Performance Evaluation Method" on March 19, 2020, through a Board of Directors meeting. It stipulates that the Board should conduct performance evaluations at least once a year for the Board of Directors, Board members, compensation committee, and audit committee. Internal evaluations should be conducted at the end of each fiscal year in accordance with these regulations to evaluate the performance for that year. In the first quarter of each year, evaluations should be conducted based on compliance | |

| Evaluation Item | Implementation Status | | | Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof |
|---|-----------------------|----|--|--|
| | Yes | No | Description | |
| (4) Does the Company regularly evaluate the independence of the CPAs? | ✓ | | <p>with relevant laws and regulations, operational participation, and evaluation indicators, which serve as a basis for review, improvement, and the selection or nomination of directors. The self-assessment results of the Board of Directors and various functional committees (Remuneration Committee and Audit Committee) for the year 2023 were excellent and were reported to the Board on March 13th, 2024</p> <p>(4) The Company's Audit Committee annually evaluates the independence and qualifications of the Company's principal accountants. In addition to following the Company's "Criteria for Evaluating the Independence and Suitability of Auditors (Note 1)" (see pages 58-61) and referring to AQI indicator information for evaluation, we confirm that the auditors and firms have superior audit experience and training hours compared to the industry average. In addition, we have continuously implemented digital audit tools over the past two years to enhance audit quality. The results of the evaluation for the most recent fiscal year were discussed and approved by the Audit Committee on March 13,</p> | |

| Evaluation Item | Implementation Status | | | Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof |
|---|-----------------------|----|---|--|
| | Yes | No | Description | |
| | | | 2024, and submitted to the Board of Directors for approval on the same date, concerning the evaluation of the independence and suitability of the auditors. | |
| 4. Does the Company appoint adequate persons and a chief governance officer to be in charge of corporate governance matters (including but not limited to providing directors and supervisors required information for business execution, assisting directors and supervisors in following laws and regulations, handling matters in relation to the Board meetings and shareholders' meetings and keeping minutes at the Board meetings and shareholders' meetings according to law)? | ✓ | | The Company established a Corporate Governance Supervisor on November 9, 2022, approved by the Board of Directors. The General Management Center is responsible for corporate governance matters. Its main responsibilities include managing Board of Directors and General Shareholders' Meeting affairs in compliance with the law, recording minutes of these meetings, aiding in director appointment and training, supplying necessary information for directors, ensuring compliance with laws and regulations, and other duties as outlined in the Articles of Association or contracts. | No material difference |
| 5. Does the Company establish communication channels and a dedicated section on | ✓ | | The Company has designated a spokesperson and a deputy spokesperson to serve as the external communication channel of the Company, a spokesperson designated mailbox, and a special area | No material difference |

| Evaluation Item | Implementation Status | | | Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof |
|---|-----------------------|----|--|--|
| | Yes | No | Description | |
| the Company website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers) to respond to material corporate social responsibility issues in a proper manner? | | | for stakeholders is set up on the website of the Company, where a special person will respond to the important corporate social responsibility issues concerned by the stakeholders. Stakeholder Communication website: https://www.cas-well.com/about/esg/sustainability/stakeholder/identification/ | |
| 6. Does the Company appoint a professional shareholder service agency to deal with shareholder affairs? | ✓ | | The Stock Affairs Agency Department of Grand Fortune Securities Co., Ltd handles the relevant affairs of the shareholders' meeting. | No material difference |
| 7. Information disclosure (1) Does the Company have a website to disclose the financial operations and corporate governance status? | ✓ | | (1) The Company has established a corporate website (website address: https://www.cas-well.com) and discloses financial and corporate governance information on the website. The Company also complies with legal requirements to declare and announce important information, financial transactions and corporate governance on MOPS. | No material difference |
| (2) Does the Company have other information disclosure channels (e.g. building an | ✓ | | (2) The Company has an English website and has appointed a special person in charge of collecting and disclosing corporate information | |

| Evaluation Item | Implementation Status | | | Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof |
|---|-----------------------|----|--|--|
| | Yes | No | Description | |
| <p>English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, and making the process of investor conferences available on the corporate website)?</p> <p>(3) Does the Company publicly announce and file the annual financial reports within two months after the close of the given fiscal year and publicly announce and file the first, second, and third quarterly financial reports and the operation of each month ahead of the required deadline?</p> | ✓ | | <p>and disclosing all information on the MOPS and the Company's website in accordance with the law, including corporate briefings, shareholders' meetings and audio files. The spokesperson and deputy spokesperson serve as external communication channels.</p> <p>(3) The Company publishes and reports its annual financial reports and first, second, and third-quarter financial reports within the prescribed period, together with its operations, according to Article 36 of Securities and Exchange Act.</p> | |
| <p>8. Is there any other important information to facilitate a better understanding of the Company's corporate governance practices (including but not limited to employee rights, employee</p> | ✓ | | <p>(1) Employee's rights and interests and employee's care: Since the Company started its business, it has attached great importance to the growth of employees' career and the maintenance of employees' rights and interests, and has taken humanized employee self-management and spontaneous</p> | No material difference |

| Evaluation Item | Implementation Status | | | Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof |
|---|-----------------------|----|---|--|
| | Yes | No | Description | |
| wellness, investor relations, supplier relations, stakeholder rights, Directors' and Supervisors' training records, implementation of risk management policies and risk evaluation measures, implementation of customer policies, and participation in liability insurance by Directors and Supervisors)? | | | <p>learning as its main line. The Company has established employee welfare committee to handle various welfare measures according to law. Besides, to fully take care of employees, the Company not only implements the retirement mechanism and related vacation system according to the Labor Basic Standard Law, but also takes various welfare measures such as group insurance, birthday gift, health check, annual bonus, wedding and funeral allowance, and community activities.</p> <p>(2) Investor relations: the Company convenes shareholders' meetings every year in accordance with the Company Act and the relevant regulations, and provide shareholders with the opportunity to raise questions or submit proposals. Besides, the Company has set up a spokesperson system to deal with matters related to shareholder suggestions, doubts and disputes. The Company also handles matters related to the announcement and declaration of related information in accordance with the regulations set forth by the competent authority to promptly provide information that may affect shareholders' decision-</p> | |

| Evaluation Item | Implementation Status | | | Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof |
|-----------------|-----------------------|----|--|--|
| | Yes | No | Description | |
| | | | <p>making.</p> <p>(3) Supplier relations: in terms of related matters between the Company and suppliers, the Company maintains smooth communication channels with suppliers to ensure good relationships with them.</p> <p>(4) Stakeholder rights: The Company has designated a spokesperson and a deputy spokesperson to communicate directly with stakeholders, thus respecting and maintaining the legal rights and interests of stakeholders.</p> <p>(5) Continuing education for directors and supervisors: Directors of the Company possess professional background in the relevant industries and practical experience in business management. The Company provides the Directors with corporate governance-related courses from time to time.</p> <p>(6) Implementation of risk management policies and risk evaluation measures: The Company has established relevant operating guidelines and various institutional regulations to supervise the implementation of risk management and assessment by responsible managers.</p> | |

| Evaluation Item | Implementation Status | | | Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof | | | | | | | | | | | | |
|---|---|---|--|--|--------|------|--------------------|-----|---|---|------|---|---|------|--|---|
| | Yes | No | Description | | | | | | | | | | | | | |
| | | | <p>(7) Implementation of customer policies: The Company maintains smooth communication channels with customers to ensure good relationships with them.</p> <p>(8) Purchase of liability insurance for Directors and Supervisors:: The Company has purchased liability insurance for Directors and Supervisors to strengthen the protection of shareholders' interests, disclosed related information in accordance with regulations.</p> | | | | | | | | | | | | | |
| <p>9. Please explain the improvements made in accordance with the Corporate Governance Evaluation results released by the Taiwan Stock Exchange's Corporate Governance Center, and provide the priorities and plans for improvement with items yet to be improved.</p> <p>(1) Improvements in the 9th Corporate Governance Evaluation Indicators:</p> <table border="1"> <thead> <tr> <th>Number</th> <th>Item</th> <th>Improvement Method</th> </tr> </thead> <tbody> <tr> <td>2.8</td> <td>Does the Company have more than half of its independent directors serving for no more than three consecutive terms?</td> <td>The Company held a shareholders' meeting on June 14, 2023 to elect new directors. There are currently three independent directors, two of whom are subject to the three-term limit.</td> </tr> <tr> <td>2.17</td> <td>Does the Company's Board of Directors use the Audit Quality Indicators (AQIs) on a regular basis (at least annually) to evaluate the independence and suitability of the signing auditors and disclose the evaluation process in the annual report?</td> <td>The Company has disclosed them in the annual report</td> </tr> <tr> <td>2.27</td> <td>Does the Company have an intellectual property management plan linked to its</td> <td>The Company has disclosed them on the corporate website</td> </tr> </tbody> </table> | | | | | Number | Item | Improvement Method | 2.8 | Does the Company have more than half of its independent directors serving for no more than three consecutive terms? | The Company held a shareholders' meeting on June 14, 2023 to elect new directors. There are currently three independent directors, two of whom are subject to the three-term limit. | 2.17 | Does the Company's Board of Directors use the Audit Quality Indicators (AQIs) on a regular basis (at least annually) to evaluate the independence and suitability of the signing auditors and disclose the evaluation process in the annual report? | The Company has disclosed them in the annual report | 2.27 | Does the Company have an intellectual property management plan linked to its | The Company has disclosed them on the corporate website |
| Number | Item | Improvement Method | | | | | | | | | | | | | | |
| 2.8 | Does the Company have more than half of its independent directors serving for no more than three consecutive terms? | The Company held a shareholders' meeting on June 14, 2023 to elect new directors. There are currently three independent directors, two of whom are subject to the three-term limit. | | | | | | | | | | | | | | |
| 2.17 | Does the Company's Board of Directors use the Audit Quality Indicators (AQIs) on a regular basis (at least annually) to evaluate the independence and suitability of the signing auditors and disclose the evaluation process in the annual report? | The Company has disclosed them in the annual report | | | | | | | | | | | | | | |
| 2.27 | Does the Company have an intellectual property management plan linked to its | The Company has disclosed them on the corporate website | | | | | | | | | | | | | | |

| Evaluation Item | Implementation Status | | | Description | Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof |
|-----------------|-----------------------|----|--|--|--|
| | Yes | No | | | |
| | | | | business objectives, and is its implementation disclosed on the Company's website or in its annual report? And is it reported to the Board of Directors at least annually? | |
| 4.1 | | | | Does the Company have a dedicated unit responsible for promoting sustainable development? Does the Company conduct risk assessments of environmental, social, or corporate governance issues related to the Company's operations, following key principles, and does it establish relevant risk management policies or strategies? Is progress on sustainable development monitored by the Board of Directors and reported on the Company's website and annual report? | The Company has disclosed them on the corporate website and annual report. |
| 4.2 | | | | Does the Company establish a dedicated unit to promote business integrity, responsible for formulating and supervising the implementation of integrity management policies and preventive measures? Are the operation and implementation of this unit explained on the Company's website and annual report? Additionally, does it report to the Board of Directors at least once a year? | The Company has disclosed them on the corporate website and annual report. |
| 4.4 | | | | Did the Company prepare and upload a sustainability report in accordance with the Global Reporting Initiative (GRI) guidelines published by the GRI by the end of September? | The Company has submitted its sustainability report based on the GRI guidelines to MOPS and the Company's website in September 2023. |
| 4.5 | | | | Is the sustainability report prepared by the | The Company's sustainability report has |

| Evaluation Item | Implementation Status | | | Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof |
|-----------------|-----------------------|----|-------------|--|
| | Yes | No | Description | |

| | | |
|------|--|--|
| | Company verified by a third party? | been verified by Great International Certification according to AA1000, achieving a moderate level of assurance. |
| 4.7 | Has The Company uploaded the English version of the sustainability report on MOPS and the Company's website? | The Company has uploaded it to MOPS and the Company's website. |
| 4.17 | Does the Company's website, annual report, or sustainability report disclose and explain its supplier management policy, which requires suppliers to comply with relevant environmental, health and safety, or labor standards? | The Company has disclosed the implementation status on its website |
| 4.18 | Does the Company disclose information on the governance of climate-related risks and opportunities, strategies, risk management, indicators, and targets in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) framework? | The Company disclosed it in the sustainability report. |

- (2) The 10th corporate governance evaluation indicators have not yet been improved and priority projects have been strengthened. The Company will establish improvement plans for items that have not scored, setting annual improvement goals and prioritizing sustainable development as a key area for enhancement.

Note 1:

| Independent Evaluation Item | Evaluation Result | Whether it meets independence |
|---|-------------------|-------------------------------|
| 1. The Company has not changed its CPA for seven consecutive years. | Yes | Yes |
| 2. There is no direct or indirect material financial interest between the members of the audit service team and their | Yes | Yes |

| Evaluation Item | Implementation Status | | | Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof |
|-----------------|-----------------------|----|--|--|
| | Yes | No | Description | |
| | | | family members, other joint professional accountants and their family members, the firm and its affiliated companies and the Company. | |
| 3. | Yes | | There is no mutual financing or guarantee between the Company or the Company's directors and supervisors, members of the audit service team and their families, other joint professional accountants and their families, firms and firm-related companies. (Commercial activities that are normal lending by financial institutions are not subject to this restriction.) | Yes |
| 4. | Yes | | There is no commercial relationship affecting independence between the accounting firm or members of the audit service team and the Company or affiliated companies. | Yes |
| 5. | Yes | | There is currently no potential employment relationship between members of the audit services team and the Company. | Yes |
| 6. | Yes | | Members of the audit service team have not served as directors or supervisors of the Company or persons who have had a significant influence on audit cases in the past two years. | Yes |
| 7. | Yes | | The audit fees paid by the Company to the CPAs are fixed amounts, not contingent fees. There are no overdue fees that affect the independence of the audit. | Yes |
| 8. | Yes | | The non-audit services provided by the CPA firm and its affiliated companies to the Company, including the Company registration, did not directly affect the important subjects of the audit case, did not involve the Company's management functions, did not make decisions on behalf of the Company, and did not affect independence either. | Yes |
| 9. | Yes | | Members of the audit service team are not entrusted to be the defenders of the Company's positions or opinions or mediate conflicts with third parties on behalf of the Company. | Yes |
| 10. | Yes | | Members of the audit service team have no kinship with the Company's directors, supervisors, managers, or personnel | Yes |

| Evaluation Item | Implementation Status | | | Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof |
|----------------------------|-----------------------|----|---|--|
| | Yes | No | Description | |
| | | | who have a significant influence on audit cases. | |
| 11. | Yes | | The directors, supervisors, and managers of the Company did not give gifts of great value to the members of the audit service team. | Yes |
| 12. | Yes | | Among the Company's directors, supervisors, managers, or personnel with positions that have a significant impact on audit cases, there is no personnel from the CPA firm who has retired/resigned within one year. | Yes |
| 13. | Yes | | The independent directors of the Company did not work in the CPA firm within the two years before and during their tenure. The remuneration committee of the Company has not been a professional providing business, legal, financial, accounting, and other services or consulting within the two years before and during the term of office. | Yes |
| 14. | Yes | | The members of the audit service team did not suffer or feel intimidated by the Company, making them unable to maintain objectivity and clarify professional doubts. For example: (1) The management of the Company has improper requirements on the choice of accounting policies or the disclosure of financial statements. (2) The Company did not ask to reduce the inspection work that should be performed on the grounds of reducing fees | Yes |
| 15. | Yes | | Whether the CPA has complied with the independence standard No. 10 of the Bulletin of Norm of Professional Ethics for Certified Public Accountant and has obtained the "Statement of Independence" issued by the CPA. | Yes |
| Competency Evaluation Item | | | Evaluation Result | Whether it meets competency |

| Evaluation Item | Implementation Status | | | Description | Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof |
|-----------------|-----------------------|----|--|--|--|
| | Yes | No | | | |
| 1. | | | | Whether or not one possesses the qualifications of an accountant to carry out the duties of a Certified Public Accountant. | Yes Yes |
| 2. | | | | Whether there have been no disciplinary actions by the competent authority and the Certified Public Accountants Association, or sanctions imposed pursuant to Article 37, Paragraph 3 of the Securities and Exchange Act in the past five years? | Yes Yes |
| 3. | | | | Whether having relevant industry knowledge of visa clients | Yes Yes |
| 4. | | | | The workload of the CPA's and the adequacy of the audit service team's efforts are reviewed. | Yes Yes |
| 5. | | | | The accountants have not received any external inspection deficiencies, fines or improvement orders from regulatory authorities in recent years. | Yes Yes |
| 6. | | | | Does the CPA firm have innovative capabilities (planning)? | Yes Yes |

(4) Establishment, functions, and operations of Remuneration Committee, if any:

a. Professional Qualifications and Independence Analysis of the Remuneration Committee Members

December 31, 2023

| Title | Name | Qualifications | Professional Qualifications and Experience | Independence Criteria | Number of Other Public Companies in Which the Individual is Concurrently Serving as a Remuneration Committee Member |
|--------------------------------|----------------|---|--|-----------------------|---|
| Independent Director Convener: | Wen-Chang Fang | Please refer to pages 23 - 25 for disclosure of information on professional qualifications of directors and independence of independent directors | | | 0 |
| Independent Director | Jennifer Shao | | | | 0 |
| Independent Director | Luke Teng | | | | 0 |

- b. The responsibilities of the Remuneration Committee are to formulate and regularly review the policies, systems, standards and structures of performance evaluation and remuneration of directors and managers, and to regularly evaluate and determine the remuneration of directors and managers.
- c. Operation status of the Remuneration Committee:
 - (a) The Company’s Remuneration Committee consists of 3 members.
 - (b) The term of office of the current Remuneration Committee is: From June 14, 2023 to June 13, 2026. A total of 3 meetings of the Remuneration Committee (A) were held in 2023 and 2024, with the qualifications of members and attendance records as follows:

| Position | Name | Attendance in Person (B) | Attendance by Proxy | Attendance Rate (B/A) | Note |
|------------------|----------------|--------------------------|---------------------|-----------------------|--|
| Convener | James Huang | 1 | — | 100% | Elected then left the Board of Directors on June 14, 2023, attended 1 meetings |
| Committee Member | Jennifer Shao | 3 | — | 100% | Reelected |
| Committee Member | Benny Wang | 1 | — | 100% | Elected then left the Board of Directors on June 14, 2023, attended 1 meetings |
| Convener | Wen-Chang Fang | 2 | — | 100% | Newly Appointed |
| Committee Member | Luke Teng | 2 | — | 100% | Newly Appointed |

Other matters to be recorded:

1. If the Board of Directors declines to adopt or modify a recommendation of the Remuneration Committee, it should specify the date of the meeting, session, content of the motion, resolution by the Board of Directors and the Company's response to the Remuneration Committee's opinion: None
2. If there are resolutions of the Remuneration Committee to which members object or express reservations, and for which there is a record or declaration in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: None
3. The contents of proposals and resolutions as of the publication date of the annual reports in 2023 and the current year (2024) are as follows:

| Date of Remuneration Committee | Major Resolutions | Opinions of all members of Remuneration Committee and the Company's handling of the opinions |
|--------------------------------|--|--|
| 2023/03/09 | 1. Proposal to assess the policy and composition of remuneration to directors and managers of the Company for 2023 | Approved by all committee members |

| | | |
|------------|--|-----------------------------------|
| | 2. The Company's 2022 Employee Remuneration Plan 3. The Company's 2022 Directors Remuneration Plan | |
| 2023/08/09 | 1. Directors Individual Remuneration Distribution for 2022 2. The Company's 2022 Manager Remuneration Plan | Approved by all committee members |
| 2024/03/13 | 1. Proposal to assess the policy and composition of remuneration to directors and managers of the Company for 113 2. The Company's 2023 Employee Remuneration Plan 3. The Company's 2023 Directors Remuneration Plan | Approved by all committee members |

(5) Implementation Status on Promoting Sustainable Development and Deviations Status from the Sustainable Development Best-Practice Principles for TWSE/ TPEX Listed Companies and reasons thereof:

| Items to Promote | Implementation Status | | | Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof |
|---|-----------------------|----|--|---|
| | Yes | No | Description | |
| 1. Has the Company established a governance framework to promote sustainable development and established a dedicated unit for this purpose? Is this unit authorized by the Board of Directors and subject to their supervision? | ✓ | | The Company has formed the 2022 Sustainable Development Committee, which is chaired by the President. The Director of Corporate Governance serves as the Executive Secretary. The Sustainable Development Committee has established specialized teams under it that are responsible for gathering stakeholder concerns on environmental protection, occupational safety, supply chain management, labor rights, operational performance, and | No material difference |

| Items to Promote | ImplementationStatus | | | Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof |
|--|----------------------|----|---|---|
| | Yes | No | Description | |
| | | | <p>corporate governance. They plan relevant medium- and long-term sustainable development issues and report regularly to the Board on the implementation status and results.</p> <p>The sustainable development situation was reported to the Board of Directors on March 9, May 4, August 9, November 9, 2023 and March 13, 2024. The Board also plays an oversight and guidance role, requiring the management team to make adjustments to the sustainable development strategy, policies, targets and action plans as necessary, while respecting the rights and interests of stakeholders. The Company has established a stakeholder section on its website to adequately address important sustainability issues of concern to them.</p> | |
| 2. Does the Company assess ESG risks associated with its operations based on the principle of materiality, and establish related risk management policies or strategies? | ✓ | | <p>To effectively manage and implement operations such as corporate governance, ethical corporate management, and corporate social responsibility (CSR), the Company has continuously formulated management measures that were approved by the Board of Directors, such as “Sustainable Development Best Practice Principles,” “Corporate Governance</p> | No material difference |

| Items to Promote | ImplementationStatus | | | Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof |
|--|----------------------|----|--|---|
| | Yes | No | Description | |
| | | | Best-Practice Principles,” “Ethical Corporate Management Operating Procedures and Behavior Guidelines,” and “Code of Ethical Conduct,” and please refer to the description of the “7. Other Important Information to Facilitate a Better Understanding of Implementation Status on Promoting Sustainable Development” on pages 81 - 84 for the Company’s material issues and risk management policies. | |
| <p>3. Environmental issues</p> <p>(1) Has the Company set an environmental management system designed to industry characteristics?</p> | ✓ | | <p>(1) The Company has actively established an appropriate environmental management system according to industry categories and characteristics, and has obtained international certifications such as ISO 9001, TL 9000, ISO 14001, ISO 28000 and ISO45001. According to ISO14064-1 specification, the establishment of these environmental safety management systems and supply chain safety management has created a favorable environment for sustainable operation, ensuring zero disaster production and manufacturing. Based on them, the Company provides high-quality products and services to improve safety</p> | No material difference |

| Items to Promote | Implementation Status | | | Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof |
|---|-----------------------|----|---|---|
| | Yes | No | Description | |
| | | | and enhance customer satisfaction. Other Important Information to Facilitate a Better Understanding of Implementation Status on Promoting Sustainable Development on page 81- 85 for the Company's international certification information. | |
| (2) Does the Company endeavor to utilize energy efficiency and use renewable materials that have low impact on the environment? | ✓ | | (2) The Company strictly abides by the domestic environmental protection regulations and implements green in its design concept which conforms to the RoHS, REACH disable material requirements, and WEEE clause to promote reuse, recycling, and the recovery of other waste items to reduce waste disposal; the Company prioritizes the use of recycled materials or reusable materials as far as possible in the packaging materials to reduce the impact on the environment. The Company advocates energy saving in daily operations, and it promotes green general affairs to reduce the impact of disposable waste on the global environment. | No material difference |
| (3) Has the Company evaluated the current and future potential risks and opportunities of | ✓ | | (3) The Company evaluates the impact of climate change, which may lead to energy supply problems, so it first takes coping measures to save energy or | No material difference |

| Items to Promote | ImplementationStatus | | | Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof | | | | | | | | | | | | | | | | | | | | | | | | |
|---|----------------------|----------------------|---|---|--|--|------------------|--|--|---------------------------|------|---------------|------------|---------|---------|------------|----------|----------|------|------|------|------------------|----------------------|----------------------|----------------|-----------------|-----------------|------------------------|
| | Yes | No | Description | | | | | | | | | | | | | | | | | | | | | | | | | |
| climate change, and adopted countermeasures against relevant issues? | | | replace energy. It also formulates relevant emergency response procedures for the risk of operational interruption caused by natural disasters to improve the response efficiency of incidents and to reduce possible losses. For specific implementation, please refer to the 2023 Annual Sustainability Report-Climate Change Governance Chapter. | | | | | | | | | | | | | | | | | | | | | | | | | |
| (4) Does the Company collect data for greenhouse gas emissions, water usage and waste quantity in the past two years with polices in place regarding to greenhouse gas emissions reduction, water usage reduction and other waste management? | ✓ | | <p>(4) The Company’s greenhouse gas emissions are mainly from electricity and water consumption, and the annual emission listed as below is calculated based on the emission factors provided by Taiwan Power the Company and Taiwan Water Corporation and the total consumption of the Company: (The scope of the information: operational sites in Taiwan)</p> <table border="1"> <thead> <tr> <th colspan="3">Greenhouse gas emissions</th> </tr> <tr> <th colspan="3">Unit: metric ton</th> </tr> </thead> <tbody> <tr> <td>Carbon dioxide equivalent</td> <td>2022</td> <td>2023 (Note 1)</td> </tr> <tr> <td>Category 1</td> <td>55.5763</td> <td>49.7587</td> </tr> <tr> <td>Category 2</td> <td>693.8588</td> <td>719.8018</td> </tr> </tbody> </table> <table border="1"> <thead> <tr> <th>Item</th> <th>2022</th> <th>2023</th> </tr> </thead> <tbody> <tr> <td>Water Withdrawal</td> <td>7,985 m³</td> <td>6,211 m³</td> </tr> <tr> <td>Waste Disposal</td> <td>0.31 metric ton</td> <td>0.61 metric ton</td> </tr> </tbody> </table> | Greenhouse gas emissions | | | Unit: metric ton | | | Carbon dioxide equivalent | 2022 | 2023 (Note 1) | Category 1 | 55.5763 | 49.7587 | Category 2 | 693.8588 | 719.8018 | Item | 2022 | 2023 | Water Withdrawal | 7,985 m ³ | 6,211 m ³ | Waste Disposal | 0.31 metric ton | 0.61 metric ton | No material difference |
| Greenhouse gas emissions | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Unit: metric ton | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Carbon dioxide equivalent | 2022 | 2023 (Note 1) | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Category 1 | 55.5763 | 49.7587 | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Category 2 | 693.8588 | 719.8018 | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Item | 2022 | 2023 | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Water Withdrawal | 7,985 m ³ | 6,211 m ³ | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Waste Disposal | 0.31 metric ton | 0.61 metric ton | | | | | | | | | | | | | | | | | | | | | | | | | | |

| Items to Promote | Implementation Status | | | Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof | | | | | | | | | | | | | | | |
|------------------------------------|--|----|---|---|-------------------------|------------------------------------|--|---|---|--|------------------------------------|---|---|--|--|--|--|---|--|
| | Yes | No | Description | | | | | | | | | | | | | | | | |
| | | | <p>(Note 1) The Company has completed 2023 greenhouse gas inventory (Category 1 and Category 2) and will obtain third-party verification in 2024.</p> <p>The Company has set an annual goal of 1% energy saving and carbon reduction and it has analyzed the discharge volume of various discharge sources, electricity consumption, water consumption and waste recycling volume. The implementation measures are as follows:</p> <table border="1"> <thead> <tr> <th>Item</th> <th>Implementation measures</th> </tr> </thead> <tbody> <tr> <td rowspan="4">Energy-Saving and Carbon Reduction</td> <td>To set the normal temperature of 26~28 degrees on the air conditioner in the office area</td> </tr> <tr> <td>To replace office area lighting with energy-saving T5 lamps</td> </tr> <tr> <td>To advocate turning off the lights when leaving, and lighting out during daily lunch break.</td> </tr> <tr> <td>Replacement of induction tubes in primary public areas</td> </tr> <tr> <td rowspan="3">To reduce greenhouse gas emissions</td> <td>To promote the paperless policy to use various electronic forms</td> </tr> <tr> <td>To promote the reuse of recycled papers to reduce paper usage</td> </tr> <tr> <td>To advocacy bring employees' own eco-friendly tableware to reduce the use of disposable utensils</td> </tr> <tr> <td></td> <td></td> <td></td> <td>To purchase green products in priority for new equipment or electrical appliances</td> </tr> </tbody> </table> | Item | Implementation measures | Energy-Saving and Carbon Reduction | To set the normal temperature of 26~28 degrees on the air conditioner in the office area | To replace office area lighting with energy-saving T5 lamps | To advocate turning off the lights when leaving, and lighting out during daily lunch break. | Replacement of induction tubes in primary public areas | To reduce greenhouse gas emissions | To promote the paperless policy to use various electronic forms | To promote the reuse of recycled papers to reduce paper usage | To advocacy bring employees' own eco-friendly tableware to reduce the use of disposable utensils | | | | To purchase green products in priority for new equipment or electrical appliances | |
| Item | Implementation measures | | | | | | | | | | | | | | | | | | |
| Energy-Saving and Carbon Reduction | To set the normal temperature of 26~28 degrees on the air conditioner in the office area | | | | | | | | | | | | | | | | | | |
| | To replace office area lighting with energy-saving T5 lamps | | | | | | | | | | | | | | | | | | |
| | To advocate turning off the lights when leaving, and lighting out during daily lunch break. | | | | | | | | | | | | | | | | | | |
| | Replacement of induction tubes in primary public areas | | | | | | | | | | | | | | | | | | |
| To reduce greenhouse gas emissions | To promote the paperless policy to use various electronic forms | | | | | | | | | | | | | | | | | | |
| | To promote the reuse of recycled papers to reduce paper usage | | | | | | | | | | | | | | | | | | |
| | To advocacy bring employees' own eco-friendly tableware to reduce the use of disposable utensils | | | | | | | | | | | | | | | | | | |
| | | | To purchase green products in priority for new equipment or electrical appliances | | | | | | | | | | | | | | | | |

| Items to Promote | ImplementationStatus | | | Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof | | | | | | | | |
|--------------------------------------|--|----|--|---|--------------------------------|---|---|--------------------------------------|--|--|--|--|
| | Yes | No | Description | | | | | | | | | |
| | | | <table border="1"> <tr> <td rowspan="3">To reduce water use</td> <td>To post water savings slogans.</td> </tr> <tr> <td>To fully install water-saving valves for faucets and two-stage toilets.</td> </tr> <tr> <td>To immediately report water leakage to avoid waste.</td> </tr> <tr> <td rowspan="3">To manage waste disposal and recycle</td> <td>To appoint qualified vendors of waste disposal to handle cleaning, shipping and recycling.</td> </tr> <tr> <td>To implement the recycling and sorting mechanism for waste batteries, toner clips, special bottles, iron and aluminum cans and paper, etc.</td> </tr> <tr> <td>To promote waste reduction by all employees.</td> </tr> </table> <p>The achievement of various implementation measures is as follows:</p> <ol style="list-style-type: none"> a. Category 2: 3.7389% increase in carbon emissions in 2023 compared to 2022. The increase is due to the Company's purchase of a new factory building in February 2023. With the expansion of the factory space, electricity consumption at each factory will increase, resulting in an increase in carbon emissions in 2023. b. To reduce water use: 22.22% decrease in 2023 compared to 2022. c. Increase in waste: 96.77% increase in 2023 compared to 2022. (The increase in waste disposal is due to the Company's model revision, which resulted in larger dimensions and consequently | To reduce water use | To post water savings slogans. | To fully install water-saving valves for faucets and two-stage toilets. | To immediately report water leakage to avoid waste. | To manage waste disposal and recycle | To appoint qualified vendors of waste disposal to handle cleaning, shipping and recycling. | To implement the recycling and sorting mechanism for waste batteries, toner clips, special bottles, iron and aluminum cans and paper, etc. | To promote waste reduction by all employees. | |
| To reduce water use | To post water savings slogans. | | | | | | | | | | | |
| | To fully install water-saving valves for faucets and two-stage toilets. | | | | | | | | | | | |
| | To immediately report water leakage to avoid waste. | | | | | | | | | | | |
| To manage waste disposal and recycle | To appoint qualified vendors of waste disposal to handle cleaning, shipping and recycling. | | | | | | | | | | | |
| | To implement the recycling and sorting mechanism for waste batteries, toner clips, special bottles, iron and aluminum cans and paper, etc. | | | | | | | | | | | |
| | To promote waste reduction by all employees. | | | | | | | | | | | |

| Items to Promote | Implementation Status | | | Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof |
|---|-----------------------|----|---|---|
| | Yes | No | Description | |
| | | | heavier scrap). | |
| 4. Social Issues (1) Does the Company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights? | ✓ | | (1) In addition to comply with relevant labor laws and regulations, the Company formulated the employee handbook and the management rules, and it also supports the international human rights conventions, such as “Universal Declaration of Human Rights of United Nations,” “The United Nations Global Compact,” “International Labour Convention,” which disclose spirit and basic principles of human rights protection. Also, it is committed to integrate the principles and spirit of human rights into the value and culture of the Company as the Company’s commitment to human rights protection. In 2023, a total of 31 hours of human rights protection education and training were conducted for new employees. The human rights policy is announced on the official website for the benefit of stakeholder communication. The Company’s human rights | No material difference |

| Items to Promote | ImplementationStatus | | | Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof | | | | | | | | |
|-----------------------------|---|----|---|---|-------------------|-----------------------------|---|-------------------|--|----------------------------|---|--|
| | Yes | No | Description | | | | | | | | | |
| | | | <p>policy:</p> <p>https://www.caswell.com/about/esg/sustainability/social/human-rights-policy/ The Company’s whistle-blowing system and the processing procedure:</p> <p>https://www.caswell.com/about/esg/sustainability/development/reporting-system/</p> <p>The relevant human rights protection measures are as follows:</p> <table border="1"> <thead> <tr> <th>Issues in Focus</th> <th>Specific Measures</th> </tr> </thead> <tbody> <tr> <td>Occupational Safety Related</td> <td> <ol style="list-style-type: none"> To regularly monitor the workplace environment (CO2, brightness of the office space) and to maintain facilities and equipment in order to ensure the safety of the workplace To conduct fire training and drills every 6 months. </td> </tr> <tr> <td>Female Protection</td> <td> <ol style="list-style-type: none"> To adhere to labor laws and gender work equality regulations To set up nursery rooms to take care of the needs of our female colleagues </td> </tr> <tr> <td>Prohibition of Child Labor</td> <td> <ol style="list-style-type: none"> To prohibit employing persons under the age of 16. When recruiting employees, the Company requires </td> </tr> </tbody> </table> | Issues in Focus | Specific Measures | Occupational Safety Related | <ol style="list-style-type: none"> To regularly monitor the workplace environment (CO2, brightness of the office space) and to maintain facilities and equipment in order to ensure the safety of the workplace To conduct fire training and drills every 6 months. | Female Protection | <ol style="list-style-type: none"> To adhere to labor laws and gender work equality regulations To set up nursery rooms to take care of the needs of our female colleagues | Prohibition of Child Labor | <ol style="list-style-type: none"> To prohibit employing persons under the age of 16. When recruiting employees, the Company requires | |
| Issues in Focus | Specific Measures | | | | | | | | | | | |
| Occupational Safety Related | <ol style="list-style-type: none"> To regularly monitor the workplace environment (CO2, brightness of the office space) and to maintain facilities and equipment in order to ensure the safety of the workplace To conduct fire training and drills every 6 months. | | | | | | | | | | | |
| Female Protection | <ol style="list-style-type: none"> To adhere to labor laws and gender work equality regulations To set up nursery rooms to take care of the needs of our female colleagues | | | | | | | | | | | |
| Prohibition of Child Labor | <ol style="list-style-type: none"> To prohibit employing persons under the age of 16. When recruiting employees, the Company requires | | | | | | | | | | | |

| Items to Promote | Implementation Status | | | Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof |
|------------------|-----------------------|----|---|---|
| | Yes | No | Description | |
| | | | <p>applicants to submit a basic information form that includes their date of birth. Upon reporting for duty, applicants must present their identification card for verification.</p> | |
| | | | <p>Personal Data Protection</p> <p>The documents are reviewed by Human Resources to ensure the accuracy of the information. All documents submitted are securely protected.</p> | |
| | | | <p>Employee Health Management</p> <ol style="list-style-type: none"> 1. To conduct annual employee health checks. 2. To have the contracted medical staff regularly come to the Company to provide health consultation services for our colleagues 3. To establish various clubs to encourage employees' leisure activities and to promote stress relief and exercises | |
| | | | <p>Prohibition of Forced Labor</p> <ol style="list-style-type: none"> 1. To indeed follow the labor laws and regulations, and to clearly stipulate in the work rules and related personnel regulations 2. To adjust the workload of employees in a timely manner, to assist in improving work efficiency, and to | |

| Items to Promote | ImplementationStatus | | | Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof |
|--|----------------------|----|---|---|
| | Yes | No | Description | |
| | | | <div style="display: flex; justify-content: space-between;"> <div style="width: 45%;"></div> <div style="width: 45%; border: 1px solid black; padding: 2px;">reduce overtime</div> </div> <div style="border: 1px solid black; padding: 2px; margin-top: 5px;"> <p>Ending Discrimination and Sexual Harassment</p> <p>1. To clearly prohibit discrimination and sexual harassment in the work rules and personnel regulations, and to provide an equal and safe workplace environment. In addition, sexual harassment prevention education and training, with a total training time of 18 hours were conducted to new employees in 2023.</p> <p>2. To provide a grievance channel for our employees to express themselves in a timely manner, and special personnel shall handle the relevant cases. No cases of complaints were received in 2023.</p> </div> | |
| (2) Has the Company formulated and implemented reasonable employee welfare measures (including remuneration, rest and annual leave, and other benefits), and appropriately reflected the | ✓ | | (2) The personnel management rules and regulations of the Company have stipulated relevant norms. The Company has established an employee welfare committee to deal with various employee welfare matters , such as planning car and motorcycle parking spaces for employees, setting up employee restaurants, coffee | No material difference |

| Items to Promote | ImplementationStatus | | | Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof |
|---|----------------------|----|--|---|
| | Yes | No | Description | |
| operating performance or achievements in the employee remuneration? | | | <p>lounges, employee health checks, etc. In addition, regarding the remuneration policy, The Company allocates 2-15% of profits, if any, as employee compensation according to the Company's Articles of Association, and the individual ability and contribution to the Company shall be appropriately reflected in employee compensation with reference to various comprehensive performances as the distribution of employee compensation.</p> <p>Under the concept of diversity and equality in the workplace, the percentage of female employees at the end of 2023 was 45.88%, and the percentage of female senior executives was 14.29%. The Company also supports important ceremonies of the aboriginal peoples by providing paid festival leave to eligible employees. According to internal statistics, a total of 2 personnel applied for parental leave in 2023. As they are currently on parental leave, there were no employees who returned to work in 2023.</p> | |

| Items to Promote | ImplementationStatus | | | Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof |
|--|----------------------|----|--|---|
| | Yes | No | Description | |
| (3) Does the Company provide a healthy and safe work environment and organize health and safety training for its employees on a regular basis? | ✓ | | (3) The Company has obtained ISO45001 Occupational Health and Safety Management System certification, and has conducted educational activities such as work safety promotion, fire drills, and health checks for both current and new employees. The total number of training hours in 2023 was 1291 hours, and there were no occupational accidents in 2023. Every year, the Company complies with fire safety regulations and conducts inspections and declarations of fire safety equipment to ensure their proper functioning and implement safety management. In 2023, the Company did not experience any fire incidents. | No material difference |
| (4) Does the Company establish effective career development and training plans for its employees? | ✓ | | (4) To enhance employees' job skills, enable employees to quickly adapt to the work environment, improve the quality of products and services, and enhance the overall competitiveness of the organization, the Company has launched the education and training program through a systematic training blueprint so that employees can grow together with the Company. The | No material difference |

| Items to Promote | ImplementationStatus | | | Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof |
|--|----------------------|----|--|---|
| | Yes | No | Description | |
| | | | total number of training hours for 2023 is 1,387 hours. | |
| (5) Does the Company's product and service comply with related regulations and international rules regarding to issues such as customers' health and safety, privacy, sales, labeling and set polices to protect consumer or client's rights and complaint procedures? | ✓ | | (5) The products of the Company comply with the laws and regulations of the government, and the suppliers are required to provide regular reports in compliance with EU RoHS and REACH specifications while XRH equipment is used to detect the incoming materials to ensure that the purchased materials are free of any hazardous substances. There is a communication channel set up on the Company's website to directly face the rights and interests of customers, and the customer service satisfaction survey is conducted every year to strengthen the cooperative relationship between the two parties. Stakeholder Communication website: https://www.cas-well.com/about/esg/sustainability/stakeholder/identification/ | No material difference |
| (6) Does the Company formulate and implement supplier management policies that | ✓ | | (6) The Company requires the suppliers to fulfill their corporate social responsibilities and to refrain from incidents that have a negative impact on | No material difference |

| Items to Promote | ImplementationStatus | | | Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof |
|---|----------------------|----|---|---|
| | Yes | No | Description | |
| requiresuppliersto follow relevant regulations on environmental protection, occupational safety and health or labor human rights? | | | <p>the environment and society.</p> <p>a. All supplier evaluations are conducted in accordance with the regulations of the Company’s “Supplier Management Procedures”.</p> <p>b. Every year regularly evaluates supplier quality, and since 2023, the content of supplier evaluation has added environmental and social issues.</p> <p>c. The Company regularly tracks whether suppliers have obtained the certification of environmental protection and health, safety and environment and complied with the labor rights issues.</p> <p>d. Regularly interview suppliers quarterly to learn the current status of suppliers, share industry information, and provide single-quarter performance evaluations for review and improvement.</p> <p>The implementation status for 2023 is as follows.</p> <p>a. CASwell’s supplier policy was sent to 302 qualified suppliers, along with an</p> | |

| Items to Promote | ImplementationStatus | | | Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof |
|------------------|----------------------|----|---|---|
| | Yes | No | Description | |
| | | | <p>explanation of the sustainable risk management evaluation criteria.</p> <p>b. Conducted written questionnaire surveys on sustainable risk management for 20 key suppliers, and received responses from 18, achieving a completion rate of 90%.</p> <p>c. Voluntary responses were received from 66 key suppliers for sustainable risk management, with a response rate of 74.24% (49 suppliers).</p> <p>d. Through the Green Product Management System, the latest environmental regulations are periodically distributed to suppliers to encourage them to review product compliance. The response of suppliers to the Green Product Management System in 2023 is as follows:</p> <p>(a) REACH SVHC 235 response rate: 83.85%;</p> <p>(b) RoHS DoC response rate: 75.34%;</p> | |

| Items to Promote | Implementation Status | | | Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof |
|--|-----------------------|----|--|---|
| | Yes | No | Description | |
| | | | (c) CMRT/EMRT response rate: 76.43% | |
| 5. Does the Company refer to internationally-used standards or guidelines for the preparation of reports such as sustainability reports to disclose non-financial information? Are the reports certified or assured by a third-party accreditation Board of Directors? | ✓ | | The Company's 2023 Sustainability Report has been prepared in accordance with the Sustainability Reporting Guidelines (GRI Guidelines) of the Global Sustainability Standards Board (GSB), taking into account climate change and investor disclosure requirements. The report includes disclosures on Task Force on Climate-Related Financial Disclosures (TCFD) and Sustainability Accounting Standards (SASB) and has been independently verified. Please refer to the Appendix of the 2023 Sustainability Report for more details. | No material difference |
| 6. If the Company has established its own sustainable development corporate management principles based on the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, please describe the implementation and any deviations from the Principles: the Company has formulated the "Sustainable Development Best Practice Principles", which were approved by the Board of Directors in March 2023 to enhance implementation of the corporate sustainable development social responsibility. The Company also complies with the content of the principles in actual operation, and there is no material variance. | | | | |
| 7. Other Important Information to Facilitate a Better Understanding of Implementation Status on Promoting Sustainable Development: (1) The international certification obtained | | | | |

| Items to Promote | Implementation Status | | | Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof |
|------------------|-----------------------|----|-------------|---|
| | Yes | No | Description | |

| International Certification | Certificate Number | Issued by | Date of Certification | Expiration (valid) date |
|-----------------------------|--------------------|------------------|-----------------------|-------------------------|
| ISO 9001 | 19.4777/A | NSAI | 2023/03/08 | 2024/08/27 |
| TL 9000 | TL19.4777/A | NSAI | 2023/03/08 | 2024/08/27 |
| ISO 14001 | 44 104 22 82 0128 | TUV NORD | 2023/04/17 | 2026/05/29 |
| ISO 28000 | 0068351 | Lloyd's Register | 2023/04/06 | 2024/4/16 |
| ISO 45001 | 44 126 19 82 0147 | TUV NORD | 2023/09/04 | 2025/10/27 |
| ISO 27001 | IAS-ISMS-23-007 | GREAT | 2023/06/01 | 2026/07/09 |

(2) Material issues and risk management policies of the Company

| Material Issues | Item of Risk Assessment | Impact of Issues | Risk Management Policies |
|-----------------|--------------------------------|---|--|
| Environment | Greenhouse gas emissions | The EU began to charge carbon tax and carbon fee in 2024 | The Company has completed 2023 greenhouse gas inventory and will obtain third-party verification in 2024. |
| Society | Occupational Health and Safety | Occupational safety and health can affect the Company's human resources and related operating costs. The Company has good safety and health management so that employees have a safe and healthy working environment. | The Company obtained the certification of ISO45001 occupational safety and health management system, and it formulated the "Occupational Safety and Health Management Plan." It handles various safety trainings, including regular fire drills, fire management training, operation safety inspections, and training of employees' emergency response capabilities, in accordance with the relevant occupational safety and health regulations and business needs, etc. It formulated the "Work Environment |

| Items to Promote | | Implementation Status | | | Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof |
|------------------|------------------------|-----------------------|--|--|---|
| | | Yes | No | Description | |
| | | | | Measurement Management Program,” “Overwork Hazard Prevention Management Program,” and “Automated Checks Program” to provide a complete and safe working environment for all employees. The employee health checks are regularly held with the health check center, so that every colleague can have good safety and health education. | |
| | Training and Education | | Adhering to the concept of adult learning, encouraging active and spontaneous learning, emphasizing internalization of knowledge and display of work performance, based on this concept, formulating measures and providing multiple training models, inheriting knowledge, skills, and corporate culture, so that the enterprise can develop continuously | <ol style="list-style-type: none"> 1. Continue to conduct professional and management courses to strengthen the capabilities required by supervisors and colleagues to create organizational performance. 2. The learning system is optimized to ensure the learning quality of colleagues. 3. Measures for the management of education and training. 4. Train and Education | |

| Items to Promote | Implementation Status | | | Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof |
|----------------------|-----------------------|----|--|---|
| | Yes | No | Description | |
| Corporate Governance | Legal Compliance | | The Company and all employees should take legality and integrity as the code of conduct when engaging in business and commercial activities so that the Company's various businesses can develop sustainably | <ol style="list-style-type: none"> 1. Pay attention to domestic and foreign policies and laws that may affect the Company's finances, business, and environmental safety and health. 2. Formulate corresponding risk management and operating procedures. 3. Propose to formulate environmental safety measures and conduct drills. 4. Strengthen the legal concept and quality of employees. |
| | Innovation and R&D | | Utilizing the limited manufacturing process and production capacity allows the Company's technology to keep continuous growth momentum, and maintain the continuously improving technical ability, with sufficient competitiveness | <ol style="list-style-type: none"> 1. Network information communication security Technology and System Integration Technology. 2. Network efficiency optimization technology and system diagnosis software. 3. Solutions in vertical domain. 4. Improving technologies-continuing to maintain the leading position. 5. Real-time customization-meeting customers' expectation of Time to Market. |
| | Information Security | | Ensuring the confidentiality, integrity and availability of information can provide a normal | <ol style="list-style-type: none"> 1. Formulate information security policies and implementation procedures. 2. Establish an internal information security organization. 3. Strengthen the software and |

| Items to Promote | Implementation Status | | | Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof |
|------------------|-----------------------|----|-------------|---|
| | Yes | No | Description | |

| | | | | |
|--|--|--|--|--|
| | | | operating environment for the Company's daily operations | <p>hardware architecture, such as: Fully deploy endpoint detection and response software (EDR), adopt multi-factor authentication (MFA), import encryption software, etc.</p> <p>4. Conduct asset risk inventory, vulnerability scanning and recovery plan drills regularly</p> <p>5. Continue to implement the system backup mechanism.</p> <p>6. Conduct employee education and training to improve information security risk awareness.</p> <p>7. Network security/authority controls are reviewed regularly.</p> |
|--|--|--|--|--|

(3) Other Implementation Status on Sustainable Development:

a. Industry-University Cooperation:

We create win-win situations through industry-academia interaction to cultivate potential talents for corporate research and development. In addition to jointly researching and developing product technologies with Ming Chi University of Technology, we also provide off-campus internship opportunities for students. In 2023, four students participated in the Company's cooperative education program. Furthermore, we collaborate with National Yang Ming Chiao Tung University and St. John's University in cross-campus cooperation and talent training. We participate in the National Science and Technology Council's industry-academia projects, aiming to realize the concept of employment upon admission and entrepreneurship upon graduation. And also promotes the collaborative development of internship-based teaching and practical internship training, which facilitates the subsequent academic research and industry practices. The aim is to bridge the gap between theory and practice. In 2023, a donation of NT\$1.36 million was made to establish the ESG Innovation

| Items to Promote | ImplementationStatus | | | Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof |
|------------------|----------------------|----|---|---|
| | Yes | No | Description | |
| | | | Research Center and provide scholarships for talent cultivation. | |
| | | | <p>b. Social Welfare:</p> <p>By regularly collaborating with social welfare organizations, we aim to engage in sustainable business practices and contribute to the community. In line with our commitment to corporate social responsibility, we participated in various activities organized by the Waiting Baby Social Welfare Association in 2023, including the safe vegetable and fruit Series, beach cleaning, and volunteering at the Toy Bank. In total, we donated 79 hours of service and collected 50 Christmas gifts for underprivileged children.</p> | |

Climate-related information for TWSE/TPEX Listed Companies

1. Implementation Status of Climate-related Information

| Item | Implementation Status | | | |
|---|--|--|--------|--------------------------|
| 1. The oversight and governance of climate-related risks and opportunities by the Board of Directors and management. | Climate change is integrated into risk management activities, with the sustainability committee discussing and evaluating risky projects. Relevant decisions are approved by the Board of Directors. The committee has established a working group, coordinated by the sustainability committee, to integrate various working groups. The climate risk management situation for 2023 was reported to the Board of Directors in November for decision-making. | | | |
| 2. Clarify how identified climate risks and opportunities affect the business, strategies, and financials of the Company in the short, medium, and long term. | Number | Climate Change Risk Issues | Level | Time Frame |
| | R8 | The severity of extreme weather events such as typhoons, floods, and droughts has increased. | High | Short, medium, long term |
| | R10 | Average Temperature Increase | Medium | Medium, long term |
| | Number | Climate change opportunities | Level | Time Frame |
| | O2 | More efficient process equipment | High | Short, medium, long term |
| | O7 | Developing low-carbon products and services | High | Short, medium, long term |
| 3. The impact of extreme weather events and transition actions on finance. | <p>Transition Risk:</p> <p>Rising average temperatures lead to higher electricity costs: 1. Promote the replacement of lighting fixtures with LED fixtures. 2. The implementation of air conditioning frequency converters and other solutions is expected to increase electricity costs by 20% in the short term of 3 years, with a moderate financial impact.</p> <p>Physical Risk:</p> <p>Due to the increase in extreme weather events, the frequency of typhoons and heavy rains has increased, which can lead to widespread transportation disruptions, impacting supply chains and customer interests. This could potentially result in financial losses. The Company has developed multiple sources of supply and established contingency mechanisms for typhoons and heavy rains to reduce immediate risks. These risks are effectively</p> | | | |

| Item | Implementation Status |
|--|---|
| | <p>managed through timely responses on the procurement side, minimizing their impact on overall operations. Based on the impact of typhoons and heavy rains over the past three years, it is estimated that there will be a short-term increase in financial costs of approximately 1 million, with a moderate impact.</p> <p>Opportunity: Adopt more efficient process equipment and develop new low-carbon products and services.</p> <ol style="list-style-type: none"> 1. In addition to continuously updating the automation of various production plants, we will enhance the streaming of data in the plants. By utilizing real-time data management and visual interfaces, we aim to improve production efficiency, reduce costs, and strengthen the effective utilization of data. 2. The demand for carbon emissions in the R&D center is also moving towards energy efficiency, automation through equipment, and low-carbon design of products, with an estimated short-term increase of 4 million financial costs. |
| <p>4. The integration of the process for identifying, assessing, and managing climate risks into the overall risk management system.</p> | <p>The Company has implemented a risk management policy and procedures, including climate risk management processes, which are currently operational. The outcomes of risk implementation for the year 2023 will be presented to the Board of Directors in November 2023.</p> <ol style="list-style-type: none"> (1) The collection of climate and environmental background information, the climate risk assessment and the operational scope assessment were completed by the members of the Sustainability Committee. (2) Establish a list of climate risks and opportunities, and create an internal operational impact survey. (3) The Sustainable Committee implements climate risk opportunity and operational impact analysis to determine material risk items.. (4) Establish execution strategies and goal setting. (5) The effectiveness of the implementation strategies and goals is reviewed annually through the Sustainability Committee meetings. |
| <p>5. If using scenario analysis to assess resilience to climate change risks, the context, parameters, assumptions, analysis factors, and major financial</p> | <ol style="list-style-type: none"> 1. Analyze and identify the short, medium, and long-term climate risks and opportunities for the Company's operations and assets throughout their lifecycle, based on the benchmark scenario and the 1.5°C scenario. For the transition risk, the reference scenarios are based on the Intergovernmental Panel on Climate Change (IPCC) climate scenarios RCP8.5 and RCP2.6 and assess the immediate physical risks and the long-term physical risks. |

| Item | Implementation Status |
|--|--|
| impacts should be explained. | <p>2. The average temperature continues to rise, leading to an increase in energy consumption and operating costs. In response to a 1-degree increase in the average temperature across Taiwan, there is a 6% increase in electricity consumption. If the price of electricity remains stable, it is estimated that a 1.5 degree increase in temperature will result in at least a 27 percent increase in electricity consumption and related electricity costs in the short term of three years.</p> <p>3. In terms of regulatory context, in response to the government's carbon fee collection in 2025, if the cost per metric ton of emissions is NT\$500, based on 2022, the Company will incur an additional cost of approximately NT\$2.25 million per year, resulting in a total increase of NT\$6.75 million in expenses over the short term of three years.</p> |
| <p>6. If there is a transformation plan to address climate-related risks, please explain the content of the plan and the indicators and targets used to identify and manage physical and transformation risks.</p> | <p>Average Temperature Increase:</p> <ol style="list-style-type: none"> 1. Promote the replacement of lighting fixtures with LED fixtures. 2. Introduce air conditioning frequency converter and other solutions. <p>Resource Efficiency Improvement and Low Carbon Products:</p> <ol style="list-style-type: none"> 1. In addition to continuously updating the automation of various production plants, we will enhance the streaming of data in the plants. By utilizing real-time data management and visual interfaces, we aim to improve production efficiency, reduce costs, and strengthen the effective utilization of data. 2. The R&D center focuses on the issue of industrial carbon emissions and also aims to achieve energy efficiency and low-carbon raw material selection to meet the demand for energy-saving products in the Company. <p>Key Performance Indicators:</p> <ol style="list-style-type: none"> 1. ISO 14064 will be implemented starting in 2022 and will undergo third-party verification. 2. The R&D Center plans to conduct a short-term product carbon footprint assessment in response to the ESG trend. 3. Continually optimize processes and improve efficiency, reduce production energy consumption, and increase product gross margin. Propose at least one project per year. |
| <p>7. If internal carbon pricing is used as a</p> | <p>Internal carbon pricing has not been used as a planning tool.</p> |

| Item | Implementation Status |
|---|---|
| <p>planning tool, the basis for setting the price should be explained.</p> | |
| <p>8. If climate-related targets are set, the activities covered, the scope of greenhouse gas emissions, the planning schedule and annual progress should be explained. If carbon offsets or renewable energy certificates (RECs) will be used to meet the targets, the source and amount of carbon offsets or RECs should be identified.</p> | <p>Emission Reduction Target Head Office Compared to the base year of 2022. In 2030, reduce greenhouse gas emissions by 25% in Category 1+Category 2. In 2040, reduce greenhouse gas emissions by 40% in Scope 1+Scope 2. The Company plans to purchase Renewable Energy Certificates (RECs) starting in 2030, with a purchase quota corresponding to the amount of electricity consumed outside of Category 2.</p> |
| <p>9. Inventory and Confirmation of Greenhouse Gas Emissions, Reduction Targets, Strategies, and Action Plans.</p> | <p>Fill in the following sections 1-1 and 1-2 as well.</p> |

1-1 The Greenhouse Gas Inventory and Verification Status of the Company in the Past Two Years

1-1-1 Greenhouse Gas Inventory Information

| 1. Greenhouse gas emissions in the past two years in metric tons (CO ₂ e) and intensity (metric tons CO ₂ e/NT\$million) | | |
|--|----------|----------|
| Carbon dioxide equivalent | 2022 | 2023 |
| Category 1 (metric ton CO ₂ e) | 55.5763 | 49.7587 |
| Category 2 (metric ton CO ₂ e) | 693.8588 | 719.8018 |
| Total Emissions (metric tons CO ₂ e) | 749.4351 | 769.5605 |
| Density - Category 1 + 2 (Tonnes of CO ₂ e / NT\$million) (Note) | 0.2163 | 0.2467 |

(Note) The greenhouse gas intensity in 2022 is calculated based on a revenue of NT\$3,465 million.

The greenhouse gas intensity in 2023 is calculated based on a revenue of NT\$3,120 million.

2. Scope of Information: Operational sites in Taiwan.

1-1-2 Greenhouse Gas Assurance Information

Explanation of the confirmed situation for the two most recent fiscal years as of the date of printing of the annual report, including the scope of confirmation, confirming institutions, confirmation criteria, and confirmation opinions.

The Company voluntarily discloses the current status of greenhouse gas emissions inventory to understand prevailing trends and proactively respond. Furthermore, it has undergone verification by an external third-party organization, Great International Certification, within the scope of our operations in Taiwan.

1-2 Greenhouse Gas Emission Reduction Targets, Strategies, and Action Plans.

Explanation of the base year and data, reduction targets, strategies, specific action plans and achievement of greenhouse gas emission reduction targets.

| Emission Reduction Target | Strategic Actions | Project Schedule |
|--|---|---|
| <p>Compared to the base year of 2022</p> <p>2030 Greenhouse gas emissions</p> <p>Category 1 + Category 2 emissions reduced by 25%</p> <p>2040 Greenhouse gas emissions</p> <p>Category 1 Category 2 emissions reduced by 40%</p> | <p>1. Through the implementation of green procurement, the infrastructure equipment was purchased with environmental labels and the refrigeration and air conditioning system was completely replaced with energy efficient level 1.</p> <p>2. Implementation of Facility and Equipment Energy Saving Project</p> <p>3. Solar Power Installation for Self-use and Green Energy Certificate Purchase</p> | <p>1. 2023-2030</p> <p>2. 2023-2030</p> <p>3. 2023-2040</p> |

(6) Implementation of ethical corporate management and difference between the implementation and the “Ethical Corporate Management Best Practice Principles for TWSE & TPEX Listed Companies” and reasons thereof.

| Evaluation Item | Implementation Status | | | Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof |
|---|-----------------------|----|--|--|
| | Yes | No | Description | |
| <p>1. Establishment of ethical corporate management policies and programs</p> <p>(1) Has the Company established the ethical corporate management policies approved by the Board of Directors and specified in its rules and external documents the ethical corporate management policies and practices and the commitment of the Board of Directors and senior management to rigorous and thorough implementation of such policies?</p> <p>(2) Does the Company establish a risk assessment mechanism against unethical conduct, analyze and assess on a regular basis business activities within its business scope which are at a higher risk of being involved in</p> | <p>✓</p> <p>✓</p> | | <p>(1) The Ethical Corporate Management Best Practice Principles has been established and approved by the Company. Both the Board of Directors and the management of the Company have attached importance to ethical conduct, adhered to the business philosophy of integrity, transparency, and responsibility, and implemented the integrity policy, so as to create a business environment for sustainable development.</p> <p>(2) The Company’s “Guidelines for Operating Procedures and Conducts of Ethical Corporate Management” stipulates that the Company’s personnel should not, directly or indirectly, provide, promise, demand, or accept any improper benefits or conduct any conduct that violates integrity,</p> | No material difference |

| Evaluation Item | Implementation Status | | Description | Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof |
|---|-----------------------|----|--|--|
| | Yes | No | | |
| <p>unethical conduct, and establish prevention programs accordingly, which should at least include those specified in Paragraph 2, Article 7 of the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies”?</p> <p>(3) Has the Company provided any solutions to prevent the unethical conducts, stipulate the definite procedures, conduct guidelines, punishment for violation as well as appeals system and put into practice, and review and revise on a regular basis the aforesaid solutions?</p> | ✓ | | <p>legality, or fiduciary duty during the course of business behavior.</p> <p>(3) The Company has formulated the “Guidelines for Operating Procedures and Conduits of Ethical Corporate Management”, and set up a special area for interested parties to provide channels for complaints against dishonest behaviors. In 2023, there were no complaints related to dishonest behavior.</p> | |
| <p>2. Fulfillment of ethical corporate management</p> <p>(1) Does the Company evaluate business partners’ ethical records and include ethics-related clauses in business contracts?</p> | ✓ | | <p>(1) For potential suppliers, the Company will evaluate their legality and ethical management policies and ascertain whether they have a record of involvement in unethical conduct to ensure that they conduct business in a fair and transparent</p> | No material difference |

| Evaluation Item | Implementation Status | | | Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof |
|---|-----------------------|----|---|--|
| | Yes | No | Description | |
| (2) Has the Company set up a dedicated unit under the Board of Directors to promote ethical corporate management and regularly (at least once every year) report to the Board of Directors the implementation of the ethical corporate management policies and prevention programs against unethical conduct? | ✓ | | manner and do not request, offer, or take bribes. (2) The General Administration Center is in charge of promoting the ethical corporate management of enterprises, and consolidates the schemes to prevent dishonest behaviors, and has reported to the Board of Directors in November 9, 2023. | |
| (3) Has the Company established policies to prevent conflicts of interest, provide appropriate communication channels, and implement them accordingly? | ✓ | | (3) When any Director of the Company has any interest or there is an interest of a juridical Director's entity pending before a Board meeting, the said Director should uphold a high degree of self-discipline and abstain from any discussion or voting on a matter that may prejudice the Company's interests. | |
| (4) Has the Company established effective accounting systems and internal control systems to implement ethical corporate management and | ✓ | | (4) The Company has established effective accounting and internal control systems. Besides, the Company constantly reviews and revises these systems according to regulatory changes and actual | |

| Evaluation Item | Implementation Status | | | Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof |
|--|-----------------------|----|--|--|
| | Yes | No | Description | |
| <p>had its internal audit unit, based on the results of assessment of the risk of involvement in unethical conduct, devise relevant audit plans and audit the compliance with the prevention programs accordingly or entrusted a CPA to conduct the audit?</p> <p>(5) Does the Company regularly hold internal and external educational training on operational integrity?</p> | ✓ | | <p>needs. These systems are regularly examined by internal auditors to ensure the continuous effectiveness of system design and implementation, thereby realizing corporate governance and risk control, and eventually implementing ethical corporate management.</p> <p>(5) The Company regularly promotes the concept of integrity in business during new employee training. As of the end of December 2023, a total of 52 new employee training sessions have been completed</p> | |
| <p>3. Operation of the whistle-blowing system</p> <p>(1) Does the Company establish both a reward/whistle-blowing system and convenient whistle-blowing channels? Are appropriate personnel assigned to the accused party?</p> | ✓ | | <p>(1) The Company provides a report mailbox on the website of the Company and reports it to the Chairman of the Board, and then sets up a project committee for joint deliberation. After verification, disciplinary actions will be taken in accordance with the personnel regulations of the Company, and the identity and contents of the report will be kept confidential to prevent retaliation.</p> | No material difference |

| Evaluation Item | Implementation Status | | | Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof |
|--|-----------------------|----|--|--|
| | Yes | No | Description | |
| (2) Has the Company established standard operating procedures and confidentiality measures for the investigation of reported incidents? | ✓ | | (2) When the Company discovers or receives a report regarding an employee's involvement in unethical conduct, the Company will immediately request the employee to stop the relevant conduct if it is confirmed that the employee has violated the relevant laws and regulations or the Company's ethical corporate management policies and regulations, and will appropriately deal with the case. If necessary, the Company seek compensation for damages through legal proceedings to maintain the reputation and interests of the Company. | |
| (3) Does the Company provide protection for whistle-blowers against receiving improper treatment? | ✓ | | (3) The Company is fully responsible for keeping confidential and protecting the accuser from being improperly treated due to the accusation | |
| 4. Enhanced disclosure of ethical corporate management information Does the Company disclose the ethical corporate management policies and the results of its implementation on the Company website and MOPS? | ✓ | | The Company discloses ethical corporate management-related information via website, annual report and MOPS, and media in a timely manner. | No material difference |

| Evaluation Item | Implementation Status | | Description | Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof |
|---|-----------------------|----|-------------|--|
| | Yes | No | | |
| 5. If the Company has established its own ethical corporate management principles based on the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, please describe the implementation and any deviations from the Principles: None. | | | | |
| 6. Is there any other important information to facilitate a better understanding of the Company's ethical corporate management practices: None. | | | | |

(7) Please disclose access to the Company's Corporate Governance Best Practice Principles and related rules and regulations, if any:

The Company has formulated corporate governance-related rules and regulations, such as "Corporate Governance Code", "Ethical Corporate Management", "Audit Committee Charter" and other rules and regulations related to corporate governance, and published them on the MOPS.

(8) Other Information Provides a Better Understanding of the Company's Corporate Governance Status: None.

(9) Status of Internal Control System

- a. Statement on Internal Control: Note page 200
- b. CPA's audit report: Note page 202

(10) Sanctions imposed on the Company or its personnel in accordance with the laws, or disciplinary actions taken by the Company against its personnel for any violation of internal control rules within the current fiscal year and as at the date of the Annual Report, as well as details of the sanctions, major deficiencies and subsequent improvements if such sanctions or actions may have a significant impact on shareholders' equity or securities prices: None.

(11) Major Resolutions of Shareholders' Meeting and Board Meetings:

a. Major Resolutions of the Board Meetings:

| Date | Major Resolutions | Implementation Status |
|------------|---|--|
| 2023.06.14 | Ratified the Company's 2022 Business Report and Financial Statements. | The relevant reports and statements have been filed with the competent authority for future reference and declaration |
| | Ratified the Company's 2022 Earnings Appropriation | The Board of shareholders resolved to authorize the Chairman to set the ex-dividend base date of July 23, 2023 and set the cash dividend distribution date of August 14, 2023, and distribute the cash dividend of NT\$ 264,054,456 according to the shareholding ratio recorded in the shareholder's directory on the ex-dividend base date, with NT\$ 3.6 distributed to each share. |
| | Amendments to the Election Procedures of Directors | It was announced on the Company's website on June 29, 2023, and it will be handled under the revised procedures. |
| | Amendments to the Procedures for Acquiring or Disposing of Assets | It was announced on the Company's website on June 29, 2023, and it will be handled under the revised procedures. |
| | Proposal to release the newly elected directors from non-competition restrictions | Effective after resolution of shareholders' meeting |

b. Major Resolutions of the Board Meetings:

| Item | Date | Major Resolutions |
|------------------------------|------------|---|
| (1st Board Meeting for 2023) | 2023.03.09 | <ol style="list-style-type: none"> 1. 2022 Annual Operating Report 2. 2022 Annual Financial Statement 3. Setting the base date of capital increase for the first domestic unsecured conversion of corporate bonds by converting ordinary shares to issue new shares in the first quarter of 2023. 4. 2022 Employee Remuneration Plan 5. 2022 Directors Remuneration Plan 6. 2022 Earnings Distribution Plan 7. 2022 Statement of Internal Control System. 8. Proposal to establish compensations and remuneration for Directors and managers for 2023. 9. 2023 Business Plan 10. Independence and competency assessment and Appointment and Remuneration of the CPAs for 2023 11. Amendment to the Corporate Social Responsibility Guidelines 12. Renewal of the short-term credit line with banks and financial products borrowing facilities 13. The Company applied for a long-term loan from the bank by using real estate as collateral. 14. Full Re-election of the Company's Directors 15. Passed the convention of the 2023 shareholders' meeting. |
| (2nd Board Meeting for 2023) | 2023.05.04 | <ol style="list-style-type: none"> 1. Financial statements for the first quarter of 2023. 2. Amendments to the Election Procedures of Directors 3. Amendment to the "Board Meeting Procedural Rules" 4. Amendments to the Procedures for Acquiring or Disposing of Assets 5. Renewal of the short-term credit line with banks and financial products borrowing facilities 6. Draft of the "Regulations for Pre-approval of Non-assurance Services Provided by the Company's Auditors" 7. The nomination and review of director (including independent director) candidate list proposal 8. Proposal to release the newly elected directors from non-competition restrictions 9. Amended agenda and discussion items for the 2023 Shareholders' Meeting of the Company |
| (3rd Board Meeting for 2023) | 2023.06.14 | <ol style="list-style-type: none"> 1. Election of the 9th Chairman of the Company 2. Signed an industry-academia cooperation and academic feedback mechanism agreement with National Taipei University. |

| Item | Date | Major Resolutions |
|----------------------------|------------|---|
| | | 3. Appointment of members of the 6th Remuneration Committee. |
| 4th Board Meeting for 2023 | 2023.08.09 | <ol style="list-style-type: none"> 1. Financial statements for the second quarter of 2023 2. Proposal to Change Deputy Spokesperson 3. Change of Business Registration Address 4. Renewal of the short-term credit line with banks and financial products borrowing facilities 5. The Company plans to acquire real estate ownership after December, 2027 6. Distribution of the Company's 2022 Directors' remuneration. 7. 2022 remuneration to Directors and employees of the Company |
| 5th Board Meeting for 2023 | 2023.11.09 | <ol style="list-style-type: none"> 1. Financial statements for the third quarter of 2023 2. Proposal for lending of funds to Subsidiary Apligo GmbH 3. 2024 audit plan |
| 1st Board Meeting for 2024 | 2024.03.13 | <ol style="list-style-type: none"> 1. 2023 Annual Operating Report 2. 2023 Annual Financial Statement 3. 2023 Employee Remuneration Plan 4. 2023 Directors Remuneration Plan 5. 2023 Earnings Distribution Plan 6. 2023 Statement of Internal Control System. 7. Proposal to assess and establish compensations and remuneration for Directors and managers for 2024 8. 2024 Business Plan 9. Independence and competency assessment and Appointment and Remuneration of the CPAs for 2024 10. Amendments to Board Performance Evaluation Method 11. Amendment to the "Board Meeting Procedural Rules" 12. Renewal of the short-term credit line with banks and financial products borrowing facilities 13. Passed the convention of the 2024 shareholders' meeting. |

(12) Recorded or written statements made by any director or supervisor which specified dissent to important resolutions passed by the Board of Directors during the most recent year and up to the date of publication of this annual report: None.

(13) Resignation or dismissal of the Company's key individuals, including the Chairman, President, and Heads of Accounting, Finance, Internal Audit, Corporate Governance and R&D: None.

4. Information About CPA Professional Fee

(1) Accounting Fees:

Currency Unit: NTD Thousand

| Name of CPA Firm | Name of CPA | CPA's Audit Period | Audit Fees | Non-audit Fees | Total | Note |
|------------------|--------------|---|------------|----------------|-------|--------------------------------------|
| KPMG | Hui-Chih Kou | Financial statements for annual and Q1 ~ Q3 in 2023, profit-seeking enterprise annual income tax return | 2,130 | 220 | 2,350 | Non-audit Fees: Tax Compliance Audit |
| | Chen Pei-Chi | Financial statements for annual and Q1 ~ Q3 in 2022 | | | | |

- (2) When non-audit fees paid to the CPAs, to the accounting firm of the CPAs, and/or to any affiliated enterprise of such accounting firm are one quarter or more of the audit fees paid thereto, the amounts of both audit and non-audit fees as well as details of non-audit services should be disclosed: Not applicable
- (3) Change of CPA firm and the audit fees for the year of the change less that of the previous year, and the amount of audit fees before and after the change, and reasons for the change: None.
- (4) Audit fees were 10% (or above) less than that of the previous year: None.

5. Information About Replacement of CPA: There is no change in CPAs.

6. Other important information on corporate governance

(1) The Company's Chairman, President, or manager in charge of financial or accounting affairs having worked in the CPA's firm or affiliated enterprise in the last year: None.

(2) Net Change in shareholdings and in shares pledged by directors, managers, and shareholders holding more than a 10% share in the Company

a. Share changes by directors, supervisors, managers, and major shareholders

| Title | Name | 2023 | | As of April 15,2024 | |
|--|----------------------|---------------------------------|------------------------------------|---------------------------------|------------------------------------|
| | | Change in Number of Shares Held | Change in Number of Shares Pledged | Change in Number of Shares Held | Change in Number of Shares Pledged |
| Chairman | Ennoconn Corporation | — | — | — | — |
| Representative | Steve Chu | — | — | — | — |
| Directors | Ennoconn Corporation | — | — | — | — |
| Representative | Aven Lou | — | — | — | — |
| Directors | Ennoconn Corporation | — | — | — | — |
| Representative | Nelson Tsay | — | — | — | — |
| Directors | Reaforl Hung | — | — | — | — |
| Independent Director | Wen-Chang Fang | — | — | — | — |
| Independent Director | Jennifer Shao | — | — | — | — |
| Independent Director | Luke Teng | — | — | — | — |
| General Manager | Reaforl Hung | — | — | — | — |
| Senior Vice President | Frank Hsu | — | — | — | — |
| Senior Vice President | Stephen Chang | — | — | — | — |
| Senior Vice President of R&D Department (Note) | Jack Tsai | — | — | — | — |
| Senior Vice President of R&D Department (Note) | Alan Yu | — | — | — | — |

| Title | Name | 2023 | | As of April 15,2024 | |
|---|----------------------|---------------------------------|------------------------------------|---------------------------------|------------------------------------|
| | | Change in Number of Shares Held | Change in Number of Shares Pledged | Change in Number of Shares Held | Change in Number of Shares Pledged |
| Assistant Vice President, Product Planning Department | Pomah Yen | — | — | — | — |
| Assistant Vice President, Product Planning Department | Yannic Chou | — | — | — | — |
| Assistant Vice President, Product Planning Department | Hans Chen | — | — | — | — |
| Vice President | Carrie Huang | — | — | — | — |
| Assistant Vice Manager of Business Department | Ray Lin | — | — | — | — |
| Assistant Vice Manager of Information Technology Department | Simon Chiu | — | — | — | — |
| Major Shareholder | Ennoconn Corporation | — | — | — | — |

(Note) Jack Tsai and Alan Yu were promoted to Vice Presidents of R&D Department on January 1, 2023.

- b. Information about equity transfer: None.
- c. Information about equity pledge: None.

(3) Information About the Relationship Among the Company's 10 Largest Shareholders Based on Their Ratio:

April 15, 2024

| Name | Current Shareholding | | Spouse & Minor Shareholding | | Shareholding by Nominees | | Name and relationship among top ten shareholders with anyone who is a related party or the spouse, or a relative within the second degree of kinship | | Note |
|--|----------------------|-------------------|-----------------------------|-------------------|--------------------------|-------------------|--|-------------------------|------|
| | Shares | % of Shareholding | Shares | % of Shareholding | Shares | % of Shareholding | Item | Nature of Relationships | |
| Ennoconn Corporation | 20,000,000 | 27.27% | — | — | — | — | Ennoconn International Investment Co., Ltd. | Parent and subsidiary | — |
| Ennoconn Corporation Representative: Steve Chu | 50,000 | 0.07% | — | — | — | — | — | — | — |
| Ennoconn International Investment Co., Ltd. | 3,250,000 | 4.43% | — | — | — | — | Ennoconn Corporation | Parent and subsidiary | — |
| Ennoconn International Investment Co., Ltd. Representative: Aven Lou | — | — | — | — | — | — | — | — | — |
| Zhang Jin-Wei | 1,562,000 | 2.13% | — | — | — | — | — | — | — |
| Bentech Systems Corporation | 1,000,000 | 1.36% | — | — | — | — | — | — | — |
| Bentech Systems Corporation Representative: Chen Xue-Li | — | — | — | — | — | — | — | — | — |
| Chang Leng-Hung | 850,000 | 1.16% | — | — | — | — | — | — | — |
| Lin Kun-Min | 572,000 | 0.78% | — | — | — | — | — | — | — |
| Citigroup Trustee Berkeley Capital SBL/PB Investment | 553,000 | 0.75% | — | — | — | — | — | — | — |

| Name | Current Shareholding | | Spouse & Minor Shareholding | | Shareholding by Nominees | | Name and relationship among top ten shareholders with anyone who is a related party or the spouse, or a relative within the second degree of kinship | | Note |
|---|----------------------|-------------------|-----------------------------|-------------------|--------------------------|-------------------|--|-------------------------|------|
| | Shares | % of Shareholding | Shares | % of Shareholding | Shares | % of Shareholding | Item | Nature of Relationships | |
| Account | | | | | | | | | |
| Yirong Investment Co., Ltd. | 530,000 | 0.72% | — | — | — | — | — | — | — |
| Yirong Investment Co., Ltd. Representative: Ho Da-Wei | 73,000 | 0.10% | — | — | — | — | — | — | — |
| Chen Chiu-Liang | 529,000 | 0.72% | | | | | | | |
| Li Yan-Yan | 503,000 | 0.69% | | | | | | | |

- (4) The number of shares held by the Company, its directors, supervisors, managers and enterprises directly or indirectly controlled by the Company in the same reinvested enterprise, and the comprehensive shareholding ratio should be calculated together:

December 31, 2023; Unit: Shares

| Investee business | Investment by the Company | | Investments on businesses controlled directly or indirectly by the Company and its Directors, Supervisors and managers | | Total Ownership | |
|--|---------------------------|--------------------|--|--------------------|----------------------------|--------------------|
| | Number of Shares | Shareholding Ratio | Number of Shares | Shareholding Ratio | Number of Shares | Shareholding Ratio |
| Caswell International Investment Co., Ltd. | 3,205,760 | 100% | — | — | 3,205,760 | 100% |
| CASO, INC. | 1,881 | 99% | — | — | 1,881 | 99% |
| Beijing Caswell Ltd. | — | — | USD 3.116 million (Note 1) | 82% | USD 3.116 million (Note 1) | 82% |
| Caswell Americas, Inc. | 3,000,000 | 100% | — | — | 3,000,000 | 100% |
| APLIGO Gmbh | 24,000 | 66.67% | — | — | 24,000 | 66.67% |
| HAWKEYE TECH, CO., LTD | 9,096,667 | 60.64% | — | — | 9,096,667 | 60.64% |

Note 1: Paid-in capital.

Chapter 4 Capital Overview

1. Capital Stock and Shares

(1) Source of Capital

a. Historical Information of Capitalization

March 31, 2024

| Year / Month | Par Value (NTD) | Authorized Capital | | Paid-in Capital | | Note | | |
|--------------|-------------------|------------------------------------|--------------------------|------------------------------------|--------------------------|---|---|------------------|
| | | Number of shares (thousand shares) | Amount (thousand shares) | Number of shares (thousand shares) | Amount (thousand shares) | Source of Capital | Capital Increase by Assets Other than Cash | Others |
| 2007/04 | 10 | 3,000 | 30,000 | 1,000 | 10,000 | Capital stock for incorporation of NT\$10,000 thousand | None | Note 1 |
| 2008/02 | 10 | 30,000 | 300,000 | 12,500 | 125,000 | Capital increase by cash NT\$ 115,000 thousand | None | Note 2 |
| 2009/05 | 10 | 30,000 | 300,000 | 24,820 | 248,200 | Capital increase by merger NT\$ 123,200 thousand | Issuance of new shares by accepting shares of other companies | Note 3 |
| 2009/09 | 10.41 | 30,000 | 300,000 | 24,886 | 248,860 | Capital increase by employee bonus NT\$660 thousand. | None | Note 4 |
| 2009/11 | 12 | 30,000 | 300,000 | 26,000 | 260,000 | Capital increase by cash NT\$11,140 thousand | None | Note 5 |
| 2010/08 | 10 12.19 | 60,000 | 600,000 | 30,335 | 303,350 | Capital increase by retained earnings NT\$ 39,000 thousand. Capital increase by employee bonus NT\$ 4,350 thousand. | None | Note 6 |
| 2010/12 | 12.3 | 60,000 | 600,000 | 44,234 | 442,336 | Capital increase by merger NT\$ 138,986 thousand | Issuance of new shares by accepting shares of other companies | Note 7 Note 8 |
| 2011/07 | 10 10 13.88 | 100,000 | 1,000,000 | 60,031 | 600,307 | Capital increase by retained earnings NT\$ 119,431 thousand. Capital increase by capital reserve NT\$ 26,540 thousand Capital increase by employee bonus NT\$ 12,000 thousand | None | Note 9 |
| 2018/03 | 101 | 100,000 | 1,000,000 | 68,036 | 680,357 | Capital increase by cash NT\$ 80,050 thousand | None | Note 10 |

| Year / Month | Par Value (NTD) | Authorized Capital | | Paid-in Capital | | Note | | |
|--------------|-----------------|------------------------------------|--------------------------|------------------------------------|--------------------------|---|--|---------|
| | | Number of shares (thousand shares) | Amount (thousand shares) | Number of shares (thousand shares) | Amount (thousand shares) | Source of Capital | Capital Increase by Assets Other than Cash | Others |
| 2020/09 | 10 | 100,000 | 1,000,000 | 71,295 | 712,950 | Corporate bonds converted into common shares: NT\$ 32,593 thousand | None | Note 11 |
| 2020/12 | 10 | 100,000 | 1,000,000 | 73,068 | 730,678 | Corporate bonds converted into common shares: NT\$ 17,728 thousand | None | Note 12 |
| 2021/05 | 10 | 100,000 | 1,000,000 | 73,127 | 731,273 | Corporate bond conversion into ordinary shares: NT\$ 595 thousand | None | Note 13 |
| 2021/08 | 10 | 100,000 | 1,000,000 | 73,189 | 731,889 | Corporate bond conversion into ordinary shares: NT\$ 616 thousand | None | Note 14 |
| 2023/03 | 10 | 100,000 | 1,000,000 | 73,348 | 733,485 | Corporate bond conversion into ordinary shares: NT\$ 1,596 thousand | None | Note 15 |

Note 1: Approved date and document No.: February 19, 2007, FJSZ No. 09683745500.
 Note 2: Approval date and document No.: February 19, 2008, FCYSZ No. 09781283300.
 Note 3: Approval date and document No.: May 19, 2009, JSZZ No. 09832244750.
 Note 4: Approval date and document No.: September 22, 2009, JSZZ No. 09833070830.
 Note 5: Approval date and document No.: November 23, 2009, JSZZ No. 09833483000.
 Note 6: Approval date and document No.: August 3, 2010, BFJDZ No. 0993144823.
 Note 7: Approval date and document No.: November 1, 2010, BFJDZ No. 0993166111.
 Note 8: Approval date and document No.: December 2, 2010, BFJDZ No. 0993173235.
 Note 9: Approval date and document No.: July 7, 2011, JSSZ No. 10001141890.
 Note 10: Approval date and document No.: March 14, 2018, TZSYZ No. 1071801057.
 Note 11: Approval date and document No.: September 7, 2020, JSSZ No. 10901168140.
 Note 12: Approval date and document No.: December 8, 2020, JSSZ No. 10901221100.
 Note 13: Approval date and document No.: May 27, 2021, JSSZ No. 11001093110.
 Note 14: Approval date and document No.: August 26, 2021, JSSZ No. 11001129840.
 Note 15: Approval date and document No.: March 21, 2023, JSSZ No. 11230047770.

b. Share Type

April 15, 2024; Unit: Shares

| Share Type | Authorized Capital | | | Note |
|--------------|--------------------|-----------------|-------------|---------------|
| | Issued Shares | Unissued Shares | Total | |
| Common Stock | 73,348,460 | 26,651,540 | 100,000,000 | Listed stocks |

(2) Shareholder Structure

April 15, 2024; Unit: Shares

| Shareholder Structure Item | Government Agencies | Financial Institutions | Other Institutional Shareholders | Foreign Institutions and Natural Persons | Domestic Natural Persons | Total |
|-------------------------------|---------------------|------------------------|----------------------------------|--|--------------------------|------------|
| Number of shareholders | 0 | 1 | 177 | 56 | 14,918 | 15,152 |
| Number of Shares Held | 0 | 2,000 | 26,786,204 | 2,553,892 | 44,006,364 | 73,348,460 |
| Percentage of Ownership | 0% | 0% | 36.52% | 3.48% | 60.00% | 100% |

(3) Distribution of Shares

April 15, 2024

| Range of Shares | Number of Shareholders | Number of Shares Held | Shareholding Ratio % |
|----------------------------|------------------------|-----------------------|----------------------|
| 1 - 999 | 7,638 | 312,813 | 0.43 |
| 1,000 - 5,000 | 6,185 | 11,439,154 | 15.60 |
| 5,001 - 10,000 | 676 | 5,334,538 | 7.27 |
| 10,001 - 15,000 | 178 | 2,320,276 | 3.16 |
| 15,001 - 20,000 | 122 | 2,240,338 | 3.05 |
| 20,001 - 30,000 | 113 | 2,901,761 | 3.96 |
| 30,001 - 40,000 | 68 | 2,450,404 | 3.34 |
| 40,001 - 50,000 | 40 | 1,872,371 | 2.55 |
| 50,001 - 100,000 | 76 | 5,544,209 | 7.56 |
| 100,001 - 200,000 | 27 | 3,499,637 | 4.77 |
| 200,001 - 400,000 | 16 | 4,707,767 | 6.42 |
| 400,001 - 600,000 | 8 | 4,063,192 | 5.54 |
| 600,001 - 800,000 | 0 | 0 | 0.00 |
| 800,001 - 1,000,000 | 2 | 1,850,000 | 2.52 |
| 1,000,001 shares and above | 3 | 24,812,000 | 33.83 |
| Total | 15,152 | 73,348,460 | 100.00 |

(4) Major Shareholders

April 15, 2024

| Name of Major Shareholder | Shares | Number of Shares Held | Percentage of Ownership % |
|--|--------|-----------------------|---------------------------|
| Ennoconn Corporation | | 20,000,000 | 27.27 |
| Ennoconn International Investment Co., Ltd. | | 3,250,000 | 4.43 |
| Zhang Jin-Wei | | 1,562,000 | 2.13 |
| Bentech Systems Corporation | | 1,000,000 | 1.36 |
| Chang Leng-Hung | | 850,000 | 1.16 |
| Lin Kun-Min | | 572,000 | 0.78 |
| Citigroup Trustee Berkeley Capital SBL/PB Investment Account | | 553,000 | 0.75 |
| Yirong Investment Co., Ltd. | | 530,000 | 0.72 |
| Chen Chiu-Liang | | 529,000 | 0.72 |
| Li Yan-Yan | | 503,000 | 0.69 |

(5) Share prices for the past two fiscal years, with the Company net worth per share, earnings per share, dividends per share, and related information

| Item | | Year | 2022 | 2023 | 2024 As of April 30 |
|---------------------------------|---------------------------------------|------|-------------------|-------------------|---------------------|
| Market Price Per Share (Note 1) | Highest | | 113.00 | 117.00 | 134.50 |
| | Lowest | | 76.30 | 80.30 | 100.00 |
| | Average | | 89.49 | 93.48 | 115.81 |
| Net Worth per Share (Note 2) | Before Distribution | | NT\$ 45.63 | NT\$46.37 | (Note 8) |
| | After Distribution | | NT\$ 42.03 | NT\$ 43.57 | |
| Earnings per Share | Weighted Average Shares | | 73,188,875 shares | 73,331,408 shares | |
| | Earnings per Share(Note 3) | | NT\$ 5.85 | NT\$ 4.40 | |
| Dividends per Share | Cash Dividends | | NT\$ 3.60 | NT\$ 2.80 | |
| | Allocation of free-gratis dividends | — | — | — | |
| | | — | — | — | |
| | Accumulated unpaid dividends (Note 4) | | — | — | |
| Return on Investment | Price-to-Earnings Ratio (Note 5) | | 15.30 | 21.25 | |
| | Price-to Dividend Ratio (Note 6) | | 24.86 | 33.39 | |
| | Cash Dividend Yield (Note 7) | | 4.02% | 4.71% | |

Note 1: List the highest and lowest market price for each fiscal year and calculate the average market price for each fiscal year based on trading value and volume in each fiscal year.

Note 2: Please fill these rows based on the number of shares that have been issued at the end of the fiscal year and the distribution plan approved by the Board of Directors or at the Shareholders' Meeting in the subsequent fiscal year.

- Note 3: If there was any retroactive adjustment required due to stock dividends, earnings per share before and after such adjustment shall be listed.
- Note 4: If the terms of issuance of the equity securities provide that any dividends declared but not paid may be carried forward until the year when the Company makes profit, the amount of accrued unpaid dividends as at the end of such fiscal year shall be disclosed.
- Note 5: P/E ratio = average closing price per share for the year / earnings per share.
- Note 6: Price/earnings ratio = Average closing price per share for the year/Earnings per share.
- Note 7: Price/dividend ratio = Average closing price per share for the year/Cash dividend per share.
- Note 8: As data has not been reviewed by CPA up to the date of publication of the annual report, relevant financial information is not required to publish.

(6) Dividends policy and Implementation Status:

a. Dividend policy in the Articles of Incorporation

In case there are profits after tax in the final settlement of the current year, the Company should first offset the accumulated loss and retain 10% as legal surplus reserve in accordance with the law; however, when the legal surplus reserve exceeds the paid-in capital of the Company, it is not subject to this limitation. Certain amount should be further allocated as special reserve or the special reserve should be reversed in accordance with applicable laws and regulations or as requested by the competent authority. The balance (if any) together with accumulated unappropriated retained earnings can be distributed after the distribution plan is proposed by the Board of Directors and approved by the shareholders' meeting.

The dividend distribution of the shareholders of the Company can be in cash or shares, in which the proportion of shareholders' cash dividend distribution is not less than 10% of the total dividends of the shareholders and the proportion of shareholders' cash dividend distribution is not less than 10% of the total dividends of shareholders. The Company is in a growing industry. The type and proportion of this retained earnings distribution is based on the Company's future capital demand and long-term operating plan. The Board of Directors may draw up a distribution proposal according to the current operating conditions and taking into account shareholders' equity, balanced dividend policy and capital demand plan, and submit it to the shareholders' meeting for resolution and adjustment.

If there is no loss and the Company has no earnings to be distributed or has financial, business or operational considerations, part or all of the reserve may be distributed according to the law or the competent authority's requirements.

b. Distribution of dividends proposed in the shareholders' meeting

The Company's surplus distribution plan for 2023 was approved by the Board of Directors on March 13, 2024. A cash dividend of NT\$2.80 per share will be paid, representing a payout ratio of 63.64%. The report will be presented at the 2024 annual general meeting of shareholders.

(7) Effect of allocation of Free-Gratis Dividends proposed at the shareholders' meeting on the operational performance of the Company and the Earnings Per Share:

The Company had no issuance of free allotment of shares in 2023, which did not apply.

(8) Remuneration of Employees and Directors:

a. The percentages or ranges with respect to employee and director remuneration, as set forth in the Company's Articles of Incorporation:

If the Company makes a profit (i.e., net profit before tax after deduction of the portion set aside for employee remuneration) within a fiscal year, 2%-15% of the profit should be reserved as the employee remuneration and no less than 2% should be reserved as the director remuneration. When there are accumulated losses, the Company shall offset the appropriate amounts before remuneration.

The above remuneration to the employees may be allotted in cash or stock. Eligible personnel includes employees at subsidiaries that meet the requirement. The Board of Directors is authorized to formulate the relevant requirement. The above remuneration to the directors shall be in cash.

The preceding two paragraphs shall be determined by the resolution of the Board of Directors and reported to the shareholders' meeting.

- b. The basis for estimating the remuneration of employees and directors in current period, the basis for calculating the number of shares of employee remuneration distributed by stocks, and the accounting treatment when differences occur between estimated and actual distributed amount.
 - (a) The basis for estimating the remuneration of employees and directors in current period: Please refer to (8). a above.
 - (b) The basis for calculating the number of shares to be distributed to employees as the bonus for the current period: None
 - (c) Accounting treatment for difference between the actual number distributed and the estimated figures: It is considered as a change in accounting estimates and is included in profit or loss in the actual year for distribution.
- c. Approval of remuneration distribution by the Board of Directors
The Proposal of 2023 Remuneration of Employees was passed by the resolution of the Board of Directors on March 13, 2024. The distribution approved by the Board of Directors is as follows:
 - (a) Remuneration to employees and directors distributed in cash or stock: Through allocation, the employees' cash remuneration is NT\$12,500 thousand and the directors' remuneration is NT\$4,800 thousand. The difference with the annual estimated amounts of recognized expenses is reduced by NT\$0 thousand and NT\$400 thousand respectively. The difference is due to the change of accounting estimation, and the difference is included in the profit or loss for 2024.
 - (b) Employee bonus distributed in shares and the ratio of the share bonus on the net income after tax and the total amount of employee bonus: Since the Company only distributed employee bonus in cash in 2023, it is not applicable.
- d. The actual distribution of employee and director remuneration for the previous fiscal year (the number of shares, monetary amount, and stock price of the shares distributed), and, if there is any discrepancy between the actual distribution and the recognized employee or director remuneration, additionally the discrepancy, cause, and how it is treated: The actual distribution amounts of employee and director remuneration

for 2022 are not different from the amounts resolved at the Board meeting on March 9, 2023, and recorded as expenses.

(9) Share repurchases: None.

2. Handling of Corporate Bonds:

(1) Domestic Corporate Bonds

| Corporate Bonds | First Domestic Unsecured Conversion of Corporate Bonds |
|--|---|
| Issuance Date | February 10, 2020 |
| Par value | NT\$100,000 each |
| Location of Issuance and Transaction | Taipei Exchange (TPEX) |
| Par Value | Issuance at 100.7% of the par value |
| Total Amount | NT\$700 million |
| Interest | 0% coupon rate |
| Maturity | 3 years; issued on February 10, 2020; expiration date: February 10, 2023 |
| Guarantee Agency | N/A |
| Trustee | Trust Department of Taishin International Commercial Bank Co., Ltd. |
| Underwriters | IBF Securities Co., Ltd. |
| Lawyers | Handsome Attorneys-at-law: Attorney Chui, Ya-Wen |
| CPA | KPMG CPAs: Kou Hui-Chih, Kuo Hsin-I |
| Repayment method | Except for the conversion of the corporate bonds by the bondholders into the Company's ordinary shares in accordance with Article 10 of the regulations, or early redemption by the Company in accordance with Article 17 of the regulations, or buyback and cancellation of the bonds by securities firms, or the exercise of the right of reverse repurchase by the bondholders in accordance with Article 18, the Company repays the bonds held by the bondholders in cash in lump sum upon the maturity of the bonds based on the par value of the bonds. |
| Outstanding Principle | NT\$0 |
| Provision of prepayment and redemption | 1. The conversion of corporate bonds should be from the day after the expiration of three months from the date of issue (May 11, 2020) to forty days before the expiration of the issuance period (January 1, 2023). When the closing price of the ordinary shares of the Company exceeds 30% (inclusive) of the conversion price for the 30th consecutive business day, the Company may send a one-month "Letter of Advice of Bond Recovery" to the bondholder by |

| | |
|--|--|
| | <p>registered mail within the next 30 business days. (The aforementioned foregoing period starts from the date of the Company’s letter of notice, and the expiration date of the period is the base date for the bond recovery. The aforementioned period cannot be the conversion termination period as started in Article 9.) (The bondholder will be based on the boldholder’s register on the fifth business day prior to the date of the “Letter of Advice of Bond Recovery,” and for investors who subsequently obtain the conversion of corporate bonds due to trading or other reasons, they should be notified by way of announcement.) TPEX will also be notified in writing, and the convertible bonds of the bondholders should be recovered at par value in cash in five business days after the bond recovery base date.</p> <p>2. The conversion of corporate bonds should be from the day after the expiration of three months from the date of issue (May 11, 2020) to forty days before the expiration of the issuance period (January 1, 2023). If the outstanding balance of the convertible bond is less than 10% of the initial total denomination at issuance, the Company may send a one-month “Letter of Advice of Bond Recovery” to the bondholder by registered mail at any time. (The aforementioned foregoing period starts from the date of the Company’s letter of notice, and the expiration date of the period is the base date for the bond recovery. The aforementioned period cannot be the conversion termination period as started in Article 9.) The bondholder will be based on the bondholder’s register on the fifth business day prior to the date of the “Letter of Advice of Bond Recovery,” and investors who subsequently obtain the conversion of corporate bonds due to trading or other reasons should be notified by way of announcement. TPEX will also be notified in writing, and the convertible bonds of the bondholders should be recovered at par value in cash in five business days after the bond recovery base date.</p> <p>3. If the creditor fails to reply in writing to the stock affairs agency of the Company before the base date of bond recovery stated in the “Letter of Advice of Bond Recovery” (effective immediately upon delivery. The date of postmark should be taken as the proof), the Company will redeem its convertible corporate bonds in cash according to the par value of the bond within five business days after the base date of bond recovery.</p> |
| Restrictions (Note 4) | None |
| Name of credit rating agency, rating date, and | N/A |

| | | |
|---|--|---|
| rating results of corporate bonds | | |
| Others | Amount of (exchange or subscription) common stock converted, depository receipts, or other securities as of the publication date of the annual report. | As of February 10, 2023, 5,503 units convertible bonds had been converted with a par value of NT\$100,000 per unit into a total of 5,313 thousand ordinary shares, and the amount of the bonds converted was NT\$550,300 |
| | Rules of Issuance and Conversion/ Exchange/ Subscription | Appendix I below |
| Potential Dilutive Effects on Equity and the Impact of the Rules of Issuance and Conversion/Exchange/ Subscription or Terms of Issue on Existing Shareholders' Equity | | It has matured on February 10, 2023, and a total of 5,313 thousand shares have been converted during the issuance period, with a dilution ratio of 7.81% of the share capital and limited impact on shareholders' equity. |
| Name of the entrusted custodian institution of the exchange target | | N/A |

CASwell, Inc.

Procedures on the First Issuance and Conversion of Domestic Unsecured Convertible Corporate Bond

1. Bond name
CASwell, Inc. (hereinafter referred to as “the Company”); the first issuance of domestic unsecured convertible corporate bonds (hereinafter referred to as “the convertible corporate bonds”).
2. Issuance date
On February 10, 2020 (hereinafter referred to as the “issuance date”).
3. Issuance period
The issuance period is 3 years; the bonds were issued on February 10, 2020, and will expire on February 10, 2023 (hereinafter referred to as the “expiration date”).
4. Total issue amount, par value of each sheet and issue price
The par value of each convertible corporate bond is NT\$100,000, with issuing 7,000 sheets in total. That is, the total amount of issuance is NT\$ 700 million, which will be issued as 100.5% of the face value. The total amount raised is NT\$ 704.9 million.
5. Coupon rate of the bonds
0% coupon rate
6. Date and method of repayment of principle and interest
The coupon rate of the convertible corporate bonds is 0% according to Article 5 of the Measures, so there is no need to set the date and method of interest payment. Except for convertible corporate bondholders (hereafter referred to as “bondholders”) to convert the bonds into ordinary shares of the Company by Article 11 of the Measures, or except that the Company may redeem the bonds in advance according to Article 21 of the Measures, or that the Company may buy back the bonds from securities firm’s business office and cancel them, the bonds, at maturity, will be repaid by the Company in cash based on 101.51% par value (annual yield of 0.5%).
7. Whether bonds are secured
The convertible corporate bonds are unsecured bonds. However, where the convertible corporate bonds are issued, the Company re-issues or privately offers other secured corporate bonds with equity warrants or convertible corporate bonds; then, the convertible corporate bonds should also be set at the same level of claims or collateral as the secured corporate bonds with equity warrants or the convertible corporate bonds.

8. Conversion subject

The Company's ordinary shares will be issued by the Company in the form of new shares to fulfill its conversion obligation. The new shares issued will be distributed through the book-entry operations and will not be printed in the physical form.

9. Conversion period

The bondholders may, from the following day after three months from the date of issuance of the convertible corporate bond (May 11, 2020) to the expiration date (February 10, 2023), except for (1) when the ownership transfer of ordinary shares are terminated by law, (2) from 15 days prior to the date of the termination of the ownership transfer of the Company's stock dividends, cash dividends, or capital increase subscription to the base date of the distribution of rights, or (3) from the date of the capital reduction to 1 day before the start of the trading day of the capital reduction for issuance of new shares, file a request to the Company's stock affairs agency through trading securities firms, while informing the Taiwan Depository & Clearing Corporation (hereinafter referred to as "TDCC"), to convert the convertible corporate bonds held into the Company's ordinary shares in accordance with the provisions of Articles 10, 11, 13, and 14 of the Measures.

10. Procedure for filing a request for conversion:

- (1) Bondholders handle the conversion by book transfer via TDCC, and should fill in the "The Application Form for Conversion/Redemption/Reverse Repurchase of Convertible Corporate Bonds via Book Entry Operations" (indicating conversion) at the original trading securities firm; then the said securities firm should file an application to TDCC; after TDCC accepts the application, it will notify the Company's stock affairs agency electronically; the conversion takes effect upon delivery, and it does not allow for application for cancellation; the conversion procedures will be completed within five business days after delivery, directly transferring the Company's ordinary shares to the bondholder's TDCC account.
- (2) Where overseas ethnic Chinese and foreign nationals apply for conversion of the convertible corporate bonds into the Company's ordinary shares, it shall all be handled through book-entry operations by TDCC.

11. Conversion price and adjustment:

(1) Methods of determining the conversion price

With January 31, 2020 as the base date of determining the conversion price of the convertible corporate bonds, a simple arithmetic mean of the closing prices of the Company's ordinary shares on the business day one day, three days, and five days, respectively, prior to the base date (exclusive) is chosen as the benchmark price, and then the benchmark price is multiplied by the convertible premium rate of 102.06%,

which is the conversion price of the convertible corporate bonds (rounding the number to one decimal place) . In the case of ex-equity or ex-dividend before the base date, the closing price of the conversion price to be calculated by sampling should be the price after deducting equity or dividend; the conversion price should be adjusted according to the conversion price adjustment formula in Item (2) of this article in case of ex-dividend or ex-dividend from the date of decision to the actual date of issue. As per the above method, the conversion price of convertible corporate bonds of the Company will be NT\$104.1 per share at the time of issuance.

(2) Adjustment of the conversion price

- a. After the issuance of the convertible corporate bonds, except for the issuance (or private placement) of various marketable securities with ordinary share conversion rights or stock options in exchange for ordinary shares, or the issuance of new shares through capitalization of employee bonus, where the Company's issued (or privately offered) shares increase (including but not limited to cash capital increase through public offering and issuance or private placement, capitalization of retained earnings, capitalization of capital surplus, issuance of new shares in connection with mergers or acquisitions or with acquisitions of shares of other companies, stock split, and cash capital increase for the issuance of overseas depositary receipts), the Company should adjust the conversion price of the convertible corporate bonds in accordance with the following formula (rounding the number to one decimal place; the numbers above one decimal place will not be adjusted), while sending Taipei Exchange of the Republic of China (hereinafter referred to as "TPEX") an official letter for mailing public announcement; it will be adjusted on the base date of the ex-rights for issuance of new shares (Note 1) (if there are contributions to shares, it should be adjusted after the full contributions are collected). If the issuing price of new shares is changed after the ex-equity base date of cash capital increase to issue new share, it should be re-adjusted with the formula given below according to the issuing price of new share updated and current price per share (the base date of setting issuing price of new share after the Company's decision to update as the base date of setting updated current price per share). If the exchange price after adjustment is lower than the exchange price announced before the ex-rights ex-dividend base date, the Company should send an official letter to TPEX for announcement of re-adjustment.

$$\text{Conversion price after adjustment} = \frac{\text{Conversion price before adjustment} \times \left[\text{Number of shares issued (Note 2)} + \frac{\text{Earnings per Share (Note 3)} \times \text{Number of newly issued or privately offered shares}}{\text{Real-time price per Share (Note 4)}} \right]}{\text{Number of issued shares (Note 2) + number of newly issued or privately offered shares}}$$

Note 1: In the case of the stock split, it is the base date of the split; in the case of capital increase through mergers or acquisitions, it should be adjusted on the base date of mergers or acquisitions; in the case of capital increase through bookbuilding or cash capital increase for the issuance of overseas depositary receipts, without the base date of ex-rights, it should be adjusted after the full contributions are collected; in the case of cash capital increase through private placement, it should be adjusted upon the delivery of privately offered marketable securities. Where the price of issuance of new shares is changed after the base date of the ex-rights for the issuance of new shares through cash capital increase, it should be re-adjusted based on the price of the new shares. Where the adjusted conversion price is lower than the original adjusted conversion price announced before the base date of the ex-rights, an official letter should be sent to TPEx for making public announcement for such an adjustment.

Note 2: The number of outstanding shares refers to the total number of ordinary shares issued to date (through public offering or private placement) minus the number of the treasury shares bought back by the Company that have not been canceled or transferred.

Note 3: If the payment per share is share grants or share split, the amount paid is zero. If it is new shares issued for merger capital increase, the amount paid per share should be the amount that is calculated by net value per share (which is in the most recent financial statements audited and certified or reviewed by the CPA prior to the base date of the merger) being multiplied by the share conversion ratio. If it is new shares issued for transferring to other companies, the amount paid per share should be the amount that is calculated by net value per share of the transferred companies (which is in the most recent financial statements audited and certified or reviewed by the CPA) multiplies by the share conversion ratio.

Note 4: The real-time price per share should be determined based on a simple arithmetic mean of the closing prices of the ordinary shares on the business day one day, three days, and five days, respectively, prior to the base date of ex-rights, price determination, stock split, or private placement of marketable securities.

- b. After the issuance of the convertible corporate bonds, in case the Company distributes cash dividends of ordinary shares, the conversion price should be reduced on the base date of ex-dividends according to the following formula (rounding the number to one decimal place; the numbers above one decimal place will not be adjusted); an official letter should be sent to TPEx for making public announcement for such an adjustment. The provision for the conversion price reduction does not apply to the requests for conversion before the base date of ex-dividends (exclusive). The adjustment formula is as follows:

Conversion price after reduction = the conversion price before reduction (1 - the ratio of cash dividends of ordinary shares distributed to the real-time price (Note) per share)

Note: A simple arithmetic mean of the closing prices of the Company's ordinary shares on the business day one day, three days, and five days, respectively, prior to the date of announcing ex-dividends and the termination of the ownership transfer of cash dividends is chosen as the real-time price per share.

- c. After the issuance of the convertible corporate bonds, where the Company publicly re-offers and re-issues (or privately offers) various marketable securities with ordinary share conversion rights or stock options at a conversion or subscription price lower than the real-time price per share (Note 1), the Company should adjust the conversion price of the convertible corporate bonds according to the formula below (rounding the number to one decimal place; the numbers above one decimal place will not be adjusted); an official letter should be sent to TPEx for making public announcement for such an adjustment; the adjustment should be made upon the date of the issuance of the aforementioned marketable securities or stock options or upon the delivery of the privately offered marketable securities.

$$\begin{array}{r}
 \text{Conversion price after adjustment} \\
 = \frac{\text{Conversion price before adjustment} \times \left[\text{Number of shares issued (Note 2)} + \left(\frac{\text{The conversion or subscription price of newly issued (or privately offered) marketable securities or stock options}}{\text{Real-time price per Share (Note 1)}} \times \text{Number of shares that can be converted or subscribed for newly issued (or privately offered) marketable securities or stock options} \right) \right]}{\text{Number of issued shares (Note 2) + number of shares that can be converted or subscribed for newly issued (or privately offered) marketable securities or stock options}}
 \end{array}$$

Note 1: The current price per share should be calculated as the simple arithmetic average value of the Company's ordinary share's closing prices on one, three, or five business days prior to the pricing base date of various marketable securities with ordinary shares conversion rights or subscription right re-issued or privately funded or the delivery date of the private funding securities.

Note 2: The number of issued shares refers to the number of issued shares of ordinary shares through issuance and private placement minus the number of treasury shares that have been bought back by the Company but have not been canceled or transferred. Where the public re-offering and re-issuance (or private offering) of various marketable securities with ordinary share conversion rights or stock options are supported by treasury shares, the formula should be adjusted as the number of issued shares minus the number of newly issued (or privately offered) marketable securities that can be converted or subscribed.

- d. Where the number of ordinary shares is reduced due to the capital reduction conducted through means other than the Company's cancellation of treasury shares after the issuance of the convertible corporate bonds, the conversion price should be calculated based on the formula below (rounding the number to one decimal place) and adjusted on the base date of capital reduction, while an official letter should be sent to TPEX for making public announcement for such an adjustment on the base date of capital reduction.

- (a) Where capital is reduced to make up losses:

Conversion price after adjustment = conversion price before adjustment (number of ordinary shares issued before capital reduction (Note)/number of ordinary shares issued after capital reduction)

- (b) When capital is reduced in cash:

Conversion price after adjustment = (conversion price before adjustment - cash returned per share) × (number of ordinary shares issued before capital reduction / number of all-in-one shares issued after capital reduction)

Note: The number of issued shares should include the number of shares through public issuance and private placement and minus the number of treasury shares that have been bought back by the Company but not canceled or transferred.

12. Listing and termination of listing of the convertible corporate bonds of the Company

The convertible corporate bonds should be applied to TPEX for over-the-counter trading before the date of issue, and their listing should be terminated until they are fully converted into ordinary shares or the full amount is bought back or repaid by the Company. The aforementioned matters shall be announced after the Company obtained the approval of TPEX.

13. Treatment of balance when one share cannot be renewed

When being converted into the Company's ordinary shares, if there is an insufficient amount for one share, the Company will pay in cash to make it up (rounding the number to the nearest integer) in addition to offsetting the transfer fee of centralized insurance.

14. Listing of new shares after conversion

Where the convertible corporate bonds are converted into the Company's ordinary shares, the converted ordinary shares are listed and traded on the TPEX upon the date of delivery. The matters above are announced by the Company with the approval of the TPEX.

15. Rights and obligations subsequent to the transfer

The rights and obligations pertaining to the new shares issued upon conversion are identical to those pertaining to the Company's ordinary shares unless otherwise agreed in this Measures.

16. Changes of registration of share capital

The Company should publicly announce the number of shares converted from the convertible corporate bonds in the last quarter within 15 days after the end of each quarter. The Company should apply for changes of registration of share capital at the competent authority in charge of business registration at least once a quarter.

17. The Company's redemption rights for the convertible corporate bonds

(1) The conversion of corporate bonds should be from the day after the expiration of three months from the date of issue (May 11, 2020) to forty days before the expiration of the issuance period (January 1, 2023). When the closing price of the ordinary shares of the Company exceeds 30% (inclusive) of the conversion price for the 30th consecutive business day, the Company may send a one-month "Letter of Advice of Bond Recovery" to the bondholder by registered mail within the next 30 business days. (The aforementioned foregoing period starts from the date of the Company's letter of notice, and the expiration date of the period is the base date for the bond recovery. The aforementioned period cannot be the conversion termination period as started in Article 9.) (The bondholder will be based on the bondholder's register on the fifth business day prior to the date of the "Letter of Advice of Bond Recovery," and for investors who subsequently obtain the conversion of corporate bonds due to trading or other reasons, they should be notified by way of announcement.) TPEX will also be notified in writing, and the convertible bonds of the bondholders should be recovered at par value in cash in five business days after the bond recovery base date.

(2) The conversion of corporate bonds should be from the day after the expiration of three months from the date of issue (May 11, 2020) to forty days before the expiration of the issuance period (January 1, 2023). If the outstanding balance of the

convertible bond is less than 10% of the initial total denomination at issuance, the Company may send a one-month “Letter of Advice of Bond Recovery” to the bondholder by registered mail at any time. (The aforementioned foregoing period starts from the date of the Company’s letter of notice, and the expiration date of the period is the base date for the bond recovery. The aforementioned period cannot be the conversion termination period as started in Article 9.) The bondholder will be based on the bondholder’s register on the fifth business day prior to the date of the “Letter of Advice of Bond Recovery,” and investors who subsequently obtain the conversion of corporate bonds due to trading or other reasons should be notified by way of announcement.) TPEX will also be notified in writing, and the convertible bonds of the bondholders should be recovered at par value in cash in five business days after the bond recovery base date.

- (3) If the creditor fails to reply in writing to the stock affairs agency of the Company before the base date of bond recovery stated in the “Letter of Advice of Bond Recovery” (effective immediately upon delivery. The date of postmark should be taken as the proof), the Company will redeem its convertible corporate bonds in cash according to the par value of the bond within five business days after the base date of bond recovery.

18. Sell back in advance due to the termination of listing of the Company’s shares

If the listing of the ordinary shares of the Company is terminated with the approval of the Stock Exchange, the bondholders may require the Company to redeem the convertible corporate bonds held by them at the par value of the bonds.

19. The ownership of annual dividends and bonuses regarding conversion:

(1) Cash dividends

- a. Where a bondholder of the convertible corporate bonds files a request for conversion between the beginning of the current year and 15 business days (exclusive) before the Company terminates the transfer of ownership of cash dividends in the current year, the converted ordinary shares may participate in the resolution of the annual shareholders’ meeting of the current year regarding the annual cash dividend distribution for the last year.
- b. From 15 business days (inclusive) before the Company terminates the transfer of ownership of cash dividends in the current year to the base date of ex-rights (inclusive) for cash dividends, the conversion of convertible corporate bonds should be terminated.
- c. Where a bondholder files a request for conversion between the following date of the base date of ex-dividends for cash dividends for the current year and December 31 of the current year (inclusive), the bondholder should not

participate in the resolution of the annual shareholders' meeting of the current year regarding the annual cash dividend distribution for the last year but should participate in the annual shareholders' meeting in the following year regarding the annual cash dividend distribution for the current year.

(2) Stock dividends

- a. Where a bondholder of the convertible corporate bonds files a request for conversion between the beginning of the current year and 15 business days (exclusive) before the Company terminates the transfer of ex-right for free allotment of shares in the current year, the converted ordinary shares may participate in the resolution of the annual shareholders' meeting of the current year regarding the annual cash dividend distribution for the last year.
 - b. From 15 business days (inclusive) before the Company terminates the transfer of ex-right for free allotment of shares in the current year to the base date of ex-rights (inclusive) for free allotment of shares, the conversion of corporate bonds should be terminated.
 - c. Where a bondholder of the convertible corporate bonds files a request for conversion between the following date of the base date of ex-right for allotment of shares in the current year to December 31 of the current year (inclusive), the bondholder should not participate in the resolution of the annual shareholders' meeting in the current year regarding the annual stock dividend distribution for the last year but may participate in the annual shareholders' meeting in the following year regarding the stock dividend distribution for the current year.
20. All the convertible corporate bonds recovered (including those brought back by the securities firms) redeemed, or converted by the Company will be canceled and may not be sold or issued, and the conversion rights attached thereto will be eliminated.
 21. The convertible corporate bonds and converted ordinary shares are all registered. Their transfer, registration of changes, pledges, or lost reporting should be handled in accordance with the "Regulations Governing the Administration of Shareholder Services of Public Companies" and the relevant provisions of the Company Act. Taxation matters should be handled in accordance with the tax laws of the time.
 22. Taishin International Commercial Bank Co., Ltd. is the creditors' consignee of the convertible corporate bonds, exercising the power of auditing and supervising the matters related to the Company's issuance of the convertible corporate bonds on behalf of the creditors' interests. Where the creditors holding the convertible corporate bonds, regardless of subscription at the time of issuance or purchase in the middle of the process, agree on the terms of the brokerage contract between the Company and its consignee, the

consignee’s rights and obligations, and the methods of issuance and conversion, and grant the consignee full authority within the scope of consignee’s responsibility, the said authorization should not be revoked in the middle of the process; as for the content of the brokerage contract, the creditors may make inquiries at the Company or the consignee’s business office at any time during business hours.

23. The repayment of principal and interest and conversion matters of the convertible corporate bonds should be carried out by the stock affairs agency of the Company.
24. The issuance of convertible corporate bonds of the Company should be delivered by means of account book transfer according to Article 8 of the Securities and Exchange Act, and no physical bonds should be printed.
25. In the case that this procedure is incomplete, all procedures should be handled in accordance with related Articles of Securities and Exchange Act.

(3) The Convertible Bonds Issued by the Company that can be converted into ordinary shares, overseas depository receipts, or other marketable securities are listed in the table below:

| Corporate Bonds | | First domestic unsecured conversion of corporate bonds | | |
|--|---------|--|--------|---------------------|
| | | Year | | |
| Item | | 2021 | 2022 | 2023 As of April 30 |
| Conversion of convertible corporate bond | Highest | 177.00 | 120.00 | N/A |
| | Lowest | 109.30 | 105.50 | |
| | Average | 138.95 | 110.99 | |
| Conversion price | | 102.4 | 96.50 | |
| Issuance date and conversion price | | Issued on February 10, 2020; the conversion price during the period of issuance was NT\$104.1. | | |
| Obligation of conversion | | Issuance of new shares | | |

3. Issuance of preferred stocks, overseas depository receipts, employee stock option certificates, new restricted employee shares, mergers and acquisitions, or issuance of new shares for the acquisition of other companies: None.
4. Implementation of capital utilization plan: None.

Chapter 5 Operational Overview

1. Business Activities

(1) Scope of Business

a. The scope of major business items

CC01080 Electronic Parts and Components Manufacturing

CC01110 Computers and Computing Peripheral Equipment Manufacturing

CC01120 Data Storage Media Manufacturing and Duplicating.

E605010 Computing Equipment Installation Construction

F113050 Wholesale of Computing and Business Machinery Equipment

F118010 Information Software Wholesale Industry

F119010 Electronic Materials Wholesale Industry

F401010 International trade

I501010 Product Design Services

I301010 Software Design Services

I301020 Data Processing Services

I301030 Digital Information Supply Services

IG02010 Research Development Service

ZZ99999 All business not prohibited or restricted by law, except for those subject to special approval

b. Business ratios

Unit: NT\$ thousand

| Item | 2022 | | 2023 | |
|---|-----------|-----------------|-----------|-----------------|
| | Net sales | Business ratios | Net sales | Business ratios |
| Network communication security products | 3,756,177 | 75.38% | 3,102,756 | 76.00% |
| Internet communication products | 1,226,495 | 24.62% | 979,681 | 24.00% |
| Total | 4,982,672 | 100.00% | 4,082,437 | 100.00% |

c. Current products and services

In the age of the Internet of Everything, with the increasing popularity of the concepts of Cloud Computing and Edge Computing, the products and applications needed by the information and communication industry are divided into the deployment mode of shared computing resource pool (network, computing, storage, application and service). According to the market and application development needs, the Company's online product development is divided as follows:

(a) Network security and management (NSM) product line

In view of the increasing number of data communication networking devices and explosive growth of data volume, the application demand of information (data) security protection and management (including firewall, virtual private network, antivirus application server, integrated threat application server, intrusion detection and prevention server, wireless network gateway server, etc.) continues to increase. The Company designs the hardware platform required for network security, and provides end-to-end software and hardware product engineering consulting, development and design, quality planning, production operation and warehouse management services. In addition, the Company also provides corresponding value-added services (such as Hub management service center, value-added software customization service)

(b) Software defined network (SDN) product line

Due to the transformation of global network architecture (from traditional network to software-defined network architecture), the environment of enterprise network and telecommunication network is changing rapidly, which promotes the rapid transformation of network strategy. In addition, with the development of network virtualization and 5G network, the demand for WAN solutions for networking has developed from traditional MPLS and other dedicated connection methods to Internet or hybrid connection networks (wired and wireless connection methods). Related secure networking and application acceleration services are integrated to develop products and applications in emerging markets such as uCPE, vCPE, SD-WAN, MEC and vRAN. Corresponding

hardware platforms are provided, and strategic alliances with corresponding market system solutions and software vendors are established. SD-WAN customer software solutions are imported and verified, and then promoted to telecom operators and industrial fields.

(c) Network attached storage (NAS) product line

In view of the storage market demand brought by the advent of the 5G network and the huge increase in data volume caused by the Internet of Everything, the Company has provided a complete software and hardware product solutions for the storage equipment required by the industrial Internet, in addition to the corresponding product solutions for the Commercial NAS required by the general consumer market.

(d) Industrial control and automation (ICA) product line

With the rise of Industry 4.0, the value chain contains the new concept of intelligent management and service introduced by industry and commerce, and the trend of industrial transformation and intelligent manufacturing in various vertical fields has become the mainstream. Among it, with more and more devices connected to the Industrial Internet of Things (IIoT), there are also more and more complex network threats originally aimed at IT environment beginning to penetrate into the operational technology (OT) environment including industrial control systems. On the other hand, the whole world is accelerating efforts to promote the energy transformation direction including energy saving, energy generation, energy storage and smart system integration. In view of this, information security issues in the industrial field and the development trend of green energy provide corresponding products and services in the fields such as industrial information security and management equipment, industrial control equipment and Smart Grid.

(e) Cloud computing (CCS) product line

As for the application of cloud computing, with the gradual maturity of the Internet and the maturity of virtualization technology, in addition to the demand of traditional cloud data centers, in recent years, the demand for edge processing and

infrastructure products that generate data centers also arises in response to the trend demand brought by 5G networking applications. The Company also provides product solutions for servers and switches.

In terms of service items, in addition to providing self-developed standard equipment, the Company also specializes in network security equipment design and manufacturing services, and can customize products according to customer needs. In addition to OEM services, the Company also provides original design and manufacturing (ODM) and joint design and manufacturing (JDM) services, including motherBoard/system specification design, software design, manufacturing, verification and after-sales services, where customers put forward targeted solutions and specification requirements. The strong engineering R&D team of the Company cooperates with highly customized R&D service activities, aiming at fully meeting customer expectations and requirements as well as the needs of various application fields. In addition to hardware platform products, the Company is also engaged in software-related value-added services, including various network efficiency optimization driver software, system self-diagnosis test program, remote management LOM (IPMI/BMC) module and customized functions, BIOS R&D, and integration of maintenance and management software.

d. Products development

The Company is committed to the market of Netcom products. With the application and business expansion in emerging markets, we are constantly pursuing R&D and innovation. Developing from pure information communication security and management products, we expand the product lines in emerging markets, including high-end network cards, Netcom security architecture platform, cloud application network server platform and telecom communication products. We also strengthen the cultivation of software strength in specific vertical fields (such as industrial network storage and smart grid), so as to enhance product differentiation and flexibility and increase added value.

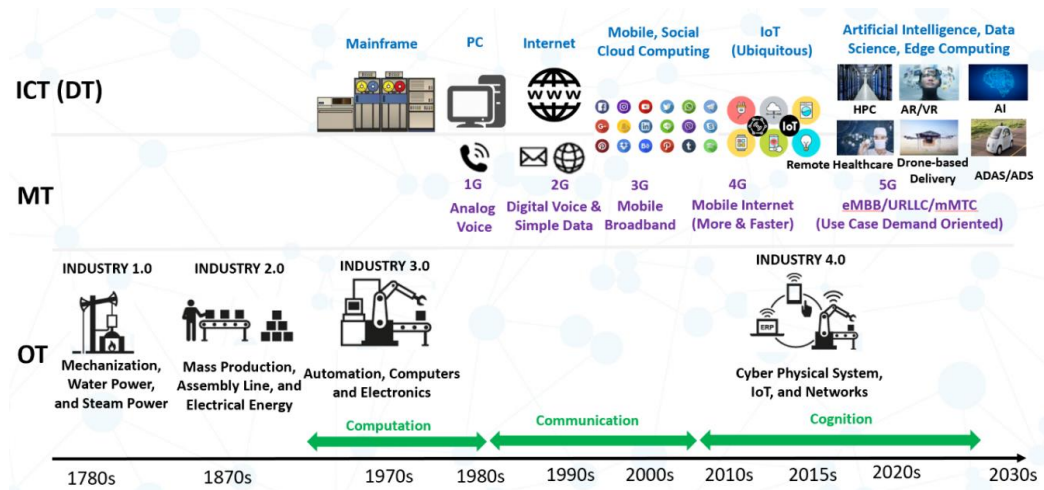
(2) Industry overview

(a) Current status and development

The network communication industry is booming with the continuous development of broadband networks. With the increasingly mature cloud computing and edge computing, the economic take-off of emerging countries and the continuous improvement of network infrastructure, the global network population is increasing rapidly; at the same time, due to the development of hardware devices such as smart phones and tablet computers, network services are more widely popularized. Global enterprises and consumers are increasingly dependent on computer networks and communication services. The accompanying convenience, security and new business network model has completely changed the daily life mode of human beings. The networking mode has also changed from the passive wired mode in the past to the dynamic and real-time active wireless and mobile networking. In addition, in recent years, the global telecommunications liberalization process has also promoted the development of the overall network communication industry.

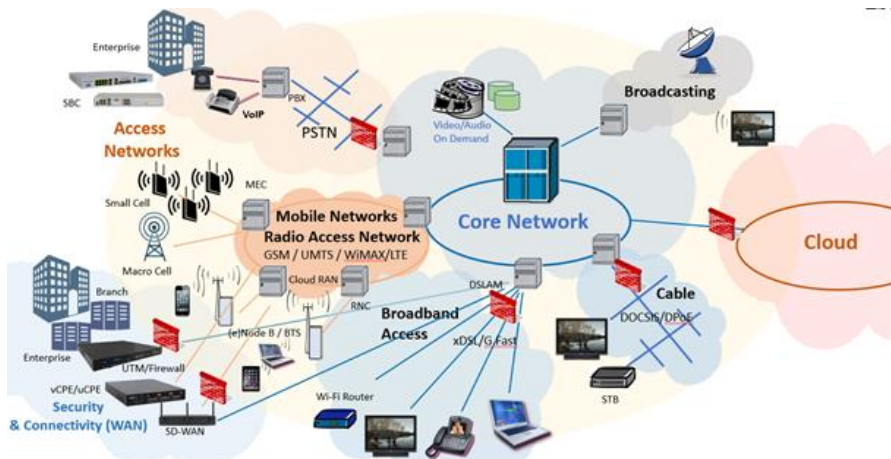
Under the influence of Sino-US trade, the global information and communication (ICT) industry continues to develop with the continuous expansion of data demand. Among it, the development of 5G mobile network is highly concerned by the whole world. According to the report of research institutions, the overall global 5G market scale will grow from USD 4.283 billion in 2019 to USD 230.264 billion in 2023 (infrastructure such as base stations and mobile devices such as mobile phones, etc.), with compound annual growth rate (CAGR) reaching 171%. There are even actual deployment practices of telecom operators in Europe, America and Asian-Pacific regions, such as the 5G mobile hotspot service launched by American telecom operator AT&T, 5G enterprise fixed network access service launched by Verizon. Telecom operators in Asia Pacific regions such as South Korea also launched 5G services for enterprises and individuals. According to the IEK report of the industrial intelligence network, the main line of the industry is positioned as “5G Wait, Eco First”. It can be found that the diversified 5G intelligent field application has the characteristics of high speed, low latency and high network connection. It should be combined with

integration and optimization of software and hardware, including edge computing services, software applications such as open source software, artificial intelligence, etc. Therefore, operators must integrate services, seek industrial alliances to enhance technical strength and optimize costs, and build ecological environment systems and provide more competitive prices.



(Figure) Development trend of information technology, mobile technology and operation technology. (Source: sorted by CASwell)

With the development of communication equipment and the influence of network popularization, the application of network communication products has become more diversified. As shown in the following figure, with the popularization of network security management, the vigorous development of cloud computing and edge computing, the demand of the capital communication market in which we are engaged has also gradually increased.



(Figure) CASwell’s target market of information communication network

The application market of the Company's main products is as follows:

- Network Security and Management and Software Defined Application Market

- Network security and management

Information security has always been a major issue that can't be ignored in the network communication industry. No matter enterprises, governments, academic institutions or individuals, as long as they use network information systems, they must guard against network threats or hacker attacks. The main purpose of network security equipment is to ensure smooth network connection. According to different functions, it can be divided into unified threat management platform (UTM), Firewall, intrusion detection/protection system (IDS/IPS) and virtual private network (VPN). Among them, UTM is an integrated network threat management platform, which can perform complex functions such as Firewall, IDS/IPS and ramp antivirus. It is also the main product of the Company's network security control platform.

Network security features

| Category | Description |
|--|--|
| Unified Threat Management (UTM) | To effectively prevent internal and external attacks and any unauthorized access of enterprises, the platform combined with various security schemes not only provides the main functions of high-speed firewall and IDS/IPS, but also integrates various protection functions such as anti-worm function, anti-virus function, anti-spam function, Web address classification filtering and anti-malware function. |
| Firewall | Setting up a monitoring and management buffer interface (Gateway) between Intranet and Internet to control the ingress and egress of all network packets, and allow or prohibit specific data access behavior on the network. The main task of Firewall is to check all passing IP packets, and control the propagation of network information packets according to IP address, Port and packet transmission direction. |
| Intrusion Detection System/ Intrusion Protection System (IDS/IPS) | The main function of Intrusion Detection System (IDS) is to monitor the network packets as well as the running status of the network and system according to the preset security policy. It will automatically send an alarm to inform the network management personnel when an abnormality is found, and record various attack attempts, behaviors or results. Intrusion Prevention System (IPS) turns passive into active. When abnormal network packets or behaviors are found, the system not only sends an alarm |

| Category | Description |
|-------------------------------|---|
| | to inform the network management personnel, but also takes necessary measures immediately, such as blocking the source IP. IDS and IPS are collectively called IDP. |
| Virtual Private Network (VPN) | It is a point-to-point connection across private or public networks, using encrypted channel protocol to achieve private message security effects such as confidentiality, sender authentication and message accuracy. It can transmit reliable and secure messages over insecure networks. |

Data source: Summarized by the Company.

In recent years, the development trend of global information security is mainly divided into two industrial types: traditional information technology security (IT Security) and operational technology security (OT Security). In response to the protection needs of new attack modes, new information security solutions are provided. With automation and intelligence capabilities, they can reduce human intervention as response and judgment, thus improving accuracy and defense efficiency. The overall development continues to move towards three major trends: protection oriented integration (including integration of end, network and cloud and integration of IT and OT), fine evolution of defense function (adaptive active response mechanism and continuous detection and monitoring) and intelligent threat response (visual interface and replacing manual analysis with machine learning).

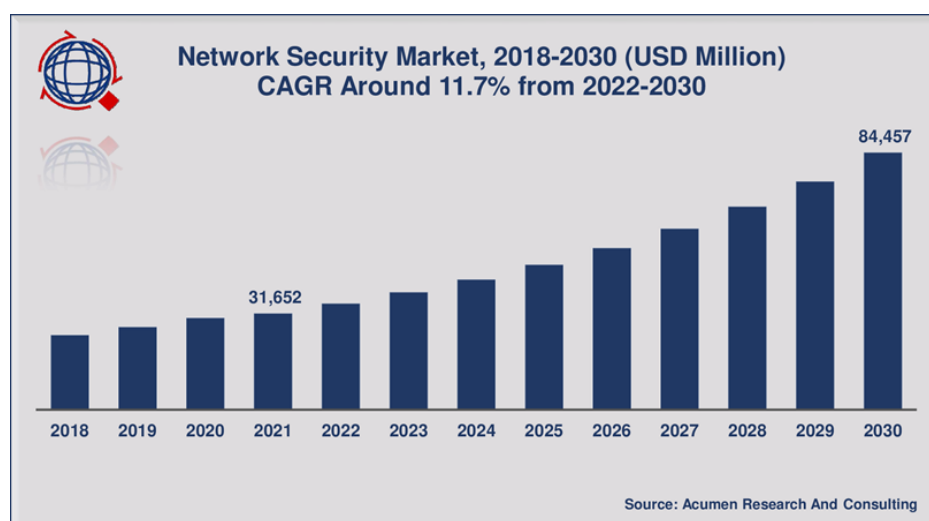
- Software defined applications

Software-defined network is a rapidly emerging network architecture in recent years. It is designed to separate the Control Layer and the Data Layer of the network and make the control layer centrally control and manage the network, so as to realize programmable network and greatly improve the control flexibility and use efficiency of network resources to cope with the rapid growth and diversification of the network in the future. With the paradigm shift of software-defined network architecture, WAN infrastructure has been hardware to solve the networking mode for decades. For example, ISDN, T1/E1, Frame Repeater and MPLS service determine the specific hardware interface. Customer premises equipment (CPE), such as routers, firewalls and accelerators, deploy WAN services

through these hardware interfaces. Usually, these facilities have their own physical blocks. As a result, traditional WAN services are complex and slow to develop, and are limited by expensive dedicated lines and a large number of Proprietary Box. By means of software definition, the WAN architecture of WAN becomes software and is spiritualized. Therefore, all the traditional technologies can be swept away and replaced by the virtual network function (VNF) run by software services running on general hardware. By using low-cost, high-speed Internet services and combining these services with intelligent and cloud service infrastructure, corporate headquarters and branches can be linked together more effectively.

- Market scale

According to Acumen Research And Consulting and related survey statistics, the hardware output value of the global network security market will reach US\$84.45 billion by 2030, with a growth rate of about 11.7%, of which the North American market accounts for the global network security market share nearly 36%. But the Asia-Pacific market scale cannot be ignored, and the compound growth rate is estimated to reach 13% by 2030.



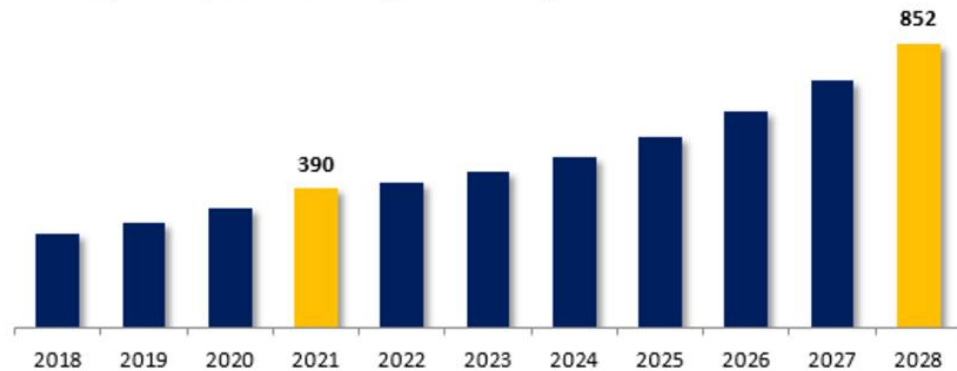
(Source by:
<https://www.globenewswire.com/news-release/2022/10/11/2532423/0/en/Network-Security-Market-Size-is-expected-to-reach-at-USD-84-457-Million-by-2030-registering-a-CAGR-of-11-7-Owing-to-Increasing-Level-of-Cybercrime-over-the-Globe.html>)

- Cloud application market

Cloud applications include storage and computing markets. Cloud storage generally refers to all services that store data in remote storage devices and provide users with access through the network; cloud computing is a highly flexible and extensible computing center, which can provide the applications that users need. With the development of cloud applications and the significant improvement of performance and networking speed of communication equipment, the concept of virtual management of computing resources is promoted, integrating storage, computing and internet into ready-to-use resources and resulting in a sharp increase in global data transmission and data volume. In addition, most of the systems that are still in use in the market are no longer able to meet the high computing power demands of virtual technology and cloud computing. Relevant technologies of the network security application platform can provide relevant hardware support. Therefore, the vigorous development of cloud services not only heats up the market of storage equipment, but also generates high demand for network security equipment.

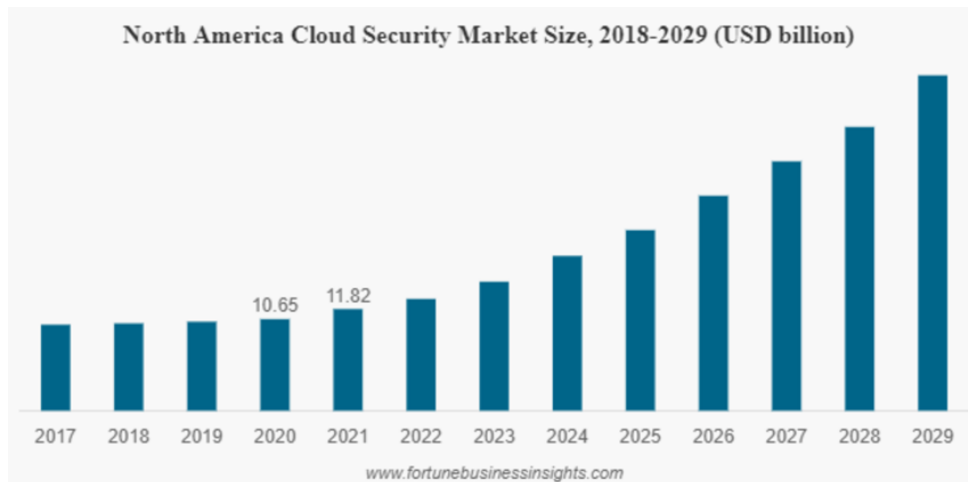
According to research forecasts released by information technology research and consulting companies Fortune Business Insights and BlueWeave Consulting in April and May 2022 respectively, the global demand and market size for cloud computing services reached 39 billion US dollars in 2021, with an estimated compound annual growth rate of 11% by 2028. The market size is projected to reach US\$85 billion by 2028. Among them, the USA cloud security market scale in 2021 was US\$29.26 billion, and it is estimated that it will grow at a compound growth rate of 18.1% to a market scale of US\$10.6 billion in 2029.

**Cloud Computing Market,
By Value, 2018-2028 (USD Billion)**



(Source by:
<https://www.globenewswire.com/en/news-release/2022/05/06/2437934/0/en/Cloud-Computing-Market-to-Grow-at-a-CAGR-of-11-until-2028-BlueWeave-Consulting.html>)

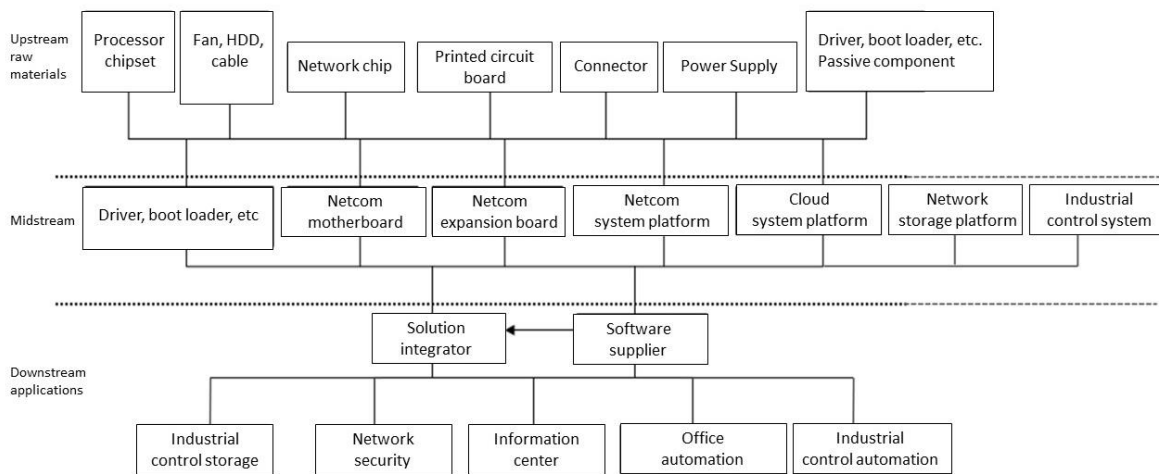
North America Cloud Security Market Size, 2018-2029 (USD billion)



(Source by:
<https://www.globenewswire.com/news-release/2022/04/11/2419729/0/en/At-18-1-CAGR-Cloud-Security-Market-Size-2022-2029-to-Rreach-USD-106-02-Billion.html>)

(b) Relationship Amongst Upstream, Midstream, and Downstream of the Industry

The upstream of this industry is similar to general industrial or industrial computers, including key chips, industrialIC, connectors and related peripheral components, among which the most important key component is networkIC. The Company is located in the middle reaches. Apart from the system platform, the most important thing is to provide the(proprietary driver)for the customer’s applications, so as to quickly integrate and complete customer’s complete solution. Downstream applications focus on network security, data center, and office automation. They are mainly sold by software suppliers to end enterprise users either alone or through solution integrators.



(c) Product development strategies

With the mature development of cloud technology, enterprises have become increasingly dependent on the cloud and virtualization. From initially willing to put non-critical systems only, such as email and websites, on the cloud, they have begun to migrate some critical systems to the cloud, and even set their IT strategy as “cloud first”. The cloud has gradually become the infrastructure of enterprise IT.

Virtualization is the hottest topic in IT field in recent years. With the increase of cloud services, the traditional network architecture has become a bottleneck in large cloud data centers. To improve data transmission efficiency, simplify management and reduce energy consumption, a new generation network architecture Software-Defined Networking (SDN) and network functions virtualization (NFV) have become the most frequently mentioned solutions.

Major international companies such as IBM, Intel, MS, Cisco, Google, Facebook and Amazon are all fully committed to the development of this platform. Based on the network security architecture of cloud applications, the Company, in cooperation with customers, generally focuses on the performance and storage of servers, integrating high-speed network interfaces with high-efficiency network bandwidth. In addition to ensuring the basic computing and storage functions required

by cloud devices, the Company also adds high-speed network bandwidth to ensure the safe management and filtering of data or data.

In addition, the development trend of 5G network and the rise of related applications of industrial Internet have gradually raised the demand for related products such as edge computing, such as software-defined wide area network (SD-WAN), virtual/universal customer premise equipment, Network Function Virtualization (NFV), multi-access computing device (MEC) and Virtual Radio Access Network. In addition, in the vertical market segment, the Company has also strengthened emerging industries derived from the green energy industry, such as the smart grid market currently promoted by the government in mainland China.

Overall, the relevant layout of the Company's outputs based on the market demand and development trend is shown in the following figure.

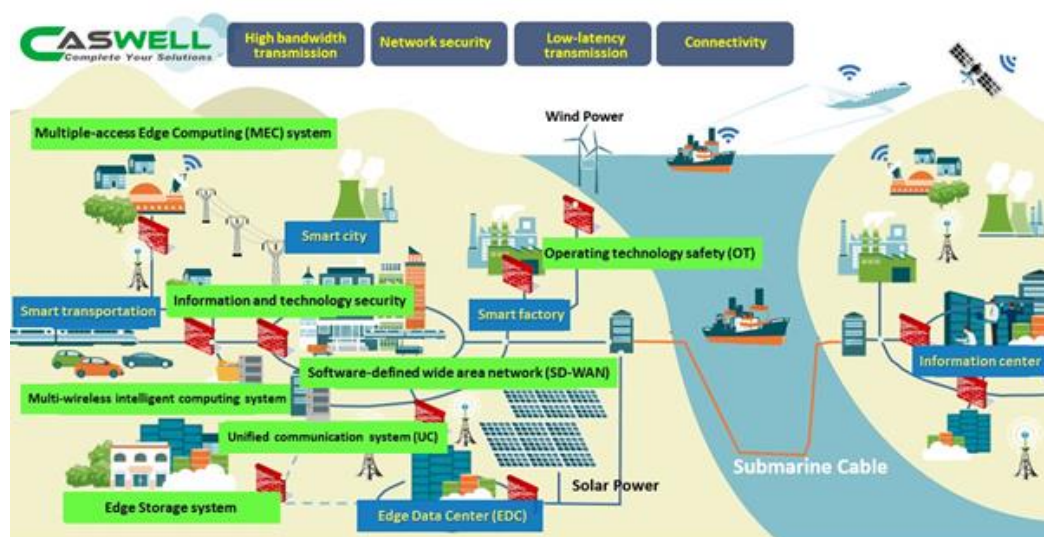


Figure: Classification of Market Development Trends and the Company Layout (Source: drawn by the Company)

(d) Competition

At present, although the industrial (industrial) computer type belongs to a niche industry, compared with the general industry, industrial computers and general electronic information and communication products have relatively different design methods, and there are many design considerations for customized services and product application environment. In addition, the production is small in amount and diversified in types, and the mass production modes of consumer information hardware are quite different. Therefore, other new entrants

may not pose a threat to the existing industrial computer industry in a short period of time, but they may still affect the price of some products of industrial computers, causing certain impact.

Faced with the network transformation, many information providers are gradually stepping into the computer market in the industry, resulting in fierce competition in the market. Facing the fierce competition in the Netcom industry, the Company not only cooperates with the Group in the adjustment and optimization of procurement and production strategies to strengthen the flexibility of demand development for client products, but also strengthens and deepens the market for targeted vertical applications, and focuses on the provision of system products for solutions (such as network storage, smart grid, software-defined wide area network and other applications), so as to enhance the added value of products and strengthen core competitiveness, develop emerging markets and adjust the product mix through merger and acquisition and alliance programs, enhance the overall competitive advantage and widen the gap with other competitors.

(3) Technology and Research and Development

a. Technical level and research development of the operated business

The Company focuses on the research and development of network communication and information security systems and master relevant key technologies. The research and development of relevant technologies are as follows:

- **Network information communication security Technology and System Integration Technology**

With the rapid development of Internet and digital content, network communication security has become one of the most important system specifications for cloud computing and digital information transmission. Since its establishment, the Company has persisted in the spirit of independent research and development and kept on improving. It has devoted a lot of manpower and material resources to the development of various CPU computing capabilities, communication bandwidth and information storage technologies and system integration technologies, such as the integrated application design of various CISC/RISC CPU/NPU architectures, the research of high-speed interface communication protocols, the

discussion and practical application testing of information packet encryption and decryption, and information content compression and access, with certain achievements. At present, the Company is in the leading position in the country in technologies such as network communication security and remote monitoring management.

In addition, due to the ever-increasing demand for bandwidth and diversified demand for technical units of networking technology, the Company has continuously laid out networking technologies such as telecommunication, broadband connection and CATV network infrastructure in addition to the original Ethernet (including optical communication) and wireless networking technology (Wi-Fi & LTE). For servers with network communication security, the design of their systems and appearances should take into consideration of integration technologies such as industrial design, system cooling, environmental protection and energy saving. Besides, this system communication platform should be provided to help customers quickly integrate software and hardware systems. More convenient and safer information security system are continuously provided to users.

- **Network efficiency optimization technology and system diagnosis software**

The Company spares no effort in the research of network transmission efficiency optimization and the development of system diagnostic software. The added value of software establishes the core competitiveness of the Company's products and provides customers with more valuable products.

Network system diagnosis software is also an important part of network efficiency optimization, which can be used to monitor problems in the network, help find network faults and optimize bottlenecks, and improve network efficiency. This software can check network connections, traffic, Operational Highlights and device status, as well as detect faults and performance issues to help administrators with network diagnosis and maintenance. In summary, network efficiency optimization technology and system diagnosis software are vital to modern network operation and development.

- **Solutions in vertical domain**

To enhance the added value of client services, the Company provides software and hardware solutions for network storage and smart grid products. In addition, in the software-defined product line, it is also extended to telecom operators and integrators by verifying the network functions of software clients through the ecosystem.

Software-defined network vertical domain solutions need to provide corresponding network design and technical solutions according to specific application scenarios and requirements, so as to achieve efficient, stable, safe, and reliable network operation. Through strategic alliances with different market system solutions and software vendors, verify SDN customer software solutions, and promote the application of SDN technology in different vertical fields.

- **Improving technologies-continuing to maintain the leading position in technology**

In recent years, with the great efforts of R&D personnel, the Company has won the trust of customers in product development and quality control. Its industrial and Netcom safety equipment is product-oriented to the market. It is an important development direction of the Company to continue to consolidate its leading position in technology through R&D.

- **Real-time customization-meeting customers' expectation of Time to Market**

With the advent of the era of low profit, the application of information technology has expanded from the original computer application to communication and consumption. The Company plans to set up bases in important regions of the world to get close to the market, master local business and customer service and further integrate with distribution partners around the world.

- b. Research and development expenses invested in the most recent year and the technologies or products successfully developed;
 - (a) Research and development expenses invested in the most recent year

Unit: NT\$ thousand

| Year | R&D expense | Sales revenue | R&D Expenses/ Operating Income (%) |
|------|-------------|---------------|---------------------------------------|
| 2022 | 235,202 | 4,982,672 | 4.72% |
| 2023 | 251,714 | 4,082,437 | 6.17% |

(b) Technology and Products Successfully Developed

i. New Product Development

| Year | Main research and development achievements | Product innovation |
|------|---|---|
| 2016 | Skylake-S series The 6th generation Intel® Core™ processor | CAR-2070/3070/4030 series <ul style="list-style-type: none"> ⊙ Intel Skylake-S adopted. ⊙ Innovative front panel NIC module design. A removable NIC module is designed on the front panel, so that users can freely match different NIC modules according to the requirements set by the network. ⊙ Made with new chipset |
| | Skylake-U series | CAD-2010 series Removable SSD module: In harsh use environment, SSD is often the first choice, but it is unfavorable to replace when used in Desktop models. Therefore, the innovative space design of CAF-2010 allows SSD to be directly extracted and replaced. |
| | Skylake-EP series | CAR-5050 series The highest-level server system, turning over the front-end x8/x16 conversion network card module, the first system supporting 100G network card module Up to 56 cores supported by CPU |
| | Kabylake series | The 7th generation Intel® Core™ processor Speed Shift technology upgrade Lower power consumption |
| | Wide-temperature netcom security products | CAM-0100 Robust Din-rail aluminum-rail fanless low-power embedded computer system Adopting Intel Apollo Lake wide temperature series IC |
| | VCPE product line planning | CAD-0255 VCPE network function virtualization (NFV) With vCPE, service providers can simplify CPE and improve service agility by hosting all virtualized CPE functions to the PoP network or other types of data centers (Figure 2). Services such as DHCP, firewall, NAT, routing, |

| Year | Main research and development achievements | Product innovation |
|------|---|--|
| | | and VPN are all provided by the virtual network function (VNF) executed on the general high-capacity virtual machine (VM) instance configured for each broadband user |
| | 100G NIP network card | Research and development of 25/100G Embedded network card module, leading technology trend in the industry |
| | SDN NIP network card | Supporting CAR-5040/5050 system, which is convenient for customers to enter the development of SDN software definition field |
| | PoE NIP network card | Supporting the Company's full range of Skylake systems to provide customers with a wider range of applications |
| | Storage server | The number of installable hard disks has been greatly increased, even breaking through the traditional server design. The number of installable hard disks is comparable to that of professional storage equipment. This kind of server which can install a large number of hard disks is called a high storage density server, which can meet both computing and storage requirements |
| | Apollo Lake Series | CAD-0250/CAR-1030 Aimed to build the lowest-cost UTM system in the industry and seize the market share of security control in the telecom leasing mode |
| | Denver series | CAR-2060/CAD-0260 Next generation Rangeley; chip application design based on network acceleration; developed and innovated for the new generation market demand of telecommunications and UTM |
| 2017 | Coffee lake series The 7th generation Intel® Core™ processor | CAR-4040 series Adopting Intel Coffee lake High-density front network modularization Made with new chipset |
| | Skylake-DE series | CAR-3080 series The first network security model aimed at GPU AI artificial intelligence computing |
| | Skylake-EP series | CAR-5059 series High-level network server system supports up to 8 high-density network modules and can support up to 64 high-speed network interfaces |
| | Wide-temperature netcom security | CAM-0110 The second generation product line, the robust Din-rail |

| Year | Main research and development achievements | Product innovation |
|------|--|---|
| | products | aluminum-rail fanless low-power embedded computer system Adopting Intel Apollo Lake wide temperature series IC |
| | UCPE product line planning | CAD-025x, 026x series UCPE, the whole product introduces RF technology, including Wifi dual-band and LTE transmission, so that the contacts at WAN end are no longer limited to wired transmission and meet the configuration conditions supporting SD-WAN |
| | 100G NIP network card | Mellanox's high-speed network chip design is adopted. It is configured for Datacenter's equipment |
| | Storage network card | NIS series Supporting CAR-5050 system, which is convenient for customers to use the existing network module slots. Freely expanding the storage capacity at any time, and supporting 0/1/ no storage technology |
| | Storage computing server | Intel Purley series CASwell's second-generation cloud data computing server, adopting Intel's latest Skylake-EP Xeon server, supporting 12 bay and 24bay models, and adding 1U model option compared with the previous generation |
| | Whitley Platform series | The eighth generation personal computer core processor Products with 10nm process Introducing the highest-order network security server with throughput energy up to 600G |
| | PoE Switch series | PoE Switch Each network port supports 30W/48V output Products that meet Japanese safety regulations |
| | OPS series | Adopting Apollo lake CPU Supporting HDMI and dual-screen signal output High density/high I/O/ high computation |
| 2018 | Network security and management product line | chassis (CAR 4/5/6) series products, adopting Intel's high-level Skylake-SP, Cascadelake-SP and Coffee Lake series processors |
| | Software-defined product line | Desktop and fanless (CAD&CAF) and chassis series, with Intel Xeon D, Denverton and Apollo Lake series processors |
| | Industrial management and automatic product | Industrial desktop and fanless (CAW&MEC) series, adopting Intel's Apollo Lake and ARM A5x series |

| Year | Main research and development achievements | Product innovation |
|------|--|---|
| | line | processors. |
| | Cloud computing product line | chassis-mounted (R51&R52) series products, adopting Intel's high-level Skylake-SP and Cascadelake-SP series processors |
| | Network storage product line | Tower (2 Bay&5 Bay&7 Bay) series products, adopting Intel mid-level and low-level Skylake and Denverton series processors |
| | Network module product line | Wi-Fi (802.11ac & 802.11ax), Storage (RAID), LTE network module Intel 25GE, 100GE network module, 100Gbps encryption and decryption module |
| 2019 | Network security and management product line | chassis-mounted products (CAR-2080, CAR-5058, COS-G5XX, COS-09XX), adopting Intel's high-level Skylake-SP, Cascadelake-SP and Coffee Lake series processors |
| | Software-defined product line | Desktop and fanless (CAD&CAF) and chassis series, with Intel Xeon D, Denverton and Apollo Lake series processors |
| | Industrial management and automatic product line | Industrial desktop and fanless (CAW&MEC) series, adopting Intel's Apollo Lake and ARM A5x series processors |
| | Cloud computing product line | chassis (CAR-308X) series products, adopting Intel's medium and high-end Skylake-D series processors |
| | Network storage product line | Tower (2 Bay& 5 Bay &7 Bay) series products, adopting Intel mid-level and low-level Skylake and Denverton series processors |
| | Network module product line | Wi-Fi (802.11ac & 802.11ax), Storage (RAID), LTE network module Intel 25GE, 100GE network module, 100Gbps encryption and decryption module |
| 2020 | Network security and management product line | chassis (CAR-4060 & CAR-5058) series products, adopting Intel's high-level Cascadelake-SP and Comet Lake series processors |
| | Software-defined product line | Industrial desktop and fanless (CAW&MEC) series, adopting Intel's Elkhart Lake & Ice Lake series processors |
| | Industrial management and automatic product line | Robust chassis products, adopting Marvell and MediaTek series processors |
| | Cloud computing product line | chassis (CAR-5056) telecom switch products adopt Intel high-order Cascadelake-SP, Barefoot Switch and FPGA |

| Year | Main research and development achievements | Product innovation |
|------|--|---|
| | | processors |
| | Network storage product line | Tower (2 Bay&5 Bay) series products, adopting Intel's Denverton series processors |
| | Network module product line | Network encryption and decryption acceleration module (NIP-70005), adopting Intel accelerated QAT chip Remote control management module (LOM-2600-000), adopting Aspeed AST2600 processor |
| 2021 | Network security and management product line | chassis (CAR-2085 & CAR-5060 & CAR-6028) series products, adopting Intel's high-level Ice Lake-SP, and Snow Ridge NS, AMD's high-level EPYC 7000 series processors. |
| | Software-defined product line | Industrial desktop and fanless (CAF-0110, CAF-026D) series, adopting Intel's Elkhart Lake & Intel Denverton Refresh series processors. |
| | Industrial management and automatic product line | Robust chassis products, adopting MediaTek series processors Electronic Label Gateway (CAG-0100) |
| | Cloud computing product line | Chassis (CAR-5056 MX) telecom switch products adopt Intel high-order Cascadelake-SP, Barefoot Switch and FPGA processors |
| | Network module product line | Trusted platform module (TPM-9672-000), adopting Infineon SLI9672 wafer |
| 2022 | Network security and management product line | Chassis (CAR-2090 & CAR-4070 & CAR-4080) series products, adopting Intel Comet lake, Raptor lake, and AMD Ryzen 7000-AM5 series processors. |
| | Software-defined product line | Industrial desktop and fanless (CAF-0110, CAF-026D) series, adopting Intel's Elkhart Lake & Intel Denverton Refresh series processors. |
| | Industrial management and automatic product line | Robust chassis products, adopting MediaTek series processors Electronic Label Gateway (CAG-0100) High-density 2U chassis 96GbE independent network port product, (COS-2501) High-density industrial-grade wide-temperature fanless network server product (COS-2504) |
| | Cloud computing product line | Chassis (CAR-5056 MX) telecom switch products adopt Intel high-order Cascadelake-SP, Barefoot Switch and FPGA processors |
| | Network module | Trusted platform module (TPM-9672-000), adopting |

| Year | Main research and development achievements | Product innovation |
|------|--|---|
| | product line | Infineon SLI9672 wafer Intelligent Platform Management Interface LOM-2600, adopting Aspeed AST2600 chip |
| 2023 | Network security and management product line | Chassis (CAR-5070 & CAR-6040 & CAR-4071 & CAR-2100, COS-G510) series products adopt Intel Eagle Stream and Raptor Lake series processors |
| | Software-defined product line | The fanless (CAF-0120, CAF-0121, COS-V700) series adopts Intel Alder Lake-N & Amston Lake series processors. The fanless entry-level router product (CAX-0100) adopts MediaTek series processors. |
| | Industrial management and automatic product line | High-density industrial-grade standalone port server products (COS-2509 & COS-2511 & COS-2514 & COS-2517) Lite version high-density 2U-height chassis with 96 GbE standalone port product (COS-2515) |
| | Cloud computing product line | COB-T504 ASM module card |
| | Network module product line | NIN-83080 & NIN-87040 & NIN-84040 and other Intel Columbiaville & Fortville Ethernet Adapters |

ii. Technology development aspects

| Patent Name | Category | Application place | Period of validity |
|---|-------------|-------------------|-----------------------|
| Smart automatic starting device | Development | Taiwan | 2015.10.21-2033.08.01 |
| Customized connector shared by PCIe x16 and PCIe x8 | New type | Taiwan | 2016.12.01-2026.07.03 |
| Smart power management device | New type | Taiwan | 2017.10.11-2027.06.18 |
| Smart power management device | New type | China | 2017.06.22-2027.06.22 |
| Wireless redundancy communication expansion module | Development | Taiwan | 2021.01.11-2039.08.21 |
| The tray structure installed in the cabinet. | New type | Taiwan | 2023.04.11-2033.01.09 |

| Patent Name | Category | Application place | Period of validity |
|--|----------|-------------------|-----------------------|
| Removable panel and frame for active interface card module extraction slot | New type | Taiwan | 2024.01.11-2033.10.02 |

(4) Long-term and short-term business development plan:

a. Short-term Business Plan

In response to the expansion of enterprise network security application requirements to smart factories/government/military, new information security management technologies and products have been developed and implemented. The full range of products has been completed and introduced to major domestic and overseas automobile manufacturers/semiconductor factories/public tenders. They are expected to continue to expand into the product lines of existing customers, while focusing on developing new regional key customers and meeting their sales service needs. This includes strengthening or expanding service bases and optimizing information management systems to meet the needs of customers' global operations/risk diversification and distribution flexibility for backup production bases outside Taiwan. On the other hand, efforts will be made to improve the sales share of regional customers, reduce the risks of performance fluctuations, and continuously develop new high-end, high-margin products to expand the customer base for new applications. Strategic niche products (including software and hardware integration solutions) are planned to increase customer sales competitiveness and revenue.

b. Long-term Business Plan

Due to the continuous hacking and ransom methods targeting high-capital precision factories worldwide, as well as the updates and iterations of factory intelligence, ESG sustainability issues, information and communication technology, Internet of Things infrastructure, big data utilization, artificial intelligence, various platform services, wireless mobile communication, and the booming development of rural digitalization in third-world countries, the Company is dedicated to developing new-generation products and providing fast and professional services to realize our corporate vision of enriching users' lives through our technology and services.

With the continuous growth of network economic activities and

platform service demand, global telecom operators and network service providers have planned and formulated the fifth generation (5G) wireless communication, and began to actively invest in research and development resources, among which the related technologies of wireless network communication, such as Software Defined Network (SDN), Network Function Virtualization (NFV), Centralized Wireless Access Network (C-RAN), (Centralized/Cloud Radio Access Network) and Mobile Content Delivery Network, will be more widely used in information and communication infrastructure to cope with and optimize the bandwidth of wireless transmission. The application and development of these related technologies is the stage for the Company to continuously develop new products and provide services. In addition, in response to the growing trend of large factories accelerating digitization, the Company has allocated a more explicit budget if they suffer significant losses due to hacking. In addition, the Company has developed a complete industrial control product line and successfully implemented it in the semiconductor/automobile/government military sectors, as well as in the integration project of electronic label systems in the retail industry. These efforts will further establish and expand the Company's sales territories and revenues.

Based on the development and application of the network, the Company expands and develops applications related to cloud computing and edge computing, and continues to develop towards sustainable development and happy business operation through continuously accumulating and innovating core capabilities of software and hardware research and development, providing accurate, safe and fast services for digital life, and making economic activities and multimedia streaming on the network richer and safer.

2. Analysis of market and production and marketing situation

(1) Market analysis

a. Disaggregated Revenues by primary geographic markets

Unit: NT\$ thousand

| Geographic Market | | 2022 | | 2023 | |
|-------------------|---------|-----------|---------|-----------|---------|
| | | Amount | % | Amount | % |
| Overseas Sales | Asia | 2,455,724 | 49.29% | 1,910,793 | 46.81% |
| | America | 1,573,252 | 31.57% | 1,161,392 | 28.45% |
| | Europe | 568,864 | 11.42% | 584,589 | 14.32% |
| | Others | 29 | – | 320 | 0.01% |
| Domestic Sales | | 384,803 | 7.72% | 425,343 | 10.41% |
| Total | | 4,982,672 | 100.00% | 4,082,437 | 100.00% |

b. Future market supply, demand, and growth potential

Cloud applications bring more convenient computing and storage services to users. In addition, the popularity of mobile broadband and handheld devices drives not only the demand for high-speed broadband environment construction, but also the continuous upgrading of network technology and network security. Because of the increasing computer threats and the more mature concept of information security of users, the network security market has grown rapidly. Various organizations around the world have invested more budgets in security schemes, which has prompted the network communication security product manufacturers to develop more diversified applications and solutions to meet diversified needs.

In addition, with the innovation of information security issues, communication network operators will invest more resources in the research of emerging information security technology applications and technical standards, so as to master key technologies such as cloud, virtual and mobile information security protection, improve the ability of information security and threat integration analysis, and apply them to network security system platforms and related software to establish a sound information security environment.

In recent years, in response to the transformation of network architecture and the development of the Internet, coupled with the drive of network virtualization and software definition, various emerging applications have sprung up, such as software-defined wide area network and other general communication devices, industrial (industrial) computer (IPC) industry still has a high rate of outsourcing

because of industrial settlement gathering, and there will still be certain growth in the future. Compared with general commercial computers, industrial computers are highly customized with a small amount and numerous models. In addition, to reduce the overall cost pressure, system vendors, channel value-added providers and related multinational enterprises have also increased their outsourcing production trend year by year, which has relatively promoted the growth and improvement of industrial computers. The future demand and growth of industrial computer in the market is in prospect.

c. Competitive advantages

In addition to the foundation of central processing technology, the Company has accumulated more than 13 years of experiences in Ethernet processing performance and bandwidth integration technology. Therefore, in recent years, the Company has continuously strengthened the core of self-competition, continuously cooperated with international manufacturers, and actively developed and matched the new generation of network equipment needs such as big data and cloud.

(a) Excellent product quality

The stability and reliability of product quality has always been the most basic and important requirement of customers; the Company has rich experience in research and development and improvement of product technology in the professional field of network security equipment. Its customers cover large manufacturers in Europe, America and Japan. To gain the trust of customers, the Company always adheres to the concept of stable quality along the way, and continues to lead in hardware technologies such as by-pass function, 40G QSFP network, ATCA and x86 and non-x86 chips. It is also the first manufacturer in the domestic industry to invest considerable human resources in software technology (IPMI remote management and PQUA automated testing). Therefore, compared with other competitors, the Company can fully meet customer needs in product design and development and product quality, which is also the foundation for competition.

(b) Complete product mix

The Company's products cover a wide range of categories, from network security, cloud applications to local platforms, etc. At the

same time, it has high, medium and low-level products to choose from, which can meet the diversified needs of customers with different attributes. In addition, it will also strengthen the diversity of networking technology units, including Ethernet (1GE, 2.5GE, 10GE), VDSL, PON, wireless Wi-Fi, 4G LTE and future 5G data.

(c) Strong R&D strength and technical level

The Company has devoted itself to product research and development for a long time. Its R&D department is composed of talents with rich practical experience in electronics, software, institutions and systems industries. It has won many patents for the Company over the years. After years of collaborative research and development with customers, the Company has accumulated rich industrial knowledge, and by continuously deepening the research and development technology and energy, it is expected to develop more competitive products for customers.

(d) Excellent management team

The Company's management team has long-term industrial operation experience. Each principal supervisor has expertise in R&D, business and management, and can cooperate with each other. The management team has tacit understanding and cooperation concept, and can effectively lead the stable development of the Company.

d. Positive and negative factors relating to future development

(a) Advantages

i. The vigorous development of network applications and the importance of information security

The vigorous development of Internet application has been widely accepted by consumers, and has influenced the lifestyle and style of human beings. Consumers can obtain rich and real-time information on the Internet to bring convenience to life. With scientific and technological progress and complete system construction of the Internet, new applications and opportunities have obvious spillover effects with the increase of users. As a result, users pay more attention to information security, which will drive the growth of network security equipment market.

ii. Good relationship with downstream customers

The Company is committed to the R&D and sales of network communication and information security systems. Its marketing and R&D teams have invested in Netcom for a long time, and accumulated rich experiences in network security application platform. With a deep understanding of the industrial interpersonal network and customer product project development needs, it has established close cooperation with customers for a long time. With strict quality control and timely delivery, the Company has become the best partner of major international manufacturers. Moreover, the Company not only maintains the relationship with its original customers, but also wins the favor of new manufacturers with its excellent service quality. Therefore, the strong and stable customer relationship has become the foundation for the stable revenue source of the Company.

iii. Netcom in Taiwan has mature industry and complete supply chain

The upstream, middle and downstream supply chains of Netcom industry in Taiwan are complete. Besides, combined with the previous mature technology of integrating with local equipment of major telecom companies in Europe and America, the Netcom industry in Taiwan has high output elasticity, strict cost control and rapid response capability, with considerable competitive advantages in the international Netcom industry market. In addition, the network security platform industry in Taiwan is mainly composed of small and medium-sized enterprises. Compared with other international companies, whose production and sales are carried out by independent departments, it has the advantages including concentrated resources and focusing on development, which accelerates the growth of network security platform industry in Taiwan.

(b) Negative factors

i. Due to the damage to price caused by new manufacturers, the gross profit of products is affected

Response:

- Since network security equipment emphasizes the

requirement for reliability and quality stability, price is not the only factor considered by customers, and only low-cost and entry-level models have price pressure. Therefore, the Company provides customers with diverse product combinations, actively participates in the design and provision of concept platforms, and uses value-added services such as technology leadership and collaborative development to improve the industry entry threshold, so as to maintain the competitiveness and overall gross profit of the Company.

- Through the integration and accretion of software and hardware systems, as well as the collaborative verification of software partner schemes, the Company builds an ecosystem to enhance the overall competitiveness.

ii. Inventory pressure on customer logistics services

Response:

- The Company controls the inventory of distribution service logistics center through information platform, so as to achieve automatic inventory deduction while customer picking up goods. In addition, it properly manages the purchase schedule according to forecast orders, leaving raw materials and semi-finished products in the hands of suppliers, and then purchasing goods when assembly is needed. In this way, the Company reduces the backlog of the Company funds caused by the inventory of distribution service logistics center. Moreover, the Company also holds regular production and sales meetings to strictly control the inventory, thus effectively shortening the cash flow cycle.

iii. Exchange rate risks

The sales of the Company are mainly quoted in USD, and the collection is affected by the fluctuation of international exchange rate, which in turn affects the sales and gross profit of our products.

Response:

- The Company fully grasps the trend of exchange rate

changes, sells products at an appropriate time to reduce exchange risk, takes account of the impact of exchange rate fluctuations on the selling price in quotation, pays in USD for domestic manufacturers making quotation in USD to reduce the exchange risk of conversion into Taiwan dollars, and conducts relevant foreign exchange hedging operations when necessary, depending on the position of foreign currency.

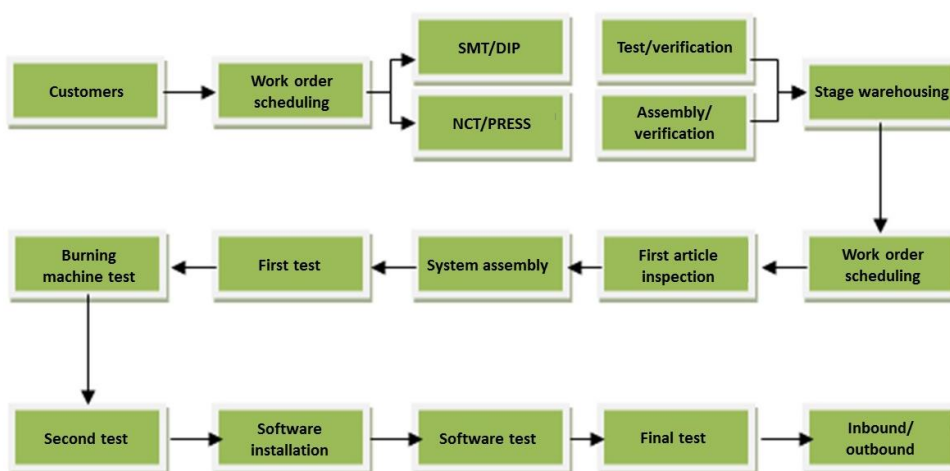
(2) Usage and manufacturing processes for main products

a. Key applications of the primary products

| Major products | Important applications |
|---|---|
| Network security and management (NSM) | <ul style="list-style-type: none"> • Netcom security: integrated threat system, virtual private network, antivirus system, firewall, intrusion prevention detection system, distributed attack protection, and content filtering. • Network management: network load balancing, reliability, availability and serviceability, bandwidth management, wireless gateway, etc. |
| Industrial control and automation products (ICA) | <ul style="list-style-type: none"> • Netcom safety products required by large industrial environments such as substations, petrochemical industry, tobacco and nuclear energy. • Software and hardware solutions related to smart grid. |
| Cloud computing (CCS) | <ul style="list-style-type: none"> • High-level storage computing server system, router and SDN switch. • High-level server system with converged architecture. |
| Software defined network industrial servers (SDN) | <ul style="list-style-type: none"> • Client communication equipment (SD-WAN/uCPE/vCPE): networking communication equipment with transmission independence, intelligent path control, security, automatic configuration and increased traffic. • Telecommunications communication equipment (SDN/NFV/MEC/vRAN): providing software-defined communication equipment and network function virtualization server required by the telecommunications field, as well as communication equipment required by leading-edge communication. |

| Major products | Important applications |
|-----------------------------------|---|
| Industrial network security (NAS) | <ul style="list-style-type: none"> Integration of Network Attached Storage (NAS) related applications and provision of software and hardware solutions. Network storage software system consultation and customization service. |
| Other (OTS) | <ul style="list-style-type: none"> Services related to components, raw materials trading and processing. |

b. Production process of the primary products



(3) Supply for the major raw materials

| Major materials | Source of supply | Supply situation |
|-----------------|------------------|------------------|
| CPU | Taiwan | Stable |
| PSU | Taiwan | Stable |
| Chassis | Taiwan | Stable |
| PCB | Taiwan | Stable |
| Memory | Taiwan | Stable |
| Storage | Taiwan | Stable |

(4) List of principal suppliers and clients

- a. Names of suppliers that have supplied 10 percent or more of the company's procurements in either of the preceding 2 fiscal years, and the monetary amount and the proportion of such procurements as a percentage of total procurements, and the reason for variance.

Unit: NT\$ thousand

| Item | 2022 | | | | 2023 | | | |
|------|------------------|-----------|------------|--------------|------------------|-----------|------------|--------------|
| | Name | Amount | Proportion | Relationship | Name | Amount | Proportion | Relationship |
| 1 | The Company A | 809,144 | 21.17% | — | The Company A | 283,144 | 14.56% | — |
| 2 | Others | 2,764,411 | 78.83% | | Others | 1,661,513 | 85.44% | |
| | Net Procurements | 3,822,730 | 100.00% | — | Net Procurements | 1,944,657 | 100.00% | — |

Reason for Variance:

The supply fluctuation phenomenon caused by the impact of the pandemic has been alleviated, and materials are being shipped continuously. However, due to the extended period of inventory adjustment by end customers, product demand has been affected, resulting in a significant decrease in purchases compared to the same period last year.

- b. Names of clients that have sold 10 percent or more of the company's sales in either of the preceding 2 fiscal years, and the monetary amount and the proportion of such sales as a percentage of total sales, and reason for variance.

Unit: NT\$ thousand

| Item | 2022 | | | | 2023 | | | |
|------|---------------|-----------|------------|--------------|---------------|-----------|------------|--------------|
| | Name | Amount | Proportion | Relationship | Name | Amount | Proportion | Relationship |
| 1 | The Company A | 1,036,332 | 20.80% | — | The Company A | 778,657 | 19.07% | — |
| 2 | The Company B | 581,506 | 11.67% | — | The Company B | 464,299 | 11.37% | — |
| 3 | Others | 3,364,834 | 67.53% | — | Others | 2,839,481 | 69.56% | — |
| | Net sales | 4,982,672 | 100.00% | — | Net sales | 4,082,437 | 100.00% | — |

Reason for Variance:

The decrease in sales this year compared to last year is due to the impact of global inflation on end-user product demand, which resulted in an extended inventory adjustment period in the industry supply chain, leading to a decrease in sales.

(5) Production figures for the most recent two years

Unit: PCS; NT\$ thousand

| Production Figures Major products | Year | 2022 | | | 2023 | | |
|--|------|---------------------|-------------------|------------------|---------------------|-------------------|------------------|
| | | Production Capacity | Production Volume | Production Value | Production Capacity | Production Volume | Production Value |
| Internet communication security related products | | 97,070 | 75,885 | 1,754,065 | 93,750 | 46,960 | 1,383,746 |
| Internet communication products | | 135,159 | 92,197 | 523,623 | 102,535 | 69,277 | 318,340 |
| Total | | 232,229 | 168,082 | 2,277,689 | 196,285 | 116,237 | 1,702,086 |

(6) Sales figures for the recent two years

Unit: PCS; NT\$ thousand

| Sales figures Main products | Year | 2022 | | | | 2023 | | | |
|--|------|----------------|---------|----------------|-----------|----------------|---------|----------------|-----------|
| | | Domestic Sales | | Overseas Sales | | Domestic Sales | | Overseas Sales | |
| | | Volume | Value | Volume | Value | Volume | Value | Volume | Value |
| Internet communication security related products | | 12,569 | 317,247 | 159,067 | 3,438,930 | 8,218 | 401,877 | 114,625 | 2,700,879 |
| Internet communication products | | 381,423 | 67,556 | 1,094,376 | 1,158,939 | 108,602 | 23,466 | 533,295 | 956,215 |
| Total | | 393,992 | 384,803 | 1,253,443 | 4,597,869 | 116,820 | 425,343 | 647,920 | 3,657,094 |

Description of changes in increase and decrease:

The products of the Company are characterized by small quantity and diversified types. Combined with the sales of raw materials, the sales quantity changed greatly. Among them, the difference in domestic sales volume and price of network security products was mainly due to the impact of changes in the sales portfolio of OT security products. Export volume and value decreased compared to the previous period, mainly due to the decline in demand from end customers as a result of the global economic situation.

3. Employees information

March 31, 2024

| Year | | 2022 | 2023 | 2024 as of March 31 |
|---------------------------|---|--------|--------|------------------------|
| Number of Employees | Employees | 383 | 398 | 400 |
| | Machine Operators | 53 | 49 | 46 |
| | Total | 436 | 447 | 446 |
| Average Age | | 39.35 | 40.1 | 40.18 |
| Average Service Year | | 5.04 | 5.57 | 5.74 |
| Education Distribution | Doctoral Degree | 0.46% | 0.46% | 0.45% |
| | Master's Degree | 14.68% | 14.32% | 14.13% |
| | Junior College (including work- study students) | 69.72% | 70.92% | 71.97% |
| | Senior High School | 11.47% | 11.41% | 10.99% |
| | Below Senior High School | 3.67% | 2.91% | 2.47% |
| | | | | |

4. Environmental protection expenditure

(1) For the most recent year and up to the date of publication of the annual report, losses incurred from environmental pollution (including compensation and violations of environmental laws and regulations as a result of environmental protection inspection, the date of punishment, punishment number, provisions of laws and regulations violated, contents of laws and regulations violated, and contents of punishment should be specified), and the estimated amount and corresponding measures that may occur now and in the future should be disclosed. If it is not possible to make a reasonable estimate, the fact that it cannot be reasonably estimated should be stated: None.

(2) Environmental protection policy

The Company is engaged in the research and development, manufacturing, sales and service of internet-communication related computers and peripheral products. The manufacturing process is mainly based on material

assembly, which is a pollution-free industry. The Company is committed to continuously improving environmental performance, carrying out green management in three aspects including green design, green procurement and green manufacturing, developing green products, maintaining ecological environment, saving energy, strengthening resource recovery and reuse, and fulfilling social responsibilities.

Green design: to design products convenient for Reuse, Recycling and Recovery and conforming to WEEE, reduce the environmental pollution caused by waste, and strive to comply with the guidelines of harmful substances.

Green procurement: to give priority to suppliers who can provide test reports and self-declaration documents that meet environmental protection requirements, and ensure that the purchased materials meet the requirements of green products and RoHS.

Green manufacturing: to produce products by more environmentally friendly manufacturing processes, such as lead-free and mercury-free processes.

The Company has imported ISO14001 environmental management system in 2010, and has passed the certification continuously since 2011. It strictly implements the following environmental safety and health policies to pursue the goal of sustainable operation.

| | |
|---------------------------------------|--|
| Promote green projects | Educate energy conservation and carbon reduction |
| Implement risk management and control | Eliminate the growth of disasters and diseases |
| Provide a friendly environment | Promoting physical and mental health |
| Implement laws and regulations | Promote continuous improvement |
| Fulfill social responsibilities | Commit to full participation |

5. Labor relations

- (1) Employee benefit plans, continuing education, training, and retirement systems and the status of their Implementation, and the Status of Labor-

management Agreements and Measures for Preserving Employees' Rights and Interests

a. Employee Benefits.

The Company has established employee welfare committees according to law, selected members of the welfare committee to handle various welfare measures, and worked out annual budgets and plans every year, so as to make reasonable and effective use of employee benefits.

In addition to the basic labor insurance and health insurance for each employee, the Company also insures all-round group insurance for each employee, such as injury insurance, medical insurance, cancer insurance, and business trip and travel insurance.

The Company has set up nursing (collection) room for female employees in the factory. In terms of parenting, it has signed nursery service contracts with well-known chain cultural and educational institutions, so that employees have no family considerations at work.

The Company arranges nurse practitioner and doctors to provide health management planning and personal health consultation services for employees every month.

Each employee is entitled to a birthday bonus, marriage bonus, childbirth bonus, funeral condolence bonus, and talent referral bonus for the current month's birthday. As years of service increase and skills improve, the Company provides incentives such as patent creation bonuses and long-service bonuses to encourage employees to grow with the Company over the long term.

Provide a variety of welfare measures to allow employees to relieve stress and tension during work. Coordinate with holidays to decorate the factory grounds and organize activities, such as distributing rice dumplings during the Dragon Boat Festival, giving out chocolate gift boxes on Valentine's Day, distributing pomelos during the Mid-Autumn Festival, serving heartwarming glutinous rice balls on the Winter Solstice, organizing a Christmas costume party, and holding regular events such as year-end parties or spring banquets.

The Company specially invites manufacturers to offer the preferential related to the goods purchased by the employees from time to time. Employees can enjoy special discounts at special stores with employee identification cards.

The Company provides freshly ground coffee, cookies and snacks free of charge for employees.

If an employee requires an extended leave of absence due to reasons such as childcare, serious illness, or major incidents, they may apply for unpaid leave of absence based on their actual needs. After the leave period expires, they may then apply for resumption of duty, in order to balance personal and family caregiving needs.

Organize an annual Family Day to allow employees and their families to participate in the Company-wide activities, taking care of each colleague and fostering stronger bonds within each happy family.

Provide departmental meal subsidies to improve morale and encourage teamwork and cooperation.

b. Continuing education, training and implementation status

The Company sends its staff for training from time to time or participates in study in relevant academic institutions, and regularly organizes internal education training and technology sharing to upgrade the skills of employees, thus creating the overall benefits of the Company and employees.

c. Retirement system and implementation status

According to the provisions of the Labor Pension Ordinance, the Company pays the pension at 6% of the paid salary according to the “Grading Scale for Monthly Paying of Labor Pension” to the individual account for labor pension set up by the Labor Insurance Bureau.

In 2023, an amount of NT\$ 8,927 thousand was allocated to the special account for employees’ personal retirement.

d. Agreement on labor and management and various measures for safeguarding employees’ rights and interests

There are neither labor disputes nor losses incurred since established so far. In the future, the Company will continue to strengthen the communication between labor and management and welfare measures to eliminate possible disputes.

- (2) Losses suffered by labor disputes in the most recent year and up to the publication date of the annual report (including the violation of the Labor Standards Law by the labor inspection results, the date, name, contents and contents of punishment shall be specified), and the estimated amount and

countermeasures that may occur at present and in the future should be disclosed. If it is impossible to estimate reasonably, the fact that it cannot be estimated reasonably should be stated: None

6. Information Security Management

(1) Information Security Risk Management Framework



(2) Information Security Policy

a. Purpose

To maintain the Company's overall information security environment, to strengthen the security management of various information assets, and to establish a convenient and safe electronic work environment for the purpose of ensuring the security of data, systems, equipment and networks.

b. Scope

The Company's scope of information security management includes the various information assets (including software and hardware equipment) of the Company and the information users, such as permanent employees, temporary employees, contract employees, external vendors and other persons authorized to use the information assets.

c. Information Security Goals

It comprehensively considers the importance and the value of each information asset and the extent to which it affects and harms the Company's business, resulting from the improper use of the Company's information properties, data leakage, malicious tampering, damage, etc., due to risks of human negligence, intentional or natural disasters and others so that it adopts the security measures of management, operation and technology which are commensurate with the value of information assets and cost-effective. The Company is able to avoid improper use or deliberate destruction of information systems by internal and external personnel or it can respond quickly to reduce the economic damage and operation interruption that may be caused by information security incidents when information security incidents occur.

d. Information Security Management Measures

- (a) Personal information should be handled prudently in accordance with the Personal Data Protection Act.
- (b) Passwords should be created, anti-virus software should be installed, and virus patterns should be updated regularly to both personal computers and servers.
- (c) Personal computer equipment should also be managed to ensure that the software installed is legally authorized to comply with relevant regulations on intellectual property right.

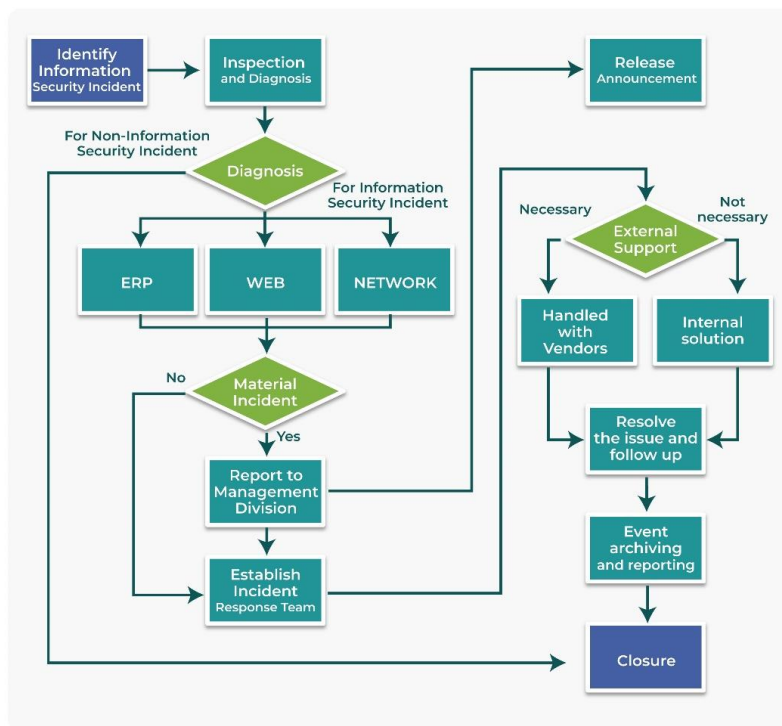
- (d) Important data should be backing up, and the backup validity of the data should be checked regularly.
- (e) Disaster recovery plans should be planned to quickly restore system operations in the event of information security incidents.
- (f) Information security awareness campaigns should be carried out on a regular basis and the colleagues' information security awareness and legal concept should be strengthened.

(3) Specific Management Plan

| Category | Description | Description |
|---------------------------------------|-------------------------------------|--|
| ISO27001 | Adoption | Complete the adoption of ISO27001 in 2023. |
| Network Information Security | Participation | Join the TWCERT/CC in 2023 |
| Organization | Establishment | Set up two dedicated information security personnel in 2023 |
| Internet Information Security Control | External intrusion prevention | Firewall set up |
| | | Virus scans regularly performed on computer systems and data storage medium. |
| | | Regularly reviews of various network service items and abnormal situations tracking. |
| Data Access Control | Data breach prevention | Computer equipment should be kept by special personnel with user accounts and passwords created which can give different access rights according to the job functions. |
| | | The original authority of the relocated employees is cancelled. |
| | | Confidential, sensitive information and copyrighted software should be removed or overwritten before the equipment is scrapped. |
| | | Remote access management information systems should be properly approved. |
| Strain Recovery Mechanism | Data backup and related inspections | System recovery drills are conducted on an annual basis. |
| | | The system backup mechanism is established, and the off-site backup is |

| Category | Description | Description |
|----------|-------------|---|
| | | implemented. |
| | | Computer network security controls are reviewed regularly. |
| | | Information security information is publicized at any time, and employees' awareness of information security is enhanced. |
| | | Cyber safety inspections are carried out periodically every year. |
| | | Emergency response plans are reviewed regularly. |

(4) Information Security Incident Reporting Procedures



(5) Information Security Management Resource Investment

The Company continues to invest resources in information security and personal data protection related matters, and the matters of the resource investment include the following:

- a. Information security conferences and educational training:
 - (a) At least once a month, department meetings are held to discuss and share external cybersecurity incidents. In 2023, a total of 12 meetings were held.
 - (b) Employees will receive cybersecurity education and training at least annually. Employee cybersecurity education and training will be completed by November 2023.
 - (c) Increase employee awareness of information security by promoting it to colleagues through meetings, bulletin boards, and the Company website. Encourage caution when opening suspicious data and emails to prevent social engineering attacks.
 - b. Enhance the security infrastructure from both governance and technical perspectives:
 - (a) In response to the frequent occurrence of cybersecurity incidents in recent years in both private enterprises and public sectors, the Company joined the Taiwan Computer Emergency Response Team / Coordination Center(TWCERT/CC) in 2023 to enhance our cybersecurity measures.
 - (b) Appointing two dedicated information security personnel, including a security supervisor and a security officer.
 - (c) Obtained ISO-27001 certification in July 2023.
 - c. Strengthening Information Security Defense Equipment:
 - (a) Update security devices such as firewalls, IPS, antivirus software, etc. in a timely manner to optimize protection.
 - (b) Information systems undergo regular security updates, and major information systems undergo annual vulnerability scanning and patching.
- (6) During the most recent fiscal year and up to the date of this annual report, there have been no significant losses, potential impacts, or actions taken as a result of major information security incidents that cannot be reasonably

estimated.

7. Major agreements

In addition to the ordinary course of business, the following significant contracts are still in effect at the date of this annual report

| Nature of the Contract | Contract Party | Contract Period | Main Contents of the Contract | Restrictions |
|--------------------------|------------------|---------------------------------------|-------------------------------|--------------------------------|
| Long-term Loan Agreement | Taiwan Land Bank | From March 20, 2023 to March 20, 2043 | Mortgage Loan Agreement | As Agreed Upon in the Contract |

Chapter 6 Financial Information

1. Most Recent 5-Year Financial Information

(1) Condensed Balance Sheet - IFRS

a. Consolidated Financial Statements

Unit: NT\$ thousand

| Item | Year | Most Recent 5-Year Financial Information | | | | |
|---|---------------------|--|-----------|-----------|-----------|-----------|
| | | 2019 | 2020 | 2021 | 2022 | 2023 |
| Current assets | | 3,645,200 | 4,302,458 | 4,357,648 | 4,537,955 | 3,410,527 |
| Property, plant and equipment, net | | 84,960 | 86,358 | 92,827 | 86,078 | 767,718 |
| Intangible assets, net | | 363,574 | 356,718 | 352,098 | 350,000 | 346,997 |
| Other Assets | | 76,554 | 6,945 | 10,850 | 176,843 | 16,940 |
| Total Assets | | 4,170,288 | 4,865,403 | 4,955,945 | 5,299,466 | 5,426,531 |
| Current liabilities | Before distribution | 1,361,281 | 1,345,361 | 1,446,133 | 980,208 | 980,208 |
| | After distribution | 1,564,758 | 1,612,058 | 1,592,511 | 1,185,584 | 1,185,584 |
| Non-current liabilities | | 59,614 | 273,281 | 283,411 | 108,109 | 859,810 |
| Total Liabilities | Before distribution | 1,420,895 | 1,618,642 | 1,729,544 | 1,754,693 | 1,840,018 |
| | After distribution | 1,624,372 | 1,885,339 | 1,875,922 | 2,018,747 | 2,045,394 |
| Equity attributable to owners of parent | | 2,525,390 | 3,077,447 | 3,047,320 | 3,339,916 | 3,401,466 |
| Share capital | | 680,357 | 730,678 | 731,889 | 731,889 | 733,485 |
| Capital surplus | | 934,426 | 1,412,389 | 1,431,140 | 1,431,140 | 1,445,196 |
| Retained earnings | Before distribution | 961,212 | 982,304 | 935,163 | 1,217,117 | 1,275,770 |
| | After distribution | 757,735 | 715,607 | 788,785 | 953,063 | 1,070,394 |
| Other equity interest | | (32,749) | (30,068) | (50,872) | (40,230) | (52,985) |
| Treasury Stock | | (17,856) | (17,856) | — | — | — |
| Non-controlling interest | | 224,003 | 169,314 | 179,081 | 204,857 | 185,047 |
| Total Equity | Before distribution | 2,749,393 | 3,246,761 | 3,226,401 | 3,544,773 | 3,586,513 |
| | After distribution | 2,545,916 | 2,980,064 | 3,080,023 | 3,280,719 | 3,381,137 |

Data source: financial report audited and certified by the CPAs.

b. Parent Company-only Financial Statements

Unit: NT\$ thousand

| Item | | Year | Most Recent 5-Year Financial Information | | | | |
|------------------------------------|---------------------|------|--|-----------|-----------|-----------|-----------|
| | | | 2019 | 2020 | 2021 | 2022 | 2023 |
| Current assets | | | 2,652,024 | 3,210,668 | 3,370,729 | 3,354,783 | 2,480,536 |
| Property, plant and equipment, net | | | 28,627 | 31,655 | 40,607 | 33,467 | 712,840 |
| Intangible assets, net | | | 3,578 | 1,566 | 1,142 | 1,510 | 5,269 |
| Other Assets | | | 723,450 | 238 | 4,463 | 167,367 | 7,884 |
| Total Assets | | | 3,407,679 | 4,101,074 | 4,381,819 | 4,605,780 | 4,903,569 |
| Current liabilities | Before distribution | | 867,028 | 824,685 | 1,099,737 | 1,207,442 | 680,250 |
| | After distribution | | 1,070,505 | 1,091,382 | 1,246,115 | 1,471,496 | 885,626 |
| Non-current liabilities | | | 15,261 | 198,942 | 234,762 | 58,422 | 821,853 |
| Total Liabilities | Before distribution | | 882,289 | 1,023,627 | 1,334,499 | 1,265,864 | 1,502,103 |
| | After distribution | | 1,085,766 | 1,290,324 | 1,480,877 | 1,529,918 | 1,707,479 |
| Share capital | | | 680,357 | 730,678 | 731,889 | 731,889 | 733,485 |
| Capital surplus | | | 934,426 | 1,412,389 | 1,431,140 | 1,431,140 | 1,445,196 |
| Retained earnings | Before distribution | | 961,212 | 982,304 | 935,163 | 1,217,117 | 1,275,770 |
| | After distribution | | 757,735 | 715,607 | 788,785 | 953,063 | 1,070,394 |
| Other equity interest | | | (32,749) | (30,068) | (50,872) | (40,230) | (52,985) |
| Treasury Stock | | | (17,856) | (17,856) | — | — | — |
| Total Equity | Before distribution | | 2,525,390 | 3,077,447 | 3,047,320 | 3,339,916 | 3,401,466 |
| | After distribution | | 2,321,913 | 2,810,750 | 2,900,942 | 3,075,862 | 3,196,090 |

Data source: financial report audited and certified by the CPAs.

(2) Condensed Statements of Comprehensive Income - IFRSs

a. Consolidated Financial Statements

 Unit: NT\$ thousand, except EPS which
is denoted in NT\$

| Item \ Year | Most Recent 5-Year Financial Information | | | | |
|--|--|-----------|-----------|-----------|-----------|
| | 2019 | 2020 | 2021 | 2022 | 2023 |
| Sales Revenue | 4,431,795 | 5,465,855 | 4,673,944 | 4,982,672 | 4,082,437 |
| Gross Profit | 914,401 | 1,148,496 | 924,866 | 1,122,041 | 993,514 |
| Operating Income | 428,183 | 548,138 | 305,747 | 502,569 | 377,908 |
| Non-operating income and expenses | (3,821) | 3,244 | 17,073 | 72,949 | 31,744 |
| Pre-tax Profit | 424,362 | 551,382 | 322,820 | 575,518 | 409,652 |
| Income from Continuing Operations | 327,400 | 416,837 | 240,065 | 452,533 | 321,278 |
| Loss from Discontinued Operations | — | — | — | — | — |
| Net Income | 327,400 | 416,837 | 240,065 | 452,533 | 321,278 |
| Other Comprehensive Income (Loss), After Tax | (21,369) | 3,953 | (23,576) | 12,217 | (13,426) |
| Total comprehensive income for the year | 306,031 | 420,790 | 216,489 | 464,750 | 307,852 |
| Net Income Attributable to Shareholders of the Parent | 288,980 | 372,353 | 219,556 | 428,332 | 322,707 |
| Net Income Attributable to Non-controlling Interests | 38,420 | 44,484 | 20,509 | 24,201 | (1,429) |
| Comprehensive Income Attributable to Owners of the Parent | 269,298 | 375,034 | 198,752 | 438,974 | 309,952 |
| Comprehensive Income Attributable to Non-controlling Interests | 36,733 | 45,756 | 17,737 | 25,776 | (2,100) |
| Earnings per Share | 4.28 | 5.29 | 3.00 | 5.85 | 4.40 |

Data source: financial report audited and certified by the CPAs.

b. Parent Company-only Financial Statements

Unit: NT\$ thousand, except EPS which
is denoted in NT\$

| Item \ Year | Most Recent 5-Year Financial Information | | | | |
|--|--|-----------|-----------|-----------|-----------|
| | 2019 | 2020 | 2021 | 2022 | 2023 |
| Sales revenue | 3,330,426 | 3,821,434 | 3,257,900 | 3,465,397 | 3,120,065 |
| Gross Profit | 588,219 | 704,878 | 549,537 | 755,144 | 736,075 |
| Operating Income | 305,790 | 372,766 | 184,263 | 408,470 | 383,359 |
| Non-operating income and expenses | 50,300 | 84,112 | 85,089 | 107,635 | 3,890 |
| Profit before income tax | 356,090 | 456,878 | 269,352 | 516,105 | 387,249 |
| Income from Continuing Operations | 288,980 | 372,353 | 219,556 | 428,332 | 322,707 |
| Loss from Discontinued Operations | — | — | — | — | — |
| Net Income | 288,980 | 372,353 | 219,556 | 428,332 | 322,707 |
| Other Comprehensive Income (Loss), After Tax | (19,682) | 2,681 | (20,804) | 10,642 | (12,755) |
| Total comprehensive income for the year | 269,298 | 375,034 | 198,752 | 438,974 | 309,952 |
| Earnings per Share | 4.28 | 5.29 | 3.00 | 5.85 | 4.40 |

Data source: financial report audited and certified by the CPAs.

(3) Name of CPAs and Audit Opinions for the Last Five Years

| Year | Name of CPA Firm | CPA Name | Opinion |
|------|------------------|----------------------------|---------------------|
| 2023 | KPMG | Hui-Chih Kou, Pei-Chi Chen | Unqualified opinion |
| 2022 | KPMG | Hui-Chih Kou, Pei-Chi Chen | Unqualified opinion |
| 2021 | KPMG | Hui-Chih Kou, Hsin-I Kuo | Unqualified opinion |
| 2020 | KPMG | Hui-Chih Kou, Hsin-I Kuo | Unqualified opinion |
| 2019 | KPMG | Hui-Chih Kou, Hsin-I Kuo | Unqualified opinion |

2. Financial Analysis for the Most Recent 5 Years

(1) Consolidated Financial Analysis - IFRS

| Analysis Item | | Year | Financial Analysis for the Most Recent 5 Years | | | | |
|-------------------------|--|----------|--|----------|----------|--------|--|
| | | 2019 | 2020 | 2021 | 2022 | 2023 | |
| Financial structure (%) | Debt-to-asset ratio | 34.07 | 33.27 | 34.90 | 33.11 | 33.91 | |
| | Ratio of long-term capital to property, plant, and equipment | 3,297.36 | 4,062.31 | 3,766.81 | 4,223.39 | 576.66 | |
| Solvency (%) | Current ratio | 267.78 | 319.80 | 301.33 | 275.60 | 347.94 | |
| | Quick ratio | 138.88 | 144.21 | 124.12 | 104.30 | 163.62 | |
| | Interest coverage ratio | 130.06 | 60.86 | 56.78 | 99.11 | 29.46 | |
| Operating Ability | Accounts receivable turnover rate (times) | 4.06 | 5.14 | 4.96 | 5.90 | 5.00 | |
| | Average days for cash receipts | 90 | 71 | 74 | 62 | 73 | |
| | Inventory turnover rate (times) | 2.16 | 2.12 | 1.56 | 1.47 | 1.36 | |
| | Accounts payable turnover rate (times) | 3.49 | 4.60 | 3.68 | 3.96 | 4.34 | |
| | Average days for sale of goods | 169 | 173 | 234 | 248 | 268 | |
| | Property, plant, and equipment turnover rate (times) | 72.58 | 63.81 | 52.17 | 55.70 | 9.56 | |
| | Total asset turnover ratio (times) | 1.11 | 1.21 | 0.95 | 0.97 | 0.76 | |
| Profitability | Return on Assets (ROA) (%) | 8.27 | 9.39 | 4.98 | 8.92 | 6.21 | |
| | Return on Equity (ROE) (%) | 12.51 | 13.90 | 7.42 | 13.37 | 9.01 | |
| | Ratio of Net Profit Before Tax to Paid-in Capital (%) | 62.37 | 75.46 | 44.11 | 78.63 | 55.85 | |
| | Net Profit Margin (%) | 7.39 | 7.63 | 5.14 | 9.08 | 7.87 | |

| Analysis Item \ Year | | Financial Analysis for the Most Recent 5 Years | | | | |
|----------------------|------------------------------|--|--------|-------|-------|--------|
| | | 2019 | 2020 | 2021 | 2022 | 2023 |
| | Earnings per share (NT\$) | 4.28 | 5.29 | 3.00 | 5.85 | 4.40 |
| Cash Flows | Cash Flow Ratio (%) | 16.21 | 3.11 | 19.04 | 24.71 | 106.20 |
| | Cash Flow Adequacy Ratio (%) | 38.68 | 19.21 | 21.81 | 28.83 | 58.48 |
| | Cash Reinvestment Ratio (%) | (0.54) | (4.65) | 0.25 | 7.32 | 21.45 |
| Leverage | Operating leverage | 1.17 | 1.15 | 1.26 | 1.17 | 1.24 |
| | Financial leverage | 1.01 | 1.02 | 1.02 | 1.01 | 1.04 |

Describe changes in financial ratios over the past two fiscal years: (Not required if the difference does not exceed 20%.)

1. The ratio of long-term capital to property, plant and equipment decreased: This is mainly due to the purchase of office buildings for operational use in response to future business needs and long-term development plans.
2. Increase in current ratio: The decrease in current inventories and trade payables in the current period, as well as the repayment of matured corporate bonds, resulted in a decrease in both current assets and current liabilities compared to the previous year. However, the current ratio increased due to a larger decrease in current liabilities than in current assets.
3. Increase in quick ratio: This was mainly due to a decrease in the amount of purchases made during the current period and the repayment of matured accounts payable, which reduced current liabilities and resulted in an increase in the quick ratio.
4. Decrease in interest coverage ratio: The purchase of the office building through borrowing has led to an increase in interest expenses and a decline in profits compared to last year, resulting in a decrease in the interest coverage ratio.
5. The turnover rates of property, plant and equipment (times) and total assets (times) decreased. This is mainly due to the increase in the purchase of office buildings during the current period, which resulted in an increase in assets at the end of the year, and a decrease in sales compared to last year.
6. The decrease in various profitability ratios is mainly due to the decrease in profits this year compared to last year.
7. The various cash flow ratios increased, mainly due to the reduction of inventories, which resulted in an increase in net cash provided by operating activities.

(2) The Parent Company Only Financial Analysis- IFRS

| Analysis Item \ Year | | Financial Analysis for the Most Recent 5 Years | | | | |
|-------------------------|--|--|-----------|----------|-----------|--------|
| | | 2019 | 2020 | 2021 | 2022 | 2023 |
| Financial structure (%) | Debt-to-asset ratio | 25.89 | 24.96 | 30.46 | 27.48 | 30.63 |
| | Ratio of long-term capital to property, plant, and equipment | 8,852.90 | 10,317.50 | 8,053.78 | 10,112.59 | 590.25 |
| Solvency (%) | Current ratio | 305.88 | 389.32 | 306.50 | 277.84 | 364.65 |
| | Quick ratio | 154.29 | 171.68 | 122.71 | 93.05 | 166.92 |
| | Interest coverage ratio | 468.92 | 79.26 | 103.03 | 180.27 | 41.36 |
| Operating ability | Accounts receivable turnover rate (times) | 3.61 | 4.73 | 4.44 | 5.74 | 5.43 |
| | Average days for cash receipts | 101 | 77 | 82 | 64 | 67 |
| | Inventory turnover rate (times) | 2.04 | 2.02 | 1.43 | 1.28 | 1.34 |
| | Accounts payable turnover rate (times) | 3.49 | 5.33 | 3.65 | 3.54 | 4.31 |
| | Average days for sale of goods | 179 | 181 | 256 | 285 | 273 |
| | Property, plant, and equipment turnover rate (times) | 105.16 | 126.79 | 90.17 | 93.57 | 8.36 |
| | Total asset turnover ratio (times) | 0.94 | 1.02 | 0.77 | 0.77 | 0.66 |
| Profitability | Return on Assets (ROA) (%) | 8.20 | 10.04 | 5.23 | 9.58 | 6.95 |
| | Return on Equity (ROE) (%) | 11.61 | 13.29 | 7.17 | 13.41 | 9.57 |
| | Ratio of Net Profit Before Tax to Paid-in Capital (%) | 52.34 | 62.53 | 36.80 | 70.52 | 52.80 |
| | Net Profit Margin (%) | 8.68 | 9.74 | 6.74 | 12.36 | 10.34 |

| Analysis Item \ Year | | Financial Analysis for the Most Recent 5 Years | | | | |
|--|------------------------------|--|--------|--------|-------|--------|
| | | 2019 | 2020 | 2021 | 2022 | 2023 |
| | Earnings per share (NT\$) | 4.28 | 5.29 | 3.00 | 5.85 | 4.40 |
| Cash flows | Cash Flow Ratio (%) | 15.70 | (7.02) | 19.73 | 29.11 | 141.95 |
| | Cash Flow Adequacy Ratio (%) | 37.45 | 13.06 | 13.27 | 17.66 | 48.99 |
| | Cash Reinvestment Ratio (%) | (3.90) | (7.96) | (1.54) | 6.14 | 20.17 |
| Leverage | Operating leverage | 1.12 | 1.10 | 1.20 | 1.09 | 1.11 |
| | Financial leverage | 1.00 | 1.02 | 1.01 | 1.01 | 1.03 |
| <p>Describe changes in financial ratios over the past two fiscal years: (Not required if the difference does not exceed 20%.)</p> <ol style="list-style-type: none"> 1. The ratio of long-term capital to property, plant and equipment decreased: This is mainly due to the purchase of office buildings for operational use in response to future business needs and long-term development plans. 2. Increase in current ratio: The decrease in current inventories and trade payables in the current period, as well as the repayment of matured corporate bonds, resulted in a decrease in both current assets and current liabilities compared to the previous year. However, the current ratio increased due to a larger decrease in current liabilities than in current assets. 3. Increase in quick ratio: This was mainly due to a decrease in the amount of purchases made during the current period and the repayment of matured accounts payable, which reduced current liabilities and resulted in an increase in the quick ratio. 4. Decrease in interest coverage ratio: The purchase of the office building through borrowing has led to an increase in interest expense and a decrease in profit compared to last year, resulting in a decrease in the interest coverage ratio. 5. Increase in accounts payable turnover rate: Due to a decrease in the purchase amount, the accounts payable turnover rate has increased. 6. The turnover rates of property, plant and equipment (times) and total assets (times) decreased. This is mainly due to the increase in the purchase of office buildings during the current period, which resulted in an increase in assets at the end of the year, and a decrease in sales compared to last year. 7. The decrease in various profitability ratios is mainly due to the decrease in profits this year compared to last year. 8. The various cash flow ratios increased, mainly due to the reduction of inventories, which resulted in an increase in net cash provided by operating activities. | | | | | | |

Note 1: Calculation formulas adopted are as follows:

1. Financial structure

- (1) Debt-to-asset ratio = Total liabilities/Total assets.
- (2) Ratio of long-term capital to property, plant, and equipment = (Total equity + Non-current liabilities)/Net value of property, plant, and equipment.

2. Solvency

- (1) Current ratio = Current assets/Current liabilities.
- (2) Quick ratio = (Current assets - Inventories - Prepaid expenses)/Current liabilities.
- (3) Interest coverage ratio = Income before tax and interest expenses/Interest expenses.

3. Operating ability

- (1) Accounts receivable (including accounts receivable and notes receivable generated from operations) turnover rate = Net sales/Average balance of accounts receivable (including accounts receivable and notes receivable generated from operations) for each period.
- (2) Average days for cash receipts = 365/Accounts receivable turnover rate.
- (3) Inventory turnover rate = Cost of goods sold/Average inventories.
- (4) Accounts payable (including accounts payable and notes payable generated from operations) turnover rate = Cost of goods sold/Average balance of accounts payable (including accounts payable and notes payable generated from operations) for each period.
- (5) Average days for sale of goods = 365/Inventory turnover rate.
- (6) Property, plant, and equipment turnover rate = Net sales/Average net property, plant, and equipment.
- (7) Total assets turnover rate = Net sales/Average total assets.

4. Profitability

- (1) Return on assets = [Income after tax + Interest expenses x (1 - tax rate)]/Average total assets.
- (2) Return on equity = Income after tax/Average total equity.
- (3) Net profit margin = Income after tax/Net sales.
- (4) Earnings per share = (Income attributable to owners of the parent - preferred stock dividends)/Weighted average number of shares issued.

5. Cash flows

- (1) Cash flow ratio = Net cash flows generated from operating activities/Current liabilities.
- (2) Cash flow adequacy ratio = Five-year sum of net cash flows generated from operating activities/Five-year sum of (capital expenditure, inventory additions and cash dividends).
- (3) Cash reinvestment ratio = (Net cash flows from operating - cash dividends)/(Gross amount of property, plant, and equipment + Long term investment + Other non-current assets + Working capital).

6. Leverage:

- (1) Operating leverage = (Net Sales-Variable Cost and expense) / Income from Operations
- (2) Financial leverage = Operating income/(Operating income - Interest expenses).

3. Audit Committee's report for the most recent year's financial statement

Please refer to Page 199 for details.

4. Financial Statements for the Most Recent Fiscal Year

Please refer to Pages 202 - 266 for details.

5. The Parent Company Only Financial Statements for the Most Recent Fiscal Year, Certified by CPAs:

Please refer to Pages 267 - 324 for details.

6. In the Most Recent Fiscal Year and Up to the Date of Publication of the Annual Report, Any Financial Difficulties Experienced by the Company or Its Affiliates and How Said Difficulties Will Affect the Company's Financial Situation: None



Chapter 7 Review and Analysis of Financial Status and Financial Performance and Risk Matters

1. Financial Status

Unit: NT\$ thousand

| Item \ Year-end | 2022 | 2023 | Difference | |
|---|-----------|-----------|-------------|---------|
| | | | Amount | % |
| Current assets | 4,537,955 | 3,410,527 | (1,127,428) | (24.84) |
| Property, plant and equipment | 86,078 | 767,718 | 681,640 | 791.89 |
| Intangible assets, net | 350,000 | 346,997 | (3,003) | (0.86) |
| Other Assets | 325,433 | 901,289 | 575,856 | 176.95 |
| Total Assets | 5,299,466 | 5,426,531 | 127,065 | 2.40 |
| Current liabilities | 1,646,584 | 980,208 | (666,376) | (40.47) |
| Non-current liabilities | 108,109 | 859,810 | 751,701 | 695.32 |
| Total Liabilities | 1,754,693 | 1,840,018 | 85,325 | 4.86 |
| Share capital | 731,889 | 733,485 | 1,596 | 0.22 |
| Capital surplus | 1,431,140 | 1,445,196 | 14,056 | 0.98 |
| Retained earnings | 1,217,117 | 1,275,770 | 58,653 | 4.82 |
| Other Equity | 164,627 | 132,062 | (32,565) | (19.78) |
| Total Equity | 3,544,773 | 3,586,513 | 41,740 | 1.18 |
| <p>Explanations for significant changes(greater than 20% and reaching NT\$10 million between the two periods):</p> <ol style="list-style-type: none"> 1. Current assets: Although inventory was liquidated to replenish working capital, the acquisition of office buildings and the prepayment of land and building rights resulted in a decrease in current assets. 2. Property, plant, and equipment: This is mainly due to the purchase of office buildings for operational use in response to future business needs and long-term development plans. 3. Other assets: In addition to the land, factories, and machinery and equipment included in the balance sheet, land and buildings for operational use were acquired through another property right resolution during this period. However, in accordance with the schedule for the transfer of real estate ownership, the right of use was obtained through a lease agreement | | | | |

prior to the acquisition of the property right, resulting in the inclusion of the right of use assets.

4. Current liabilities: Mainly due to the repayment of corporate debt and a decrease in accounts payable due to a decrease in purchase amounts.
5. Non-current liabilities: Mainly used bank long-term loans to purchase office buildings, and acquired new ownership rights through leasing, resulting in an increase in non-current lease liabilities.
6. Other equity items: The decrease in non-controlling interests is due to the poor performance of the invested business.

2. Financial Performance

(1) Comparative analysis of operating results

Unit: NT\$ thousand

| Item | Year | | Variance | |
|--|-----------|-----------|-----------|----------|
| | 2022 | 2023 | Amount | % |
| Sales Revenue | 4,982,672 | 4,082,437 | (900,235) | (18.07) |
| Operating Costs | 3,860,631 | 3,088,923 | (771,708) | (19.99) |
| Gross Profit | 1,122,041 | 993,514 | (128,527) | (11.45) |
| Operating Expenses | 619,472 | 615,606 | (3,866) | (0.62) |
| Operating Profit | 502,569 | 377,908 | (124,661) | (24.80) |
| Non-operating income and expenses | 72,949 | 31,744 | (41,205) | (56.48) |
| Pre-tax Profit | 575,518 | 409,652 | (165,866) | (28.82) |
| Income Tax | 122,985 | 88,374 | (34,611) | (28.14) |
| Net Profit | 452,533 | 321,278 | (131,255) | (29.00) |
| Other comprehensive income (loss) for the year | 12,217 | (13,426) | (25,643) | (209.90) |
| Total comprehensive income for the year | 464,750 | 307,852 | (156,898) | (33.76) |

Variance analysis (greater than 20% and exceed NT\$10 million between the two periods):

1. Operating Costs, Operating Profit, Pre-tax Profit, Net Profit, income tax, and total comprehensive income for the period: primarily affected by the overall economic environment, the decline in market demand resulted in a decrease in revenue.



2. Non-operating income and expenses and other comprehensive income for the period: mainly due to recognition of exchange losses from fluctuations in the US dollar exchange rate, as well as a decrease in translation differences resulting from the conversion of financial statements of overseas operating entities.

(2) Expected sales volume and its basis, the possible impact on the Company's future financial business and the response plan

Based on industry trends, the future development of new markets and the Company's M&A policy, and taking into account the operating targets established by the operating profiles over the years, we expect sales volume to maintain a growth trend in the coming year.

3. Analysis cash flows

(1) Cash flow analysis for the most recent year

Unit: NT\$ thousand

| Year | 2022 | 2023 | Change, by Amount |
|----------------------|-----------|-----------|-------------------|
| Operating activities | 406,826 | 1,040,966 | 634,140 |
| Investing activities | (198,030) | (640,770) | (442,740) |
| Financing activities | (185,619) | (389,677) | (204,058) |

Notes to increase/decrease in cash flow:

1. Operating activities: The main focus is on inventory turnover, resulting in an increase in net cash provided by operating activities compared to the previous period.
2. Investing activities: The main reason for the increase in net cash used in investing activities compared to the prior period is the purchase of office buildings in this period.
3. Financing activities: Increased number of bond redemptions and cash dividend payments.

(2) Improvement plans for liquidity shortage

There was no shortage of cash in the Company.

(3) Liquidity analysis for the coming year

The Company expects that the revenue to grow steadily in the coming years and the receivables will be collected in good condition, so there should be no shortage of cash flow.

4. Major capital expenditure for the most recent year and its effect on financial position and operation of the Company: None.

5. The Company reinvestment policy for the most recent fiscal year, main reasons for profits/losses generated thereby, plan for improving reinvestment profitability, and investment plans for coming year

(1) Reinvestment policy for the most recent year

In accordance with the “Guidelines for the Processing of Acquisition or Disposal of Assets by Public Issuing Companies” stipulated by the competent authorities, the Company has formulated the “Procedures for Acquisition or Disposal of Assets”, which serves as the basis for the Company’s reinvestment undertakings to grasp the relevant business and financial conditions. To enhance the supervision and management of the reinvestment companies, the Company has also formulated “Measures for Subsidiary Monitoring and Management” in its internal control system to stipulate relevant norms for information disclosure, finance, business, inventory and financial management. The Company also regularly carries out audit operations and establishes relevant operational risk mechanisms to maximize the effectiveness of the Company’s reinvestment undertakings.

(2) Major reasons for profit or loss of reinvestments and improvement plan:

| Explanation | Recognized Investment Gain or Loss in 2023 (NT\$1,000) | Main reasons for profit or loss | Improvement plan | Other future investment plans |
|--|--|--|-------------------------------------|---------------------------------------|
| CASO, Inc. | NT\$:18,876 | The operation is in good condition | — | Depending on its operating conditions |
| Caswell International Investment Co., Ltd. | NT\$:(39,519) | Due to the impact of the overall economic environment, | Adjust material preparation mode to | Depending on its operating conditions |

Review and Analysis of Financial Status and
Financial Performance and Risk Matters



| Explanation | Recognized Investment Gain or Loss in 2023 (NT\$1,000) | Main reasons for profit or loss | Improvement plan | Other future investment plans |
|------------------------|--|---|--|---------------------------------------|
| | | Beijing Caswell, a subsidiary investment the Company, incurred operating losses | improve cost structure and allocate product development resources to pursue revenue growth opportunities | |
| Beijing Caswell Ltd. | NT\$:(39,474) | Affected by the overall economic environment, market demand has declined. | Adjust material preparation mode to improve cost structure and allocate product development resources to pursue revenue growth opportunities | Depending on its operating conditions |
| Caswell Americas, Inc. | NT\$:(354) | Affected by the overall economic environment, market demand has declined. | Planning and development of other value-added services | Depending on its operating conditions |
| APLIGO GmbH | NT\$:(23,983) | Affected by the overall economic environment, market demand has declined. | Planning and development of other value-added services | Depending on its operating conditions |
| HAWKEYE TECH, CO., LTD | NT\$:29,327 | The operation is in good condition | — | Depending on its operating conditions |

(3) Investment plans for the next 12 months:

The Company will carefully evaluate the investment plans in a long-term

strategic way to respond to future market demand and strengthen its competitiveness.

6. Risk management and evaluation

(1) Effect on the Profit (Loss) of Interest and Exchange Rate Fluctuations and Changes in the Inflation Rate, and Response Measures to Be Taken in the Future

a. Interest rate change

(Unit: NT\$ thousand)

| Item | Year | 2022 | 2023 |
|---------------------------------------|----------------------|---------|---------|
| | Net interest revenue | | (3,256) |
| Profit before income tax | | 575,518 | 409,652 |
| Ratio to net profit before income tax | | (0.57)% | (1.89)% |

The Company's interest expense was amortized due to the bank loan of operating turnover and the interest of issuing convertible corporate bonds. The net interest income (expense) in 2022 and 2023 was NT\$ 3,256 thousand and NT\$7,756 thousand respectively, accounting for 0.57% and 1.89% of the net profit before tax in each year, with a small ratio. In addition, to avoid the impact of interest rate fluctuations on the Company's capital cost, the Company maintains a good relationship with banks to obtain a more favorable financing interest rate, and keeps an eye on the impact of interest rate changes in financial markets on the Company's capital allocation, so interest rate changes should not have a significant impact on the Company.



b. Exchange rate

(Unit: NT\$thousand)

| Item \ Year | 2022 | 2023 |
|---------------------------------------|---------|---------|
| Net exchange gain (loss) | 52,718 | (5,831) |
| Profit before income tax | 575,518 | 409,652 |
| Ratio to net profit before income tax | 9.16% | (1.42)% |

The net (losses) gains of the Company in 2022 and 2023 were NT\$ 52,718 thousand and NT\$5,831 thousand respectively, accounting for 9.16% and 1.42% of the net profit before tax in each year. Due to the high proportion of the Company's export, the exchange rate changes have a certain impact on the Company's revenue and profit. Therefore, the management of the Company pays close attention to the exchange rate trends and strengthens the management of exchange rate fluctuation risks. The relevant measures taken are as follows:

- (a) The Company opens a foreign currency deposit account to manage the foreign exchange position. The special staff of the Finance Department keeps in touch with financial institutions according to the daily foreign currency balance and the weekly capital forecast table, and according to the international political and economic situation, so as to collect real-time exchange rate information and fully grasp the exchange rate fluctuation trend. In addition to keeping certain foreign currency according to the foreign currency capital demand, the rest will be sold at an appropriate time to reduce the exchange risk.
- (b) The Company's Business Department has considered the influence of exchange rate fluctuations on the sales price when making quotation, and adjusted the product price by measuring the changes in the exchange rate, ensuring the reasonable profits of the Company's products.
- (c) As the Company mainly sells goods for export, it directly repays the purchase price of raw materials or commodities in foreign currency generated from sales, so as to reduce the impact of exchange rate changes (although the Company mainly gives priority to domestic purchases, some of them are denominated and paid in foreign currency) and achieve the effect of natural hedging.

- (d) Depending on the position of foreign currency, the Company will engage in relevant foreign exchange hedging operations in accordance with the “Procedures for Disposal or Acquisition of Assets” when necessary.

To sum up, the Company should take appropriate measures to control the exchange rate risk, which could effectively reduce the impact caused by exchange rate changes.

- c. Inflation

In order to prevent international raw material prices from rising in the future, which will lead to an increase in product costs, the Company keeps abreast of global political and economic changes and the pulse of market prices, establishes long-term good relationships with suppliers, actively implements cost control plans, and adjusts purchasing strategies in a timely manner so as to reduce the impact of inflation on the Company’s operations and strengthen the competitiveness of its products.

- (2) Policy regarding High-risk Investments, Highly Leveraged Investments, Loans to Other Parties, Endorsements/Guarantees, and Derivatives Transactions, Main Reasons for the Profit (Loss) Generated Thereby, and Response Measures to Be Taken in the Future:

The Company and its subsidiaries has not engaged in any high risk, highly leveraged investment as of the publication date of this report. In addition, with regard to the loan of funds to others, endorsement guarantee and derivative commodity transactions, the Company has separately formulated operational measures such as “Administrative Measures for Loan of Funds to Others”, “Administrative Measures for Endorsement Guarantee” and “Processing Procedures for Obtaining or Disposing Assets”, which serve as the basis for the Company to comply with relevant behaviors.

- (3) Future R&D Plans and Expected R&D Spending:

- a. Future R&D plans

The Company is committed to the market of Netcom products, and constantly pursues R&D and innovation. Its products cover high-end network cards, Netcom security architecture platform, cloud application network server platform and telecommunications uCPE products, etc. In



recent years, the Company has strengthened the development of software strength, enhanced product differentiation and flexibility and increased added value. Future R&D plans are as follows:

| Type of Product | Future Development |
|---------------------------------------|--|
| Netcom security architecture products | <p>With the development of cloud high-speed computing demand, the Company researched and developed new generation of Intel/AMD platforms to provide Cloud Computing applications and high-end network security appliances in data centers with high performance and high availability requirements.</p> <p>Platform</p> <ol style="list-style-type: none"> 1. Intel 4th Gen Xeon-SP Eagle Stream Platform 2. Intel 3rd Gen Xeon-SP Whitley Platform 3. Intel Xeon-D Ice Lake-D and P5000 Snow ridge-NS Platform 4. Intel 12th Gen Core Alder Lake Series Platform 5. AMD EPYC 7000 Series Platform |
| Network module products | <p>Developed 10/25/40/100/200Gbps Ethernet network cards to enable faster data transmission in data centers or enterprises.</p> <p>Continued to develop various network card modules to support the needs of all customers, including time packet synchronization, PoE powered by network port, side recording network card and packet bypass network card, and support of LTE/Wifi network module.</p> |
| Telecom Ucp computing products | <p>In response to the effective use and security control of Broad band network information flow by enterprises, a series of software-defined wide area network (SD-WAN) systems are developed to make the data access and management of enterprises on the Internet more flexible, faster and more secure.</p> <p>Adopted Intel's new generation integrated SOC (Xeon-D/P5000, Denverton), and developed the micro server or endpoint processing equipment with endpoint computing capability and data encryption acceleration processing.</p> <p>In response to the vigorous development of IoT and wireless network applications, a series of micro endpoint</p> |

| Type of Product | Future Development |
|---|--|
| | <p>computing and security control devices were developed. To improve wireless transmission performance and cost-effectiveness, incorporate the design of a built-in wireless network antenna into the SD-WAN system. It also integrates 5G Cellular Modem compatibility and is in line with 5G AIOT industrial applications.</p> <p>The main design platforms are</p> <ol style="list-style-type: none"> 1. Intel Denverton platform 2. Intel Rangeley platform 3. Intel Broadwell-DE platform 4. Intel Xeon-D Platform 5. Intel Apollo lake platform 6. Intel Elkhart Lake platform 7. Intel Snow ridge-NS platform |
| Cloud storage computing server | <p>Using Intel's new and fast memory architecture and fast storage management software, the cloud storage server is developed, which makes the access and calculation of cloud data faster and more effective.</p> <p>With Intel Tofino Switch and FPGA, deploy high-speed computing and software-defined networking for cloud computing and edge computing applications.</p> <p>A series of Universal Customer Premise Equipment (uCPE) are developed by using Network Function Virtualization (NFV) technology and open software architecture, so that service providers can provide various economical software services based on cloud computing completely and quickly.</p> <p>Developing the Network Attached Storage (NAS) product line, focusing on the demand for customized network storage devices for enterprises, and deploying edge computing network nodes.</p> |
| Industrial standard wide temperature network security product | <p>Wide-temperature DIN-RAIL products for industrial information security management are developed.</p> <p>In response to the trend of network wireless development and Industry 4.0, develop network security gateways for related product hardware requirements for safe operation</p> |



| Type of Product | Future Development |
|-----------------|---|
| | and management. The fanless industrial firewall system reduces maintenance cost, supports normal operation in a wide temperature range from -40°C to a temperature as high as 75°C, and ensures safety and reliability in severe and harsh environment. |

b. Estimated investment in R&D

The amounts of R&D expenses estimated by the Company are budgeted step by step according to the development progress of each new product and technology as well as the operating conditions to maintain a certain growth rate to ensure the Group's competitive advantages. In previous years, R&D expenditure accounted for 4%~5% of operating income

(4) Impact of Important Policies and Laws Changes at Home and Abroad on the Company's Financial Business and Its Countermeasures:

The management and operation of the Company comply with relevant laws and regulations at home and abroad, and keep an eye on the development trend of important policies and changes in laws and regulations at home and abroad, so as to fully grasp relevant information to cope with possible impacts and ensure smooth operation of the Company. The Company's finances and businesses have not been affected by major changes in policies and laws of domestic or foreign governments in the most recent year and up to the publication date of the annual report.

(5) Effect on the Financial Operations of Developments in Science and Technology (Including Information Security) and Industrial Change, and Measures to Be Taken in Response

The Company keeps an eye on the technological changes and technological development and evolution of the industry in which it is engaged, grasps the market pulsation and peer information, and starts to develop products to meet the market demand and maintain the competitiveness of the Company and its subsidiaries. Besides, to implement information security policies, event report and countermeasures, the Company conducts regular risk assessment against information security, providing relevant education and training with rigid information security risk management. In the recent year and up to the publication date of the annual report, there has been no significant impact on the financial business of the Company due to technological changes and industrial changes.

(6) Effect on the Crisis Management of Changes in the Corporate Image, and Measures to Be Taken in Response

Since its establishment, the Company has adhered to professional, honest and down-to-earth business principles, complied with relevant laws and regulations at home and abroad, maintained harmonious labor-capital and external relations, and built a good corporate image. It also plans to enter the capital market to attract more outstanding talents to take posts in the Company, reinforce the strength of the management team, and feedback the operating results to shareholders and fulfill the corporate social responsibility. Therefore, in recent years, there has been no incident affecting the corporate image of the Company.

(7) Expected Benefits and Possible Risks Associated with Any Mergers and Acquisitions, and Measures to Be Taken in Response

In the most recent year and up to the publication date of this Annual Report, the Company did not have plans to acquire other companies. In the future, if there is a plan for mergers and acquisitions, it will adopt a prudent assessment attitude and take full consideration of the synergies to ensure the best interests of shareholders.

(8) Expected Benefits and Possible Risks Associated with Any Plant Expansion, and Measures to Be Taken in Response

In the most recent year and up to the publication date of the prospectus, the Company has no plan to expand its plant. However, if there is any plan to expand its factory in the future, it will take a prudent assessment attitude and handle it in accordance with the relevant internal control regulations.

(9) Risks Associated with Any Consolidation of Sales or Purchasing Operations, and Measures to Be Taken in Response:

a. Risk assessment and countermeasures for centralized purchase

The Company maintains more than two suppliers for the purchase of main raw materials, pays attention to the market trends at any time, actively develops other suppliers, and maintains good cooperative relations with all suppliers to ensure stable supply sources. In the most recent year and up to the publication date of the prospectus, the proportion of purchases from a single manufacturer by the Company did not exceed 30%, indicating no risk of centralized purchases.



b. Sales concentration risk assessment and countermeasures

The Company's main sales targets are distributed in Europe, America and Asia and other global regions. The Company has close transactions and good relations with customers; in addition to continuing to stabilize existing customers, the Company also actively develops other international customers. In the most recent year and up to the publication date of the prospectus, the sales ratio of the Company to a single customer did not exceed 30%, indicating no risk of excessive concentration of sales.

(10) The impact of directors, supervisors or major shareholders holding more than 10% of shares on the Company, risks and countermeasures:

In the most recent year and up to the publication date of the annual report, the directors or major shareholders holding more than 10% shares of the Company did not have any substantial transfer or replacement of their shares.

(11) The Impact, Risks and Countermeasures of the Change of Management Right on the Company:

As of the publication date of the annual report, there is no change in the management right of the Company.

(12) Disclosure of issues in dispute, monetary amount of claims, filing date, parties involved, and status of any litigation or other legal proceedings within the latest fiscal year and as of the date of the annual report where the Company and/or any of its directors, supervisors, president, person in charge, shareholders with 10% or more share ownership, or affiliates are involved in a pending litigation, legal proceedings or administrative proceedings, or a final judgment or ruling which may have a material adverse effect on the Company's shareholder equity or price of securities:
None

(13) Other Significant Risks: None.

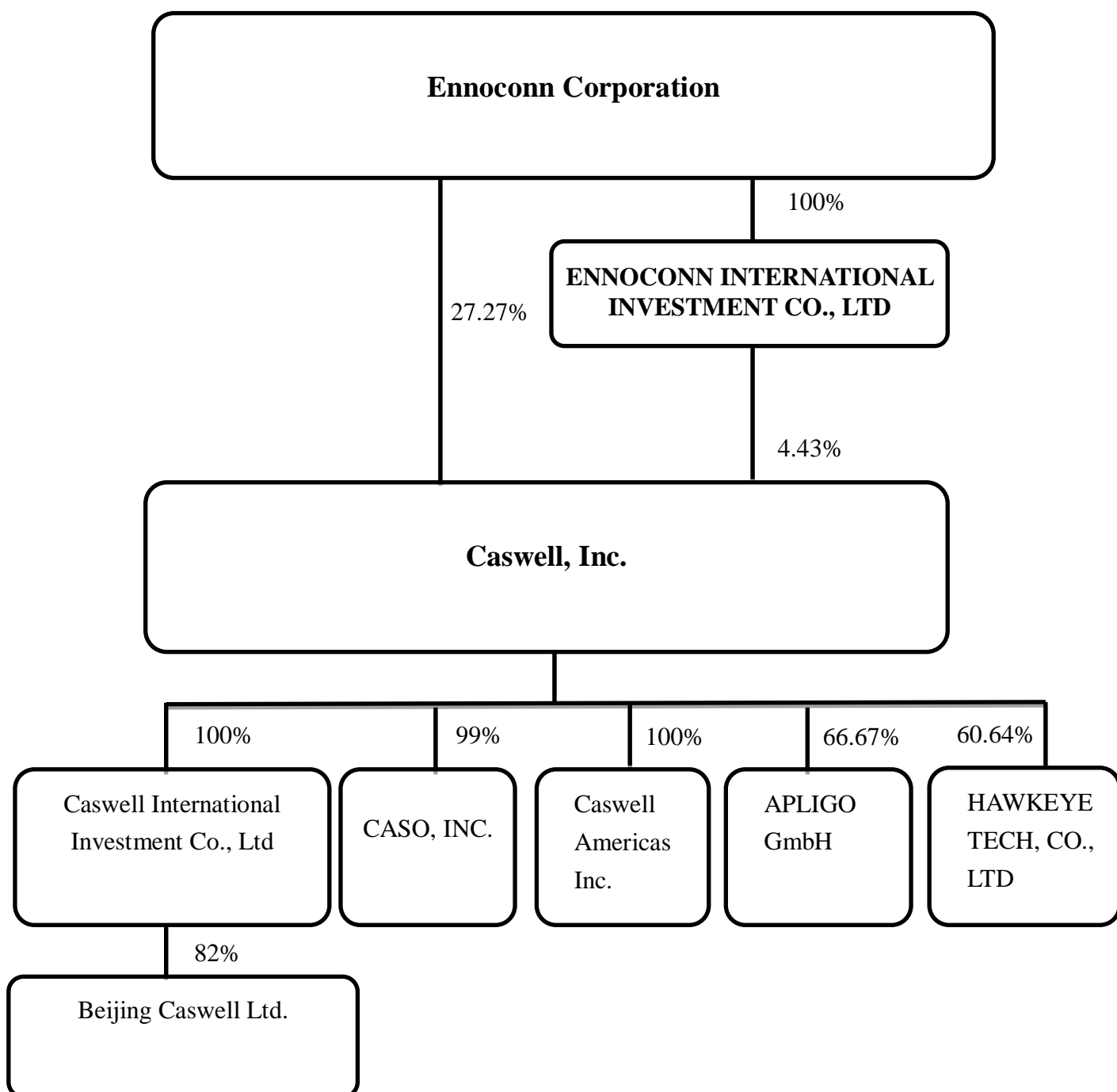
7. Other Important Matters: None.

Chapter 8 Special Disclosure

1. Information on Affiliates

(1) The Consolidated Operating Report

a. Organizational chart of affiliates



b. Basic information of affiliates

December 31, 2023

| Name of the Company | Date of Incorporation | Address | Paid-in Capital (NTD 1,000) | Main business or production items |
|--|-----------------------|---|-----------------------------|--|
| CASO, Inc. | 2014.8.1 | Mirene Kanda PREX Bld.2F,2-7-2, Kandatsukasamachi, Chiyoda-ku Tokyo,101-0048, Japan | JPY\$95,000 | Network machines and computer peripherals and other imports and sales |
| Caswell International Investment Co., Ltd. | 2015.6.11 | TMF Chambers, P.O. Box 3269, Apia, Samoa. | USD\$3,206 | Overseas investment |
| Beijing Caswell Ltd. | 2003.9.23 | East to the 4th Floor, Building 5, Qunying Science and Technology Park, No. 8 Shangdi Road, Haidian District, Beijing | USD\$3,800 | Production of electronic monitoring and network communication products |
| Caswell Americas, Inc. | 2017.01.10 | 4011 Clipper Ct,Fremont,CA 94538,USA | USD\$3,000 | Sales of network communication products |
| APLIGO GmbH | 1999.6.4 | Building 5112/4 Werner-von-Siemens-Str. 2-6 76646 Bruchsal Germany | EUR€36 | Hub and SI Service |
| HAWKEYE TECH, CO., LTD | 2011.11.02 | 13F.-5, No. 736, Zhongzheng Rd., Zhonghe Dist., New Taipei City | NT\$ 150,000 | Design and manufacturing of computers, network and computing equipment |

c. Industries covered by the business operation of the affiliated enterprises:

The Company and its affiliates, Caso, Inc., Caswell Americas, Inc and Beijing Caswell Ltd., mainly engage in the network communication industry. The Company is responsible for product research and development, production and sales, while Caso, Inc. is mainly responsible for customer development, maintenance and sales in Japan. Caswell Americas, Inc is mainly responsible for customer development, maintenance and sales in the United States. Beijing Caswell Ltd. is mainly responsible for customer development, maintenance, production and sales in Chinese mainland, and has the ability to research and

develop products. Caswell International Investment Co., Lt is mainly engaged in overseas investment . Its services include system integration, Hub service, warranty maintenance and technical support. HAWKEYE TECH, CO., LTD is mainly engaged in customer development, maintenance, production and sales of integrated communication systems.

d. Where there is considered to be a controlled and subordinate relation, information of the same shareholders: None

e. Information on directors, supervisors, and presidents of affiliates

December 31, 2023

| Name of the Company | Position | Name or Representative | Shareholding | |
|--|-----------------------|----------------------------|----------------------------------|--------|
| | | | Number of Shares (Unit:share) | % |
| CASO, Inc. | Directors | CASwell, Inc.-Reaforl Hung | 1,881 | 99% |
| | Directors | CASwell, Inc.-Pomah Yen | | |
| | Directorand President | Takeda Kazuhiro | 19 | 1% |
| Caswell International Investment Co., Ltd. | Directors | CASwell, Inc.-Frank Hsu | 3,205,760 | 100% |
| Beijing Caswell Ltd. | Executive Director | Ray Lin | 0 | 0% |
| | President | Liu, Jen-Hao | 0 | 0% |
| | Supervisors | Frank Hsu | 0 | 0% |
| Caswell Americas, Inc. | Directorand President | CASwell, Inc.-Pomah Yen | 3,000,000 | 100% |
| Apligo GmbH | Chairman | CASwell, Inc.-Liu I-Hsin | 24,000 | 66.67% |
| HAWKEYE TECH, CO., LTD | Chairman | CASwell, Inc.-Reaforl Hung | 9,096,667 | 60.64% |
| | Director | CASwell, Inc.-Hans Chen | 9,096,667 | 60.64% |
| | Director | Xue-Wen Dai | 111,444 | 0.74% |
| | Directors | Yung-Nian Liu | 0 | 0% |
| | Directors | Jui-Hua Tsao | 0 | 0% |
| | Supervisor | Carrie Huang | 0 | 0% |

f. Operating status of affiliates

December 31, 2023

Unit: NTD 1,000; Currency: in addition to items explicitly indicated otherwise, the remainder in NTD

| Name of the Company | Capital | Total Assets | Total Liabilities | Net Worth | Sales revenue | Operating Profit | Profit or loss for the period (After Tax) | Earnings per Share (NT\$, After Tax) |
|--|-------------|--------------|-------------------|-----------|---------------|------------------|---|--------------------------------------|
| CASO, INC. | JPY\$95,000 | 164,893 | 43,379 | 121,514 | 317,106 | 28,918 | 19,067 | 10,035.03 |
| Caswell International Investment Co., Ltd. | USD\$3,206 | 178,796 | 474 | 178,322 | — | (45) | (39,519) | (12.33) |
| Beijing Caswell Ltd. | USD\$3,800 | 298,485 | 80,680 | 217,804 | 223,711 | (51,218) | (48,139) | — |
| Caswell Americas, Inc. | USD\$3,000 | 116,685 | 40,179 | 76,506 | 208,333 | (3,617) | (354) | (0.12) |
| APLIGO GmbH | EUR€36 | 115,244 | 88,556 | 26,688 | 150,321 | (32,365) | (35,608) | (989.10) |
| HAWKEYE TECH, CO., LTD | 150,000 | 527,713 | 189,399 | 338,314 | 483,713 | 56,462 | 54,074 | 3.6 |

(2) Consolidated financial statement of affiliates

In 2023, the companies that should be included in the preparation of consolidated financial statements of related enterprises in accordance with the Standards for the Preparation of Consolidated Business Reports, Consolidated Financial Statements and Relationship Reports of Affiliated Enterprises are the same as those that should be included in the preparation of consolidated financial statements of parent and subsidiary companies in accordance with the Standards for the Preparation of Financial Reports of Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, Interpretations and Explanatory Announcements recognized by the Financial Regulatory Commission. Moreover, the relevant information that should be disclosed in the consolidated financial statements of related enterprises has been disclosed in the consolidated financial statements of parent and subsidiary companies mentioned above, so no consolidated financial statements of affiliated enterprises will be prepared.

(3) Affiliate reports:

a. Statement:

The preparation of the Company's affiliates consolidated financial statement in 2023 (From January 1st to December 31st) in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" and "Regulations Governing the Preparation of Affiliation Reports". The information disclosed is not significant with the relevant information disclosed in the notes to the financial statements of the previous period.

Sincerely,

CASwell, Inc.

Chairman: Steve Chu

March 13, 2024

b. Opinions issued by CPAs for financial reporting CPAs:

Review opinion on the Related Party Report

CASwell, Inc:

The Company has prepared the 2023 Affiliation Report in accordance with the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises (herein below, the “Criteria Governing Preparation”). The relevant financial information has been reviewed by CPAs and the relevant information disclosed in the notes to the financial report for the aforementioned period, and this review opinion has been issued in accordance with the Criteria Governing Preparation.

In our opinion, no material inconsistency has been found between the information disclosed in the Company’s 2023 Affiliation Report and the relevant information disclosed in the notes to the financial statements for the aforementioned period. And no violations of the Criteria Governing Preparation have been found.

Sincerely,

CASwell, Inc.

KPMG

CPA: Hui-Chih Kou

CPA: Pei-Chi Chen

March 13, 2024

- c. The relationship between the controlling the Company and its subsidiaries:

Unit: Share; %

| Name of the Company | Reason | Shareholding and pledges | | | Directors, supervisors or managers appointed to the subordinate the Company by the controlling the Company | |
|----------------------|--|--------------------------|-------------------------|--------------------------|--|-------------|
| | | Shares Held | Percentage of Ownership | Number of Shares pledged | Position | Name |
| Ennoconn Corporation | Shareholding control and assigned personnel is the Chairman of the Company | 20,000,000 | 27.27% | — | Chairman | Steve Chu |
| | | | | | Directors | Aven Lou |
| | | | | | Directors | Nelson Tsay |

- d. Description of transactions
- (a) Sales and purchase transactions: None.
 - (b) Financial transactions: None.
 - (c) Financing capital: None.
 - (d) Asset lease: None.
 - (e) Other material transactions: None.
- e. Endorsement and guarantee status: None.

2. Handling of private placement of securities: no such situation occurred in the most recent year and up to the publication date of the annual report.
3. Holding or disposition of the Company's shares by subsidiaries: no such situation occurred in the most recent year and up to the publication date of the annual report.
4. Other Necessary Additional Notes: None.
5. Situations Listed in Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act, which Might Materially Affect Shareholders' Equity or the Price of the Securities: None.

CASwell, Inc.
Audit Committee Review Report

The Board of Directors has prepared and submitted the Company's 2023 Business Report, Financial Statements and the proposed profit distribution, of which the Financial Statements have been audited and certified by the independent auditors, Kou Hui-Chih and Chen Pei-Chi of KPMG. And an audit report has been issued. The Business Report, Financial Statements and the proposed profit distribution have been reviewed by us, the Audit Committee of the Company. We have not found any inconsistencies with applicable laws in our review of the aforementioned documents. Therefore, we, the Audit Committee, hereby issue this report in compliance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

Sincerely,

2024 shareholders' meeting of CASwell, Inc.

Audit Committee of CASwell, Inc.

Convener: Jennifer Shao

March 13, 2024

CASwell, Inc.
Statement on Internal Control

Date: March 13, 2024

The Company makes the following statement according to the self-evaluation conducted of the internal control system in 2023:

1. The Company acknowledge that it is the responsibility of the Board of Directors and managers of the Company to establish, implement and maintain the internal control system, which has been established by the Company. Its purpose is to reasonably ensure that operational effectiveness and efficiency (including income, performance, and asset safety) and reporting are reliable, timely, and transparent, as well as to ensure compliance with relevant regulations and laws.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its 3 stated objectives above. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond control. Nevertheless, the internal control system contains self-monitoring mechanisms, and the Company takes immediate remedial actions in response to any identified deficiencies.
3. The Company evaluates the design and operating effectiveness of the internal control system based on the criteria provided in the “Regulations Governing the Establishment of Internal Control Systems by Public Companies” (herein below, the “Regulations”). The criteria adopted by the Regulations identify 5 components of internal control based on the process of management control: 1. control environment; 2. risk assessment; 3. control activities; 4. information and communication; and 5. monitoring operations. Each key component includes several items. Please refer to the Regulations for the aforementioned items.
4. The Company has evaluated the design and operating effectiveness of the internal control system according to the Regulations.
5. In accordance with the aforementioned evaluation, Aurora has found that the design and implementation of the internal control system (including the assessment and management of subsidiaries), as of December 31, 2023, including the efficacy of understanding operations, the efficiency of achievement of objectives, reliability in reporting, timeliness, and compliance with the relevant guidelines and laws, are effective and can reasonably provide assurance of the aforesaid goals.
6. This statement is an integral part of Aurora’s annual report and prospectus and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
7. This statement has been approved on March 13, 2024, by the Board of Directors. Out of the 7 Board members in attendance, none has objected to this statement and all consented to the content expressed herein.

CASwell, Inc.

Chairman: Steve Chu

President: Reaforl Hung

Statement of Declaration

The entities that are required to be included in the combined financial statements of the Company for 2023 (from January 1 to December 31, 2023) under the Criteria Governing the 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 of the parent company and subsidiaries prepared in conformity with International Financial Reporting Standards No. 27 by the Financial Supervisory Commission, “Consolidated Financial Statements”. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, the Company and its subsidiaries do not prepare a separate set of combined financial statements.

Sincerely,

Company Name: CASwell, Inc.

Chairman: Steve Chu

Date: March 13, 2024

Independent Auditors' Report

To the Board of Directors of CASwell, Inc.:

Opinion

We have audited the accompanying consolidated balance sheets of CASwell, Inc. and subsidiaries (the "Group") as at December 31, 2023 and 2022, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows from January 1 to December 31, 2023 and 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinions, the consolidated financial statements mentioned above have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, as well as the International Financial Reporting Standards (IFRSs), International Accounting Standards (IAS), their interpretations and announcements recognized and announced by the Financial Supervisory Commission in all material aspects, and are considered to have reasonably expressed the consolidated financial conditions of CASwell, Inc. as of December 31, 2023 and 2022, as well as the consolidated financial performance and consolidated cash flows from January 1 to December 31, 2023 and 2022.

Basis for Audit Opinions

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards. 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 ("the Norm"), and we have fulfilled our other ethical responsibilities in accordance with the Norm. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

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 Group for 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinions thereon, and we do not provide a separate opinion on these matters. Key audit matters for the company's financial statements of the current period are stated as follows:

1. Inventory valuation

Please refer to Note 4(8) for the accounting policy regarding the inventory valuation. Please refer to Note 5(1) for the uncertainties of accounting estimates and assumptions regarding the allowance for price decline in inventories. Please refer to Note 6(3) for an explanation of the inventories.

Notes on key audit matters:

The inventory amount of CASwell, Inc. has been presented in the financial statements as cost and net realizable value whichever was lower. With the rapid changes of sciences and technologies, new product launch might cause changes in consumer demands and significant fluctuations in sales of related products, so the inventory cost might exceed the realizable value. Losses of obsolete and slow-moving inventories shall be separately evaluated dependent upon inventory classification and how many days the inventories have become obsolete. The presentation of such inventories involves subjective judgment, so inventory valuation was one of our important audit matters particularly audited for the financial statements of the Group.

Audit processes:

The main audit processes we adopted for the above key audit matters included performing inventory valuation to evaluate if the Group had presented its inventories based on the predetermined policies for presenting write-downs of inventories; auditing basis of selling prices and net realizable value adopted by the management, in order to verify appropriateness of the estimated writedowns of inventories and expediency of the net realizable value; implementing the sampling procedure to verify rationality of inventory age; and analyzing the ratio of the current inventory writedowns to the balance of normal inventories, in order to evaluate if the writedowns of general inventories are appropriate.

2. Recognition and Cutoff of Revenues

For detailed accounting policies for revenue recognition, refer to Note 4(14); for details of revenues, refer to Note 6(15).

Notes on key audit matters:

The revenues of CASwell, Inc. are mainly from R&D, production and sales of equipment related to safe network communication platforms. The revenues are what investors are concerned about, so their recognition and cutoff have been listed as one of important matters to be evaluated in auditing financial statements of CASwell, Inc.

Audit processes:

Our main audit processes for the aforementioned key audit matters include testing internal control systems related to revenues; reviewing new material contracts and understanding impacts of contractual articles upon revenue recognition; additionally sampling sales transactions concluded before and after the date of the balance sheets, and evaluating if revenues were accounted at the right time.

3. Assessment of Impairment of Goodwill

For the detailed accounting policy regarding assessment of impairment of goodwill, please refer to Note 4(12) Impairments of non-financial assets; for the uncertainties of accounting estimates and assumptions regarding goodwill, please refer to Note 5(2); for relevant disclosures of goodwill, please refer to Note 6(6).

Notes on key audit matters:

The consolidated goodwill of CASwell, Inc. generated by M&A is material. According to the International Financial Reporting Standards, the management must perform annual impairment test, because this process involves hypotheses about future potential operating cash flow and weighted average cost of capital considered in estimating the value in use. As an evaluation of the results of the impairment test, the above process, which is complicated, covers many hypotheses and estimates. Hence, goodwill impairment assessment has been one of our important evaluations in auditing the financial statements of CASwell, Inc.

Audit processes:

Our main audit processes for the above key audit matters include evaluating forecast future cash flow and discount rate in hypotheses adopted by impairment models, comparing historical performances with the forecast of future cash flow, and making comparisons between the discount rate and related external data, in order to test goodwill impairment.

Other Matters

CASwell, Inc. has prepared the parent company only financial statements as of and for the years ended December 31, 2023 and 2022 on which we have issued an audit report with unqualified opinion for reference.

Responsibilities of management and governing bodies for the consolidated financial statements

To ensure that the consolidated financial statements do not contain material misstatements caused by fraud or errors, the management is responsible for preparing fair consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, as well as the IFRS, IAS, their interpretations and announcements recognized and announced by the Financial Supervisory Commission, and for maintaining necessary internal control procedures pertaining to the consolidated financial statements.

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.

The governing bodies, including the audit committee, are responsible for overseeing the Group's financial reporting process.

Auditor's 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement in the consolidated financial statements when it exists. Misstatements might arise from fraud or error. The misstatements may be considered material if they are individually or in the aggregate could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

We apply professional judgment and discretion in our audits in accordance with auditing standards. We also:

1. Identify and evaluate the risk of material misstatements due to fraud or error in the consolidated financial statements; design and carry out appropriate countermeasures for the evaluated risk; and obtain sufficient and appropriate evidence as the basis for audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than 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 controls 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 internal controls of the Group.
3. Assess the appropriateness of the accounting policies adopted by the management, as well as the reasonableness of their accounting estimates and relevant disclosures.
4. Conclude on the appropriateness of the 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 ability of the Group to operate as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall expression, structure and contents of the financial statements (including relevant notes), and whether the financial statements fairly present relevant transactions and events.
6. Obtain sufficient appropriate audit evidences regarding the financial information of the entities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the Group's audit and for expressing an opinion on the financial statements of the Group.

We communicate with those governing bodies 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 governing bodies 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 governing bodies, we determine the key audit matters of the consolidated financial statements of the Group for 2023. We describe these matters in our auditor's 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.

KPMG

CPA:

Securities Tai-Cai-Zheng-6 No.
Competent : 0930106739
Authority Jin-Guang-Zheng-6 No.
Approval No. 0960069825
March 13, 2024

CASwell, Inc. and its subsidiaries

Consolidated Balance Sheets

December 31, 2023 and 2022

Unit: NT\$ thousand

| | | <u>2023.12.31</u> | | <u>2022.12.31</u> | | | | <u>2023.12.31</u> | | <u>2022.12.31</u> | |
|----------------------------|---|---------------------|------------|-------------------|------------|--|--|---------------------|------------|-------------------|------------|
| Assets | | Amount | % | Amount | % | Liabilities and equity | | Amount | % | Amount | % |
| Current assets: | | | | | | Current liabilities: | | | | | |
| 1100 | Cash and cash equivalents (Note 6(1)) | \$ 678,872 | 13 | 677,584 | 13 | 2100 | Short-term borrowings (Note 6 (7)) | \$ 30,835 | 1 | 39,888 | 1 |
| 1136 | Financial assets at amortized cost - current | 52,279 | 1 | 11,797 | - | 2120 | Financial liabilities at fair value through profit or loss - current (Note 6(9)) | - | - | 215 | - |
| 1170 | Notes receivables and accounts receivables - net (Note 6(2) and (15)) | 752,370 | 14 | 820,527 | 16 | 2170 | Account payables | 500,916 | 9 | 857,896 | 16 |
| 1180 | Accounts receivables from related parties - net (Note 6(2), (15) and 7) | 19,041 | - | 39,416 | 1 | 2180 | Accounts payable - related parties (Note 7) | 49,630 | 1 | 15,635 | - |
| 1200 | Other receivables (including related parties) (Note 7) | 41,554 | 1 | 100,131 | 2 | 2200 | Other payables (including related parties) (Note 7) | 135,172 | 2 | 190,619 | 4 |
| 1220 | Current income tax assets | 4,900 | - | 8,550 | - | 2230 | Current income tax liabilities | 74,658 | 1 | 116,765 | 2 |
| 130X | Inventories (Note 6(3)) | 1,788,145 | 33 | 2,763,873 | 52 | 2252 | Short-term provisions for warranty | 5,587 | - | 6,127 | - |
| 1470 | Other current assets (Note 8) | 73,366 | 1 | 116,077 | 2 | 2280 | Lease liabilities - current (Note 6(10)) | 45,158 | 1 | 56,729 | 1 |
| | Total current assets | <u>3,410,527</u> | <u>63</u> | <u>4,537,955</u> | <u>86</u> | 2321 | Corporate bonds due or execute the rights to sell within one year (Note 6(9)) | - | - | 167,395 | 3 |
| Non-current assets: | | | | | | 2322 | Long-term borrowings due within one year (Note 6(8) and 8) | 1,427 | - | 1,404 | - |
| 1510 | Financial assets at fair value through profit or loss - non-current | 48,127 | 1 | 42,566 | 1 | 2399 | Other current liabilities - others | 136,825 | 3 | 193,911 | 4 |
| 1517 | Financial assets at fair value through other comprehensive income - non-current | 106,781 | 2 | 11,009 | - | | Total current liabilities | <u>980,208</u> | <u>18</u> | <u>1,646,584</u> | <u>31</u> |
| 1600 | Property, plant and equipment (Note 6(4), 7 and 8) | 767,718 | 14 | 86,078 | 2 | Non-current liabilities: | | | | | |
| 1755 | Right-of-use assets (Note 6(5)) | 717,331 | 13 | 90,887 | 2 | 2540 | Long-term loans (Note 6(8) and 8) | 321,117 | 6 | 22,447 | - |
| 1780 | Intangible assets (Note 6(6)) | 346,997 | 7 | 350,000 | 6 | 2552 | Long-term provisions for warranty | 19,226 | - | 17,471 | - |
| 1840 | Deferred tax assets (Note 6(12)) | 12,110 | - | 4,128 | - | 2570 | Deferred tax liabilities (Note 6(12)) | 29,016 | 1 | 31,341 | 1 |
| 1900 | Other non-current assets | 16,940 | - | 176,843 | 3 | 2580 | Lease liabilities - non-current (Note 6(10)) | 490,423 | 9 | 36,809 | 1 |
| | Total non-current assets | <u>2,016,004</u> | <u>37</u> | <u>761,511</u> | <u>14</u> | 2670 | Other non-current liabilities - others | 28 | - | 41 | - |
| | | | | | | | Total non-current liabilities | <u>859,810</u> | <u>16</u> | <u>108,109</u> | <u>2</u> |
| | | | | | | | Total liabilities | <u>1,840,018</u> | <u>34</u> | <u>1,754,693</u> | <u>33</u> |
| | | | | | | Equity attributable to owners of the parent company (Note 6(13)): | | | | | |
| | Total assets | <u>\$ 5,426,531</u> | <u>100</u> | <u>5,299,466</u> | <u>100</u> | 3100 | Share capital | 733,485 | 14 | 731,889 | 14 |
| | | | | | | 3200 | Capital surplus (Note 6(9)) | 1,445,196 | 27 | 1,431,140 | 27 |
| | | | | | | 3300 | Retained earnings: | | | | |
| | | | | | | 3310 | Legal reserve | 352,478 | 6 | 309,644 | 6 |
| | | | | | | 3320 | Special reserve | 40,230 | 1 | 50,872 | 1 |
| | | | | | | 3350 | Unappropriated retained earnings | 883,062 | 16 | 856,601 | 16 |
| | | | | | | | Total retained earnings | <u>1,275,770</u> | <u>23</u> | <u>1,217,117</u> | <u>23</u> |
| | | | | | | 3400 | Other equity | (52,985) | (1) | (40,230) | (1) |
| | | | | | | | Subtotal equity attributable to owners of the parent company | <u>3,401,466</u> | <u>63</u> | <u>3,339,916</u> | <u>63</u> |
| | | | | | | 36XX | Non-controlling interests | 185,047 | 3 | 204,857 | 4 |
| | | | | | | | Total equity | <u>3,586,513</u> | <u>66</u> | <u>3,544,773</u> | <u>67</u> |
| | | | | | | | Total liabilities and equity | <u>\$ 5,426,531</u> | <u>100</u> | <u>5,299,466</u> | <u>100</u> |

(Please read the attached notes to consolidated financial statements carefully)

Chairman: Steve Chu

Manager: Reaforl Hung

Accounting Supervisor: Amber Lee

CASwell, Inc. and its subsidiaries
Consolidated Balance Sheets
December 31, 2023 and 2022

CASwell, Inc. and its subsidiaries
Consolidated Statements of Comprehensive Income
From January 1 to December 31, 2023 and 2022

Unit: NT\$ thousand

| | | 2023 | | 2022 | |
|------|---|--------------|-----|-----------|-----|
| | | Amount | % | Amount | % |
| 4000 | Operating revenue (Note 6(15) and 7) | \$ 4,082,437 | 100 | 4,982,672 | 100 |
| 5000 | Operating costs (Note 6(3), (4), (5), (10), (11), (16), 7 and 12) | 3,088,923 | 76 | 3,860,631 | 77 |
| | Gross profit | 993,514 | 24 | 1,122,041 | 23 |
| | Operating expenses (Note 6(4), (5), (10), (11), (16), 7 and 12): | | | | |
| 6100 | Selling and marketing expenses | 144,593 | 4 | 154,349 | 3 |
| 6200 | General and administrative expenses | 220,418 | 5 | 221,708 | 5 |
| 6300 | Research and development expenses | 251,714 | 6 | 235,202 | 5 |
| 6450 | Expected credit (reversal gain) loss (Note 6(2)) | (1,119) | - | 8,213 | - |
| | Total operating expenses | 615,606 | 15 | 619,472 | 13 |
| | Operating Profit | 377,908 | 9 | 502,569 | 10 |
| | Non-operating income and expenses (Note 6(17)): | | | | |
| 7100 | Interest income | 6,640 | - | 2,610 | - |
| 7010 | Other income | 51,775 | 1 | 21,100 | - |
| 7020 | Other gain and loss | (12,275) | - | 55,105 | 1 |
| 7050 | Finance costs (Note 6(9) and (10)) | (14,396) | - | (5,866) | - |
| | Total non-operating income and expenses | 31,744 | 1 | 72,949 | 1 |
| 7900 | Net pretax profit of current period | 409,652 | 10 | 575,518 | 11 |
| 7950 | Less: Income tax expense (Note 6(12)) | 88,374 | 2 | 122,985 | 2 |
| | Net profit of current period | 321,278 | 8 | 452,533 | 9 |
| 8300 | Other comprehensive income/(loss): | | | | |
| 8310 | Items that may not be reclassified to profit or loss | | | | |
| 8316 | Unrealized gain (loss) on equity investments at fair value through other comprehensive income | (4,570) | - | - | - |
| 8349 | Income tax relating to items that may not be reclassified | - | - | - | - |
| | Total of items that may not be reclassified to profit or loss | (4,570) | - | - | - |
| 8360 | Items that may be reclassified subsequently to profit or loss | | | | |
| 8361 | Exchange differences arising from the translation of foreign operations | (8,856) | - | 12,217 | - |
| 8399 | Income tax relating to items that may be reclassified subsequently to profit or loss | - | - | - | - |
| | Total of items that may be reclassified subsequently to profit or loss | (8,856) | - | 12,217 | - |
| 8300 | Other comprehensive income/(loss) of current period | (13,426) | - | 12,217 | - |
| 8500 | Total comprehensive income/(loss) of current period | \$ 307,852 | 8 | 464,750 | 9 |
| | Net profit in current period attributable to: | | | | |
| 8610 | Owners of the parent company | \$ 322,707 | 8 | 428,332 | 9 |
| 8620 | Non-controlling interests | (1,429) | - | 24,201 | - |
| | Net profit of current period | \$ 321,278 | 8 | 452,533 | 9 |
| | Comprehensive income attributable to: | | | | |
| 8710 | Owners of the parent company | \$ 309,952 | 8 | 438,974 | 9 |
| 8720 | Non-controlling interests | (2,100) | - | 25,776 | - |
| | Total comprehensive income/(loss) of current period | \$ 307,852 | 8 | 464,750 | 9 |

(Please read the attached notes to consolidated financial statements carefully)

Chairman: Steve Chu

Manager: Reaforl Hung

Accounting Supervisor: Amber Lee

Earnings per share (Note 6(14))

| | | | |
|------|-----------------------------------|----------------|-------------|
| 9750 | Basic earnings per share (NT\$) | <u>\$ 4.40</u> | <u>5.85</u> |
| 9850 | Diluted earnings per share (NT\$) | <u>\$ 4.38</u> | <u>5.73</u> |

(Please read the attached notes to consolidated financial statements carefully)

Chairman: Steve Chu

Manager: Reaforl Hung

Accounting Supervisor: Amber Lee

CASwell, Inc. and its subsidiaries
Consolidated Statements of Changes in Equity
From January 1 to December 31, 2023 and 2022

Unit: NT\$ thousand

Equity attributable to owners of parent company

| | Retained earnings | | | | | Other equity items | | Total Equity Attributable to Owners of the Parent Company | Non-controlling interests | Total Equity |
|--|-------------------|--------------------|----------------|--------------------|---|---|---|---|------------------------------|------------------|
| | Share capital | Capital surplus | Legal reserve | Special reserve | Unappropria ted retained earnings | Exchange differences arising from the translation of foreign operations | Unrealized gain (loss) on financial assets at fair value through other comprehensive income | | | |
| Balance as of January 1, 2022 | \$ 731,889 | 1,431,140 | 287,689 | 30,068 | 617,406 | (40,422) | (10,450) | 3,047,320 | 179,081 | 3,226,401 |
| Net profit of current period | - | - | - | - | 428,332 | - | - | 428,332 | 24,201 | 452,533 |
| Other comprehensive income/(loss) of current period | - | - | - | - | - | 10,642 | - | 10,642 | 1,575 | 12,217 |
| Total comprehensive income/(loss) of current period | - | - | - | - | 428,332 | 10,642 | - | 438,974 | 25,776 | 464,750 |
| Earnings appropriation and distribution: | | | | | | | | | | |
| Appropriation of legal reserve | - | - | 21,955 | - | (21,955) | - | - | - | - | - |
| Appropriation of special reserve | - | - | - | 20,804 | (20,804) | - | - | - | - | - |
| Cash dividends for ordinary shares | - | - | - | - | (146,378) | - | - | (146,378) | - | (146,378) |
| Balance on December 31, 2022 | 731,889 | 1,431,140 | 309,644 | 50,872 | 856,601 | (29,780) | (10,450) | 3,339,916 | 204,857 | 3,544,773 |
| Net profit of current period | - | - | - | - | 322,707 | - | - | 322,707 | (1,429) | 321,278 |
| Other comprehensive income/(loss) of current period | - | - | - | - | - | (8,730) | (4,025) | (12,755) | (671) | (13,426) |
| Total comprehensive income/(loss) of current period | - | - | - | - | 322,707 | (8,730) | (4,025) | 309,952 | (2,100) | 307,852 |
| Appropriation of legal reserve | - | - | 42,834 | - | (42,834) | - | - | - | - | - |
| Reversal of special reserve | - | - | - | (10,642) | 10,642 | - | - | - | - | - |
| Cash dividends for ordinary shares | - | - | - | - | (264,054) | - | - | (264,054) | - | (264,054) |
| Conversion of convertible bonds | 1,596 | 14,056 | - | - | - | - | - | 15,652 | - | 15,652 |
| Increase in non-controlling interests | - | - | - | - | - | - | - | - | (17,710) | (17,710) |
| Balance on December 31, 2023 | \$ 733,485 | 1,445,196 | 352,478 | 40,230 | 883,062 | (38,510) | (14,475) | 3,401,466 | 185,047 | 3,586,513 |

(Please read the attached notes to consolidated financial statements carefully)

Chairman: Steve Chu

Manager: Reaforl Hung

Accounting Supervisor: Amber Lee

CASwell, Inc. and its subsidiaries
Consolidated Statements of Cash Flows
From January 1 to December 31, 2023 and 2022

| | Unit: NT\$ thousand | |
|--|----------------------------|------------------|
| | 2023 | 2022 |
| Cash flows from operating activities: | | |
| Net pretax profit of current period | \$ 409,652 | 575,518 |
| Adjustments: | | |
| Adjustments to reconcile profit (loss) | | |
| Depreciation expenses | 81,310 | 74,347 |
| Amortization expenses | 9,995 | 8,629 |
| Expected credit (reversal gain) loss | (1,119) | 8,213 |
| Net loss (gain) on financial assets (liabilities) at fair value through profit or loss | 6,454 | (2,849) |
| Interest expenses | 14,396 | 5,866 |
| Interest income | (6,640) | (2,610) |
| Dividend income | (303) | - |
| Loss on disposal and scrapping of property, plant and equipment | 3 | 74 |
| Profit from lease modification | (43) | - |
| Total adjustments for reconcile profit (loss) | <u>104,053</u> | <u>91,670</u> |
| Changes in operating assets/liabilities: | | |
| Net changes in operating assets: | | |
| (Increase) decrease in notes and trades receivable (including related parties) | 29,248 | (38,442) |
| Decrease in other payables (including related parties) | 58,577 | 35,534 |
| Inventory (increase) decrease | 975,425 | (282,165) |
| Decrease in other current assets | 42,711 | 139,602 |
| Total net changes in operating assets | <u>1,105,961</u> | <u>(145,471)</u> |
| Net changes in operating liabilities: | | |
| Decrease in account payable (including related parties) | (322,985) | (202,090) |
| Increase (decrease) in other payables (including related parties) | (55,635) | 22,326 |
| Increase in warranty provisions | 1,215 | 2,737 |
| Increase (decrease) in other current liabilities | (57,086) | 99,736 |
| Total net changes in operating liabilities | <u>(434,491)</u> | <u>(77,291)</u> |
| Total net changes in operating assets and liabilities | <u>671,470</u> | <u>(222,762)</u> |
| Total adjustments | <u>775,523</u> | <u>(131,092)</u> |
| Cash inflow generated from operations | 1,185,175 | 444,426 |
| Interest received | 6,640 | 2,610 |
| Dividends received | 303 | - |
| Interest paid | (14,014) | (3,556) |
| Income tax paid | (137,138) | (36,654) |
| Net cash inflow generated from operations | <u>1,040,966</u> | <u>406,826</u> |
| Cash flows from investing activities: | | |
| Financial assets at fair value through other comprehensive gains and losses | (40,000) | (3,000) |
| Acquisition of financial assets at amortized cost | (40,482) | (361) |
| Acquisition of financial assets at fair value through profit or loss | (13,556) | (16,444) |
| Return of capital through profit and loss of financial assets at fair value | 1,347 | 3,299 |
| Acquisition of property, plant and equipment | (542,729) | (9,830) |
| Acquisition of intangible assets | (6,190) | (5,381) |
| Decrease (increase) in other non-current assets | 840 | (166,313) |
| Net cash used in investing activities | <u>(640,770)</u> | <u>(198,030)</u> |
| Cash flows from financing activities: | | |
| Increase (decrease) in short-term borrowings | (9,053) | 18,461 |
| Repayment of corporate bonds | (151,958) | - |
| Raise long-term borrowings | 500,000 | - |
| Repayment of long-term loans | (201,307) | (1,355) |
| Repayment of lease principal | (245,582) | (56,320) |
| Decrease in other non-current liabilities | (13) | (27) |
| Cash dividends paid | (264,054) | (146,378) |
| Changes in non-controlling interests | (17,710) | - |
| Net cash outflow generated from financing activities | <u>(389,677)</u> | <u>(185,619)</u> |
| Effect of exchange rates on cash and cash equivalents | (9,231) | 11,004 |
| Increase in cash and cash equivalents of current period | 1,288 | 34,181 |
| Cash and cash equivalents at beginning of period | 677,584 | 643,403 |
| Cash and cash equivalents at end of period | <u>\$ 678,872</u> | <u>677,584</u> |

(Please read the attached notes to consolidated financial statements carefully)

Chairman: Steve Chu

Manager: Reaforl Hung

Accounting Supervisor: Amber Lee

CASwell, Inc. and its subsidiaries
Notes to Consolidated Financial Statements
2023 and 2022

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

1. Company History

CASwell, Inc. (hereinafter referred to as “the Company”) was established on April 19, 2007 with the approval of the Ministry of Economic Affairs at the registered address of Principal business of the Company, 12F., No. 308, Jianguo 1st Road, Xinzhuang District, New Taipei City. The main businesses of the Company and its subsidiaries (hereinafter referred to as “the Consolidated Company”) include manufacturing of electronic components, manufacturing of computers and their peripherals, wholesale of electronic materials and information services.

2. Date of Approval of Financial Statements and Approval Procedures

The consolidated financial statements have been approved by the Board of Directors on March 13, 2024.

3. Application of New and Amended Standards and Interpretations

(1) Impact of adopting newly issued or amended standards and interpretations endorsed by the Financial Supervisory Commission.

The Group has adopted the revised IFRSs since January 1, 2023, without any material impact on the consolidated financial statements.

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Income Tax related to Assets and Liabilities Derived from Single Transaction”

(2) Effect of IFRSs endorsed by the FSC but not yet adopted by the Company

The Group has evaluated that the adoption of the revised IFRSs, effective from January 1, 2024, will not have a material impact on the consolidated financial statements.

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

(3) New and amended IFRSs, not yet endorsed by the FSC, and their interpretations

The Group has evaluated that the other standards released and amended below but not yet endorsed do not have a material impact on the 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 IAS 17

Notes to Consolidated Financial Statements of CASwell, Inc. and its Subsidiaries
(continued)

- Amendments to IFRS 17 “Comparative Information for Initial Application of IFRS 17 and IFRS 9”
- Amendments to IFRS 21 “Lack of Exchangeability”

4. Summary of Significant Accounting Policies

The significant accounting policies applied to the consolidated financial statements are as follows. These policies, excluding Note 3, have been consistently applied to all the periods presented in the consolidated financial statements.

(1) Compliance Declaration

The consolidated financial statements are prepared in accordance with the “Regulations Governing the Preparation of Financial Statements by Securities Issuers” (hereinafter referred to as “Preparation Regulations”), as well as the International Financial Reporting Standards (IFRSs), International Accounting Standards (IASs), and Interpretations developed by the International Financial Reporting Interpretation Committee (IFRIC) or the former Standing Interpretations Committee (SIC) as endorsed and issued to take effect by the Financial Supervisory Commission (FSC) (hereinafter referred to as “IFRS accounting standards as endorsed by the FSC”).

(2) Preparation basis

a. Basis of measurement

Except for the following significant items provided in the balance sheet, the consolidated financial statements are prepared based on historical cost convention:

- (a) Financial assets at fair value through profit or loss measured at fair value.
- (b) Financial assets at fair value through other comprehensive income measured at fair value.

b. Functional currency and presentation currency

The functional currency of every individual entity of the Group should be the currency of the primary economic environment in which it operates as the functional currency. The consolidated financial statements are presented in the New Taiwan, Dollars, the functional currency of the Company. The amount of financial information in New Taiwan Dollars shall be dominated in thousands of NTD.

(3) Basis of Consolidation

a. Principles for Preparing the Consolidated Financial Statements

The consolidated financial statements are mainly specific to the Company and other entities under the control of the Company (i.e., subsidiaries of the Company).

The Company includes the financial statements of a subsidiary in the consolidated financial statements from the date of gaining control over the subsidiary until the date of loss of control. The transactions, balances and any unrealized income, expenses and losses within the Group have all been eliminated at the time of preparation of the

Notes to Consolidated Financial Statements of CASwell, Inc. and its Subsidiaries
(continued)

consolidated financial statements. A subsidiary's total comprehensive income is attributed to the owners of the Company and non-controlling interests, even if non-controlling interests become having deficit balances in the process.

The financial statements of the subsidiaries have been adjusted to bring their accounting policies in line with those used by the Group.

When a change in the Group's ownership interests in a subsidiary does not cause the loss of control over the subsidiary, it shall be treated as an equity transaction between owners. The difference between the adjusted amount of non-controlling interests and the fair value of consideration paid or collected shall be directly recognized in equity attributable to the owners of the Company.

- b. Subsidiaries included in the consolidated financial statements:

| <u>Name of Investor</u> | <u>Name of Subsidiary</u> | <u>Business Nature</u> | <u>Ownership %</u> | |
|-------------------------|--|---|--------------------|-------------------|
| | | | <u>2023.12.31</u> | <u>2022.12.31</u> |
| The Company | CASO, INC. ("CASO") | Imports and sales of network machines and computer peripherals, etc. | 99% | 99% |
| The Company | CASWELL INTERNATIONAL INVESTMENT CO., LTD. ("CASWELL INTERNATIONAL") | Overseas investment | 100% | 100% |
| The Company | CASWELL AMERICAS, INC. ("CAI") | Sales of network communication products | 100% | 100% |
| CASWELL INTERNATIONAL | BEIJING CASWELL LTD. ("BEIJING CASWELL") | Manufacturing and sales of network communication products | 82% | 82% |
| The Company | APLIGO GmbH ("APLIGO") | Hub and SI Service | 66.67% | 66.67% |
| The Company | HAWKEYE TECH, CO., LTD ("HAWKEYE") | Design and manufacturing of telecommunications, network and computing equipment | 60.64% | 60.64% |

- c. Subsidiaries not included in the consolidated financial statements: None.

Notes to Consolidated Financial Statements of CASwell, Inc. and its Subsidiaries
(continued)

(4) Foreign currency

a. Foreign currency transaction

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency monetary items are converted into functional currency at the end of each subsequent date of financial reporting (hereinafter referred to as the reporting date) at the exchange rate on that day.

Foreign non-currency items measured at fair value are re-translated into functional currency according to the exchange rate on the date of fair value, and foreign currency non-currency items measured through historical cost will be translated according to the exchange rate on the date of transaction.

Exchange differences resulting from translating the foreign currency are generally recognized as profit and loss, but the following items are recognized as other comprehensive income:

- (a) Equity instruments designated to be measured at fair value through other comprehensive income;
- (b) Financial liabilities designated as net investment hedging for foreign operations within the effective hedging range; or

b. Foreign operation

The assets and liabilities of a foreign operation, including the goodwill and fair value adjustment, are translated into NTD according to the exchange rate on the reporting date; the revenue and expense items are translated into NTD according to the average exchange rate of the period. And the exchange difference amount will be recognized as other comprehensive income.

When the disposal of a foreign operation causes loss of control, joint control or material impact, all cumulative exchange differences that are attributable to such foreign operation are to be reclassified to profit or loss. In the case of partial disposal of a subsidiary with a foreign operation, the accumulated exchange difference is reclassified into non-controlling interest in proportion. In the case of partial disposal of investments in an affiliated enterprise or joint venture with a foreign operation, the accumulated exchange difference is reclassified into profit or loss in proportion.

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, the related gains and losses arising from the foreign currency exchange are regarded as part of the net investment in that foreign operation and recognized as other comprehensive income.

Notes to Consolidated Financial Statements of CASwell, Inc. and its Subsidiaries
(continued)

(5) Standards for classification of current and non-current assets and liabilities

Assets that meet any of the following criteria are classified as current assets; otherwise, they are classified as non-current assets:

- a. Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
- b. Assets held primarily for trading purposes;
- c. Assets expected to be realized within 12 months after the reporting period; or
- d. Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

Liabilities that meet any of the following criteria are classified as current liabilities; otherwise, they are classified as non-current liabilities:

- a. Liabilities that are expected to be paid off within the normal operating cycle;
- b. Liabilities held primarily for trading purposes;
- c. Liabilities that are to be paid off within twelve months after the reporting period; or
- d. Liabilities with a repayment schedule that cannot be unconditionally deferred till at least 12 months after the reporting period. Terms of liabilities, settled by issuance of equity instruments at the option of the counterparty, do not affect the classification of such liability.

(6) Cash and Cash Equivalents

Cash includes cash on hand and demand deposit. Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the foregoing definition and are held for short-term cash commitments other than investment or other purposes are presented as cash equivalents.

(7) Financial Instruments

Account receivable and debt securities issued were originally recognized when they were generated. All other financial assets and financial liabilities were recognized when the Group becomes a party of the financial instrument contract. Financial assets that are not measured at fair value through profit or loss (other than account receivables that do not contain a significant financing component) or financial liabilities are originally measured at fair value plus the transaction costs directly attributable to the acquisition or issuance. Account receivable that do not contain a significant financing component are measured at transaction prices.

Notes to Consolidated Financial Statements of CASwell, Inc. and its Subsidiaries
(continued)

a. Financial assets

For the purchase or sale of financial assets that conforms to customary transactions, the Group consistently treats all purchases and sales of financial assets classified in the same manner based on the transaction date or delivery date.

Financial assets, when initially recognized, may be classified into financial assets at amortized cost, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss. The Group shall reclassify all affected financial assets only when it changes its business model for managing its financial assets from the next reporting period.

(a) Financial assets at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as measured at fair value through profit and loss:

- It is held under a business model with a view to holding assets to collect contractual cash flows.
- The cash flow generated on a specified date under the contract of the financial asset is solely for paying the outstanding principal and its interests.

Such financial asset measured at amortized cost is subsequently recognized at their initial value, plus any directly attributable transaction costs using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign currency profit or loss and impairment loss are recognized as profit or loss. When performing derecognition, profit or loss is recognized as profit or loss.

(b) Financial assets at fair value through other comprehensive income

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

An investment through equity instrument is subsequently measured at fair value. Dividend income (unless it clearly represents the return on part of the investment cost) is recognized as profit and loss. The remaining net profit or loss is recognized as other comprehensive income and is not reclassified to profit and loss.

Dividend income derived from equity investments is recognized on the date (normally the ex-dividend date) that the Group is entitled to receive dividend.

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

Financial assets not measured at amortized costs or at fair value through other comprehensive income shall be measured at fair value through profit and loss, including derivative assets. On initial recognition, the Group may irrevocably

Notes to Consolidated Financial Statements of CASwell, Inc. and its Subsidiaries
(continued)

designate a financial asset, which meets the requirements to be measured at amortized cost or measured at fair value through other comprehensive income, as at fair value through profit and loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value, and their net profits or losses (including any dividends and interest income) are recognized as profit or loss.

(d) Impairment of financial assets

The expected credit loss for financial assets at amortized cost by the Group (including cash and cash equivalents, financial assets at amortized cost, notes receivable, account receivable, other receivables, refundable deposit, and other financial assets, etc.) is recognized as allowance loss.

The Company 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 on 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) have not increased significantly since initial recognition.

Loss allowances of account receivables are recognized based on the expected credit loss during the term of duration.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition 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. Time deposits held by the Group are traded with and performed by financial institutions of investment grade or above, and therefore are deemed to have low credit risk.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 120 days past due.

If the contract payment is more than 180 days overdue or the borrower is unlikely to fulfill its credit obligation to pay the Group in full, the Group considers that default occurs on the financial asset.

Notes to Consolidated Financial Statements of CASwell, Inc. and its Subsidiaries
(continued)

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

The 12-month expected credit loss represents possible credit loss from breach of contract within 12 months of reporting date (or within a shorter period, if the period of existence of financial instruments is less than 12 months).

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

ECLs are a probability-weighted estimate of credit losses during the period of existence of financial instruments. Credit losses are measured as the present value of all cash shortfalls. 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. ECLs are discounted at the effective interest rate of the financial asset. The Group evaluates whether there is credit impairment in measuring financial assets through amortized cost on every reporting date. When there is one or more events arising that will bring unfavorable influence to expected future cash flow, there is already credit impairment to the financial asset. Evidence of a credit impairment of a financial asset includes the observable information for the following events:

- Major financial difficulties of the borrower or issuer;
- Default, such as delay or overdue for more than 180 days;
- The Company makes concessions for the borrower that would not have been considered for economic or contractual reasons related to the borrower's financial difficulties;
- The borrower is most likely to file for bankruptcy or conduct other financial restructuring; or
- The active market for the financial asset disappears due to financial difficulties.

The allowance loss of financial assets at amortized cost is deducted from the carrying amount of assets.

The gross carrying amount of a financial asset is written off directly provided that that there is no realistic prospect of recovery either partially or in full. For companies, the Group analyzes the timing and amount of write-offs individually based on whether it is reasonably expected to be recoverable. The Group expects that the amount written off will not be materially reversed. 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.

Notes to Consolidated Financial Statements of CASwell, Inc. and its Subsidiaries
(continued)

(e) Derecognition of financial assets

The Group derecognizes financial assets when the contractual rights to the cash inflow from the asset expire or when the Group transfers the financial assets with substantially all the risks and rewards of ownership to other enterprises, or does not transfer nor retain almost all risk and rewards of ownership nor retain right to control such financial assets.

When the Group enters into a transaction to transfer financial assets, if it retains all or almost all risks and rewards of ownership of the transferred assets, it will continue to be recognized on the balance sheet.

b. Financial Liabilities and Equity Instruments

(a) Classification of liabilities or equities

The debt and equity instruments issued by the Group are classified as financial liabilities or equity according to the substance of the contractual agreement and the definition of financial liabilities and equity instruments.

(b) Equity transactions

Equity instruments refer to any contracts containing the Group's residual interests after subtracting liabilities from assets. The equity instrument issued by the Group shall be recognized by the payment net of the direct cost of issuance.

(c) Compound financial instruments

The composite financial instruments issued by the Group refer to corporate bonds (denominated in NTD) for which holders enjoy the option to convert them into capital, and the number of issued shares will not change with variation of fair value.

For the components of composite financial instruments liability, the initially recognized amount is measured at fair value through liabilities excluding those similar to equity conversion option. For the components of equity, the initially recognized amount is measured by the difference between fair value of overall composite financial instruments and fair value of components of liability. Any directly attributable transaction cost will be amortized to liability and equity components according to the carrying amount ratio of original liability and equity. After initial recognition, the liability components of composite financial instruments are measured through amortized cost with effective interest rate method. The components of composite financial instruments will not be re-measured after initial recognition.

Notes to Consolidated Financial Statements of CASwell, Inc. and its Subsidiaries
(continued)

Interest related to financial liabilities is recognized as profit or loss. Financial liability is reclassified as equity upon conversion without being recognized as profit or loss.

(d) Financial liabilities

Financial liabilities are classified as measured at amortized costs or at fair value through profit or loss. Financial liabilities are classified as measured at fair value through profit or loss if they are held for trading, derivatives, or designated at initial recognition. Financial assets at fair value through profit or loss are measured at fair value; and profit or loss, including any interest expense, arising from such financial assets are recognized as profit or loss.

Other subsequent financial liabilities are measured at amortized cost using the effective interest method. Interest expense and profit or loss from foreign currency exchange are recognized as profit or loss. Any gain or loss on derecognition is recognized as profit or loss.

(e) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligation has been discharged or cancelled, or has expired. When the terms of financial liabilities are modified and the cash flow of the modified liabilities is significantly different, the original financial liabilities are derecognized and the new financial liabilities are recognized at fair value based on the revised terms.

When financial liabilities are derecognized, the difference between their carrying amount and the paid consideration (including any transferred non-cash assets or liabilities assumed) shall be recognized in profit or loss.

(f) Offset of financial assets and liabilities

The Group presents financial assets and liabilities on a net basis when it has the legally enforceable right to offset and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(8) Inventories

Inventories are measured at the lower of cost or net realizable value. Inventories are measured at standard cost generally, but when compared against actual cost during the reporting period, necessary adjustment should be made to ensure the inventories are approximate to the weighted average cost. The net realizable value is the estimated selling price in the ordinary course of business less the estimated additional cost required for completion and the estimated cost necessary to offer for sale.

Notes to Consolidated Financial Statements of CASwell, Inc. and its Subsidiaries
(continued)

(9) Property, plant and equipment

a. Recognition and measurement

Property, plant and equipment shall be measured by deducting accumulated depreciation or any accumulated impairment from cost (including capitalized borrowing costs).

The material components of property, plant and equipment with different service lives are treated as separate items (major components) of property, plant and equipment.

The gain or loss arising from the disposal of property, plant and equipment shall be recognized as profit and loss.

b. Subsequent cost

Subsequent cost is only capitalized when the future economic benefits are likely to flow into the Group.

c. Depreciation

Depreciation is calculated based on the cost deducting the residual value, and depreciation measured using the straight-line method is recognized in profit or loss within the estimated service life of each component.

The estimated service lives of equipment for the current and comparative periods:

(a) Houses and buildings: 10-50 years

(b) Machinery equipment: 3-8 years

(c) R&D equipment: 3-5 years

(d) Other equipment: 2-10 years

Depreciation methods, useful lives, and residual values are reviewed by Group at each reporting date and adjusted when necessary.

(10) Lease

The Group evaluates whether the contract is a lease or contains a lease upon the conclusion of the contract. If the contract transfers control over the use of the identified assets for a period of time in exchange for consideration, the contract is a lease or contains a lease.

The Group, as a lessee, recognizes the right-of-use asset and lease liability upon the inception of the lease. The right-of-use asset is initially measured at cost, which includes the original measured amount of the lease liability, adjusts any lease payments paid on or before the inception of the lease and adds the original direct cost incurred and the estimated cost of dismantling, removing the underlying asset and restoring its location or underlying asset, and deducting any lease incentive.

The right-of-use asset is subsequently depreciated on a straight-line basis between the inception of the lease and the end of the end-of-life of the right-of-use asset or the end of the lease period. In addition, the Group regularly assesses whether the right-of-use asset is

Notes to Consolidated Financial Statements of CASwell, Inc. and its Subsidiaries
(continued)

impaired and treats any impairment loss that has occurred, as well as cooperating to adjust the right-of-use asset when the lease liability is remeasured.

Lease liabilities are originally measured by the present value of the lease payments that have not been paid at the inception of the lease. If the implicit interest rate of the lease is easy to determine, it is applied as the discount rate. If it is not easy to determine, the incremental borrowing rate of the Group is used. Generally speaking, the Group adopts the incremental borrowing rate as the discount rate.

Lease payments in the measurement of lease liabilities include:

- a. Fixed benefits, including substantial fixed benefits;
- b. Variable lease payments dependent upon certain indicators or rates are measured by the indicators or rates used at the inception of the lease;
- c. The residual value guarantee expected to be paid; and
- d. When reasonably determined that the purchase option or lease termination option will be exercised, the exercise price or the penalty payable.

The lease liability is subsequently accrued by the effective interest method, and the amount is measured when the following occurs:

- a. Changes in the indicator or rate used to determine lease payments result in changes in future lease payments;
- b. Changes in the residual value guarantee expected to be paid;
- c. Changes in the evaluation of the underlying asset purchase option;
- d. Changes in the estimate of whether to exercise the extension or termination option and the assessment of the lease period;
- e. Modification of lease subject, scope or other terms.

When the lease liability is remeasured due to changes in the aforementioned indicator or rate used to determine lease payments, changes in the residual value guarantee, and changes in the evaluation of purchase, extension or termination options, the carrying amount of the right-of-use asset is adjusted accordingly. When the carrying amount of the right-of-use asset is reduced to zero, the remaining remeasured amount is recognized in profit or loss.

For lease modifications that reduce the scope of the lease, the carrying amount of the right-of-use asset is reduced to reflect the partial or full termination of the lease, and the difference between the lease and the remeasured amount of the lease liability is recognized in profit or loss.

For the short-term lease of machinery equipment and other equipment and the lease of low-value underlying assets leased, the Group chooses not to recognize the right-of-use assets and lease liabilities, but the related lease payments are recognized on a straight-line basis as expenses during the lease period.

Notes to Consolidated Financial Statements of CASwell, Inc. and its Subsidiaries
(continued)

(11) Intangible Assets

a. Recognition and measurement

Goodwill arising from the acquisition of a subsidiary is measured as cost less cumulative impairment.

Intangible assets acquired by the Group with a limited-service life are measured by deducting accumulated amortization and accumulated impairment from cost.

b. Amortization

Except for goodwill, amortization is calculated based on the cost of assets less the estimated residual value. Since the intangible assets are ready for use, amortization, measuring with the straight-line method, is recognized as profit or loss within their estimated service life.

The estimated service lives of equipment for the current and comparative periods:

(a) Computer software: 1~ 5 years

(b) Other: 5 years

The residual value, service life and amortization method of intangible assets are reviewed by the Group on each reporting date, and adjusted when necessary.

(12) Impairments of Non-financial Assets

On each reporting date, the Group assesses whether there is any indication that the carrying amount of non-financial assets (other than inventory and deferred tax assets) is impaired. If any such indication is found, the recoverable amount of the asset is estimated. An impairment test is conducted on goodwill on a yearly basis.

For the purpose of impairment test, a group of assets whose cash inflows are largely independent of the cash inflows of other individual assets or asset groups is used as the smallest identifiable asset group. Goodwill derived from the merger is apportioned to the cash generating units or groups of cash generating units that are expected to benefit from the general effect of the merger.

The recoverable amount is measured by deducting disposal cost and value in use of an individual asset or cash generating unit from its fair value, whichever is higher. When evaluating the value in use, the estimated future cash flow is converted to the present value at a pre-tax discount rate, which should reflect the current market assessment of the time value of money and the specific risks for the asset or cash-generating unit.

If the recoverable amount of an individual asset or cash-generating unit is lower than the carrying amount, an impairment loss is recognized.

If loss from impairment is recognized in current profit and loss, carrying amount of goodwill allocated to the cash generating unit should be reduced first, and then carrying amount of other assets within the unit should be reduced in proportion.

Notes to Consolidated Financial Statements of CASwell, Inc. and its Subsidiaries
(continued)

The impairment loss of goodwill will not be reversed. Non-financial assets other than goodwill will be reversed only to the extent not exceeding the carrying amount (less depreciation or amortization) determined if the impairment loss had not been recognized in the previous year.

(13) Provisions

The recognition of provisions means that the Group has a present obligation arising from a past event, and it is likely that the Company will have to discharge resources with economic benefit in the future to fulfill the obligation, the amount of which can be reliably estimated. The provision is discounted at a pre-tax discount rate that reflects the current market's assessment of the time value of money and the specific risk of liabilities. The amortization of the discount is recognized as interest expense.

Provision for warranty liabilities is recognized at the time of sale of goods or services and is measured on a weighted basis according to its relative probability based on historical warranty information and all possible outcomes.

(14) Revenue Recognition

a. Revenue from contracts with customers

Revenue is measured at the consideration to which it is expected to be entitled in transferring the goods or services. The Group recognizes revenue only when the control of goods or services is transferred to customers and the obligations are fulfilled. Major sources of revenue of the Group are as follows:

(a) Goods sales

The Group manufactures and sells to customers network communication products. The Group recognizes revenue when control of the products has transferred. The control of the products has transferred 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 means delivering the products to designated place, whereby their obsolescence and loss risk has been transferred to a customer, who has accepted the products according to sales contract while the acceptance inspection terms become invalid, or the Consolidated Company has objective evidences to believe that all acceptance inspection conditions have been met.

The Group provides standard warranty on clients' products and therefore assumes the obligation to refund defects, and has recognized the obligation as provisions for warranty.

Account receivables are 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

Notes to Consolidated Financial Statements of CASwell, Inc. and its Subsidiaries
(continued)

unconditional.

(b) Financial components

The Group expects that the time between the transfer of goods or services to the customer under all customer contracts and the payment for such goods or services by the customer is not exceed one year. Therefore, the Group does not adjust the time value of money of the transaction price.

(15) Employee benefits

a. Defined contribution plan

Obligations for contribution to defined pension contribution scheme are recognized as expenses for the periods during which services are rendered by employees.

b. Short-term employee benefits

Obligations for short-term employee benefits are recognized as expenses for the periods during which services are rendered by employees. 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.

(16) Income taxes

Income tax expenses include current and deferred income tax. Except for expenses related to merger or recognized directly in equity or other comprehensive income, all current and deferred income taxes shall be recognized in profit or loss.

Current income tax includes the estimated income tax payable or tax refunds receivable based on tax gains (losses) for the current year and any adjustments to income taxes payable or tax refunds receivable for the previous year. The amount is based on the statutory tax rate at the reporting date or the tax rate of substantive legislation to measure the best estimate of the amount expected to be paid or received.

Deferred income tax is measured and recognized based on the temporary difference between the amount of assets and liabilities on the books for financial reporting purposes and the tax basis. Temporary differences arising from the following circumstances are not recognized as deferred income tax:

- a. Temporary differences arising from the initial recognition of assets or liabilities other than in the transaction of a business combination which do not affect accounting profits and tax gains (losses) at the time of the transaction;
- b. Temporary differences arise from investments in subsidiaries, and cannot be reversed at the time points where such reversal is controllable by the Consolidated Company and would probably not be reversed in the foreseeable future; and

Notes to Consolidated Financial Statements of CASwell, Inc. and its Subsidiaries
(continued)

- c. Taxable temporary differences arise from the original recognition of goodwill. Deferred income tax is measured at the tax rate at the time of reversal of expected temporary differences using the statutory or substantive legislative tax rate on the reporting date.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

- a. The Consolidated Company has the legal right to settle tax assets and liabilities on a net basis; and
- b. The deferred income tax assets and liabilities are related to one of taxpayers paying the income taxes levied by a tax authority;
- (a) The taxes are paid by the same taxpayer; or
- (b) The taxpayers are different, but intend to liquidate current income tax liabilities and assets (where such amounts are significant) on a net basis every year in the period of expected asset realization or debt liquidation, or realize assets and liquidate the liabilities simultaneously.

A deferred tax asset should be recognized for the carry forward of unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax credits and deductible temporary differences can be utilized. Such unused tax credits and deductible temporary differences shall also be re-evaluated every year on the financial reporting date, and adjusted based on the probability that future taxable profit will be available against which the unused tax credits and deductible temporary differences can be utilized.

(17) Business Combinations

The Group shall deal with all business combinations using the acquisition approach. Goodwill is measured at the fair value of the transfer price on the acquisition date (including the amount attributable to any non-controlling interests of the acquiree) less the net amount of identifiable assets acquired and liabilities assumed (generally as fair value). If the difference is negative, the Group shall reevaluate to confirm whether to recognize bargain purchase gains as profit or loss after all assets acquired and liabilities assumed have been correctly identified.

Except for those related to the issuance of debt or equity instruments, all other transaction costs associated with business combinations shall be recognized as business combination costs right after they are incurred.

If an acquiree's non-controlling interests are current ownership interests, and their owner has the right to receive net corporate assets on a pro rata basis at the time of liquidation, the Group shall choose to measure the recognized amount of the acquiree's net identifiable assets at fair value or according to current ownership tools on the acquisition date on a

Notes to Consolidated Financial Statements of CASwell, Inc. and its Subsidiaries
(continued)

transaction-by-transaction basis. Other non-controlling interests shall be measured at the fair value on the date of acquisition or on other basis stipulated by the international financial reporting standards recognized by the Financial Supervisory Commission.

(18) Earnings per share

The Group discloses the basic and diluted earnings per share attributable to ordinary shareholders of the Company. The basic earnings per share of the Group is calculated by dividing the profit and loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the current period. The calculation of diluted earnings per share is based on the profit and loss attributable to ordinary shareholders of the Company, divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all diluted potential ordinary shares. Potential diluted ordinary shares of the Group include convertible bonds and stock options for employees.

(19) Segment Information

As integral parts of the Group, operations departments engage in business activities which might earn revenues and incur expenses. The business results of all operations departments are regularly reviewed by the Group's main business decision makers, in order to determine resource allocation to the departments and evaluate their performances.

5. Primary Sources of Uncertainties in Material Accounting Judgments, Estimates, and Assumptions

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

Management continually reviews estimates and underlying assumptions, and recognizes the changes in accounting estimates in the period of change and in the affected future periods.

The Group has no accounting policies that involve material judgments and have material impact on the amounts recognized in the consolidated financial statements.

For the uncertainties in the assumptions and estimates, the information related to the material risk that will not result in a material adjustment in the next fiscal period is as follows:

(1) Inventory valuation

As inventories are measured at the cost or net realizable value, whichever comes lower, the Group estimates the net realizable value of inventories that are normally worn and torn, obsolescent or unmarketable on the reporting date and then writes down the cost of inventories to net realizable value. The assessment of this inventory valuation is mainly based on the product requirements within a specific future period. Hence, it may have significant changes due to rapid industrial changes.

Notes to Consolidated Financial Statements of CASwell, Inc. and its Subsidiaries
(continued)

(2) Assessment of Goodwill Impairment

The evaluation process of goodwill impairment is dependent upon the subjective judgment of the Group, and in determining whether goodwill is impaired, it is necessary to estimate the value of the cash-generating unit to be allocated to the goodwill. To calculate the value in use, the management shall estimate the future cash flow expected to be generated from the cash-generating unit, and determine the appropriate discount rate used to calculate the present value. Significant impairment loss may occur if actual cash flows are lower than the forecasts.

6. Details of Significant Accounts

(1) Cash and Cash Equivalents

| | 2023.12.31 | 2022.12.31 |
|--|-------------------|-------------------|
| Cash on hand and petty cash | \$ 808 | 653 |
| Foreign currency and demand deposits | 655,936 | 611,640 |
| Time deposits | 22,128 | 65,291 |
| Cash and cash equivalents reported in the consolidated cash flow statement | \$ 678,872 | 677,584 |

Refer to Note 6(18) for the details on interest rate risk and sensitivity analysis of financial assets of the Group.

(2) Notes receivable and account receivable (including related parties)

| | 2023.12.31 | 2022.12.31 |
|--|-------------------|-------------------|
| Notes receivables - operating | \$ 63,013 | - |
| Account receivables - measured at amortized cost | 716,754 | 869,353 |
| Less: Loss allowance | (8,356) | (9,410) |
| | \$ 771,411 | 859,943 |

The Group applies the simplified approach on the estimation of expected credit losses, that is, a loss allowance is recognized based on lifetime of expected credit losses. To measure the expected credit losses, notes receivable and account receivable were grouped based on shared characteristics of credit risk on remaining payments before due date, and forward-looking information was incorporated as well, including macroeconomy and related industry information. The expected credit loss of notes receivable and account receivable of the Group is analyzed as follows:

Notes to Consolidated Financial Statements of CASwell, Inc. and its Subsidiaries
(continued)

| | 2023.12.31 | | |
|----------------------------|---|---|---|
| | Carrying amount of notes receivable and account receivable | Weighted average expected credit loss rate | Expected credit losses during the lifetime of loss allowance |
| Not overdue | \$ 737,534 | 0.10% | 770 |
| Less than 30 days overdue | 14,310 | 0.27% | 39 |
| 31 - 120 days overdue | 10,138 | 18.19% | 1,844 |
| 121 ~ 365 days overdue | 17,717 | 31.81% | 5,635 |
| More than 366 days overdue | 68 | 100.00% | 68 |
| | \$ 779,767 | | 8,356 |
| | 2022.12.31 | | |
| | Carrying amount of notes receivable and account receivable | Weighted average expected credit loss rate | Expected credit losses during the lifetime of loss allowance |
| Not overdue | \$ 746,192 | 0.57% | 4,280 |
| Less than 30 days overdue | 35,957 | 2.26% | 811 |
| 31 - 120 days overdue | 64,822 | 6.22% | 4,029 |
| 121 ~ 365 days overdue | 22,314 | 0.99% | 222 |
| More than 366 days overdue | 68 | 100.00% | 68 |
| | \$ 869,353 | | 9,410 |

Changes in loss allowances for notes receivable and account receivable of the Group are as follows:

| | 2023 | 2022 |
|---|-----------------|--------------|
| Beginning balance | \$ 9,410 | 2,734 |
| Impairment loss recognized | 6,621 | 8,213 |
| Unrecoverable write-off of current year | - | (1,580) |
| Foreign currency translation gain or loss | 65 | 43 |
| Reversal of impairment loss | (7,740) | - |
| Ending balance | \$ 8,356 | 9,410 |

None of the aforesaid financial assets is used as a guarantee for borrowing and financing. Please refer to Note 6(18) for further information on other credit risks.

Notes to Consolidated Financial Statements of CASwell, Inc. and its Subsidiaries
(continued)

(3) Inventories

| | 2023.12.31 | 2022.12.31 |
|-------------------------------|---------------------|-------------------|
| Raw materials and consumables | \$ 1,241,390 | 1,808,260 |
| Work-in-progress | 164,248 | 255,018 |
| Finished goods | 382,507 | 700,595 |
| | \$ 1,788,145 | 2,763,873 |

Details of cost of goods sold in 2023 and 2022 are as follows:

| | 2023 | 2022 |
|---------------------------------|---------------------|------------------|
| Inventory cost of goods sold | \$ 3,013,697 | 3,755,546 |
| Loss from inventory devaluation | 1,259 | 13,891 |
| Loss for inventory obsolescence | 8,295 | 7,399 |
| Others | 65,672 | 83,795 |
| | \$ 3,088,923 | 3,860,631 |

No inventories of the Group was pledged as collateral as of December 31, 2023 and 2022.

(4) Property, plant and equipment

| | Land | Houses and buildings | Machinery equipment | R&D equipment | Other equipment | Total |
|-----------------------------------|-------------------|---------------------------------|--------------------------------|------------------------------|----------------------------|----------------|
| Cost: | | | | | | |
| Balance on January 1, 2023 | \$ 22,048 | 25,098 | 23,041 | 18,253 | 52,379 | 140,819 |
| Add (Note) | 260,563 | 260,888 | 1,642 | 1,055 | 18,581 | 542,729 |
| Disposal | - | - | (6,487) | (3,095) | (5,514) | (15,096) |
| Reclassification (Note) | 83,580 | 75,140 | 343 | - | - | 159,063 |
| Effect of exchange rates | - | - | (18) | (36) | 39 | (15) |
| Balance on December 31, 2023 | \$ 366,191 | 361,126 | 18,521 | 16,177 | 65,485 | 827,500 |
| Balance on January 1, 2022 | \$ 22,048 | 25,098 | 24,871 | 19,971 | 55,637 | 147,625 |
| Additions | - | - | 2,659 | 1,807 | 5,364 | 9,830 |
| Disposal | - | - | (4,504) | (3,876) | (9,188) | (17,568) |
| Reclassification | - | - | - | 320 | - | 320 |
| Effect of exchange rates | - | - | 15 | 31 | 566 | 612 |
| Balance on December 31, 2022 | \$ 22,048 | 25,098 | 23,041 | 18,253 | 52,379 | 140,819 |
| Depreciation and impairment loss: | | | | | | |
| Balance on January 1, 2023 | \$ - | 3,948 | 12,839 | 11,036 | 26,918 | 54,741 |
| Depreciation | - | 4,327 | 4,498 | 3,046 | 8,137 | 20,008 |
| Disposal | - | - | (6,487) | (3,095) | (5,511) | (15,093) |
| Effect of exchange rates | - | - | (16) | (34) | 176 | 126 |
| Balance on December 31, 2023 | \$ - | 8,275 | 10,834 | 10,953 | 29,720 | 59,782 |

Notes to Consolidated Financial Statements of CASwell, Inc. and its Subsidiaries
(continued)

| | <u>Land</u> | <u>Houses and buildings</u> | <u>Machinery equipment</u> | <u>R&D equipment</u> | <u>Other equipment</u> | <u>Total</u> |
|---------------------------------|-------------------|---------------------------------|--------------------------------|------------------------------|----------------------------|----------------|
| Balance on January 1, 2022 | \$ - | 3,154 | 12,363 | 11,057 | 28,224 | 54,798 |
| Depreciation | - | 794 | 4,967 | 3,827 | 7,416 | 17,004 |
| Disposal | - | - | (4,503) | (3,877) | (9,114) | (17,494) |
| Effect of exchange rates | - | - | 12 | 29 | 392 | 433 |
| Balance on December 31, 2022 | <u>\$ -</u> | <u>3,948</u> | <u>12,839</u> | <u>11,036</u> | <u>26,918</u> | <u>54,741</u> |
| Carrying Amount: | | | | | | |
| December 31, 2023 | <u>\$ 366,191</u> | <u>352,851</u> | <u>7,687</u> | <u>5,224</u> | <u>35,765</u> | <u>767,718</u> |
| December 31, 2022 | <u>\$ 22,048</u> | <u>21,150</u> | <u>10,202</u> | <u>7,217</u> | <u>25,461</u> | <u>86,078</u> |

Note: In 2023, the Group acquired an office building for NT\$654,511,000 and transferred NT\$158,720,000 from other non-current assets.

Please refer to Note 8 for property, plant or equipment of the Group pledged as collateral for financing limit as of December 31, 2023 and 2022.

(5) Right-of-use assets

Changes in right-of-use, cost and depreciation of leased houses and buildings, machines and transportation equipment by the Group are as follows:

| | <u>Land</u> | <u>Houses and buildings</u> | <u>Machinery equipment</u> | <u>Transport ation equipment</u> | <u>Total</u> |
|---|-------------------|---------------------------------|--------------------------------|--|----------------|
| Cost of right-of-use assets: | | | | | |
| Balance on January 1, 2023 | \$ - | 177,448 | 99 | 7,619 | 185,166 |
| Add (Note) | 337,533 | 355,605 | 113 | - | 693,251 |
| Decrease | - | (36,866) | (102) | - | (36,968) |
| Effect of exchange rates | - | (1,437) | 4 | 146 | (1,287) |
| Balance on December 31, 2023 | <u>\$ 337,533</u> | <u>494,750</u> | <u>114</u> | <u>7,765</u> | <u>840,162</u> |
| Balance on January 1, 2022 | \$ - | 185,245 | 86 | 6,699 | 192,030 |
| Additions | - | 36,975 | 95 | 4,303 | 41,373 |
| Decrease | - | (46,825) | (86) | (3,583) | (50,494) |
| Effect of exchange rates | - | 2,053 | 4 | 200 | 2,257 |
| Balance on December 31, 2022 | <u>\$ -</u> | <u>177,448</u> | <u>99</u> | <u>7,619</u> | <u>185,166</u> |
| Depreciation of right-of-use assets: | | | | | |
| Balance on January 1, 2023 | \$ - | 92,112 | 25 | 2,142 | 94,279 |
| Provision for depreciation | - | 59,153 | 105 | 2,044 | 61,302 |

Notes to Consolidated Financial Statements of CASwell, Inc. and its Subsidiaries
(continued)

| | Land | Houses and buildings | Machinery equipment | Transport ation equipment | Total |
|---------------------------------|-------------------|-------------------------|------------------------|---------------------------------|----------------|
| Decrease | - | (32,045) | (102) | - | (32,147) |
| Effect of exchange rates | - | (669) | - | 66 | (603) |
| Balance on December 31, 2023 | \$ - | 118,551 | 28 | 4,252 | 122,831 |
| Balance on January 1, 2022 | \$ - | 82,821 | 22 | 3,551 | 86,394 |
| Provision for depreciation | - | 55,152 | 89 | 2,102 | 57,343 |
| Decrease | - | (46,825) | (86) | (3,583) | (50,494) |
| Effect of exchange rates | - | 964 | - | 72 | 1,036 |
| Balance on December 31, 2022 | \$ - | 92,112 | 25 | 2,142 | 94,279 |
| Carrying Amount: | | | | | |
| December 31, 2023 | \$ 337,533 | 376,199 | 86 | 3,513 | 717,331 |
| December 31, 2022 | \$ - | 85,336 | 74 | 5,477 | 90,887 |

Note: The Group has made an agreement with Huaku Development Co., Ltd., anticipating the property transfer to take place in 2027. To adhere to the aforementioned schedule, the Group will acquire the right of use through leasing from the time of signing the contract and handing over the house until the Group obtains the property rights.

(6) Intangible Assets

| | Goodwill | Computer software and others | Total |
|-----------------------------------|-------------------|------------------------------------|----------------|
| Cost: | | | |
| Balance on January 1, 2023 | \$ 330,287 | 44,181 | 374,468 |
| Purchase | - | 6,190 | 6,190 |
| Disposal | - | (1,861) | (1,861) |
| Effect of exchange rates | 922 | (109) | 813 |
| Balance on December 31, 2023 | \$ 331,209 | 48,401 | 379,610 |
| Balance on January 1, 2022 | \$ 329,262 | 42,381 | 371,643 |
| Purchase | - | 5,381 | 5,381 |
| Disposal | - | (3,782) | (3,782) |
| Effect of exchange rates | 1,025 | 201 | 1,226 |
| Balance on December 31, 2022 | \$ 330,287 | 44,181 | 374,468 |
| Amortization and impairment loss: | | | |
| Balance on January 1, 2023 | \$ 812 | 23,656 | 24,468 |
| Amortization in the period | - | 9,995 | 9,995 |
| Disposal | - | (1,861) | (1,861) |
| Effect of exchange rates | - | 11 | 11 |

Notes to Consolidated Financial Statements of CASwell, Inc. and its Subsidiaries
(continued)

| | Goodwill | Computer software and others | Total |
|------------------------------|-------------------|-------------------------------------|----------------|
| Balance on December 31, 2023 | \$ 812 | 31,801 | 32,613 |
| Balance on January 1, 2022 | \$ 812 | 18,733 | 19,545 |
| Amortization in the period | - | 8,629 | 8,629 |
| Disposal | - | (3,782) | (3,782) |
| Effect of exchange rates | - | 76 | 76 |
| Balance on December 31, 2022 | \$ 812 | 23,656 | 24,468 |
| Carrying Amount: | | | |
| December 31, 2023 | \$ 330,397 | 16,600 | 346,997 |
| December 31, 2022 | \$ 329,475 | 20,525 | 350,000 |

(7) Short-term borrowings

Details of the Group's short-term borrowings are as follows:

| | 2023.12.31 | 2022.12.31 |
|------------------------|---------------------|-------------------|
| Unsecured loans | \$ 30,835 | 39,888 |
| Unused limit | \$ 2,029,095 | 2,092,832 |
| Range of interest rate | 0.7%~9.35% | 0.7%~5.5% |

The Group had not used its assets as collateral for guaranteeing any bank loans.

(8) Long-term borrowings

Details of the Group's long-term borrowings are as follows:

| | 2023.12.31 | 2022.12.31 |
|-------------------------------------|-------------------|-------------------|
| Secured bank loans | \$ 322,544 | 23,851 |
| Less: Loans matured within one year | (1,427) | (1,404) |
| Total | \$ 321,117 | 22,447 |
| Unused limit | \$ - | - |
| Range of interest rate | 1.9%~2.24% | 1.97% |

Please refer to Note 8 for details of guarantee for the Group to use assets to pledge for guaranteeing bank loans

(9) Bonds payable

Bonds payable of the Group are as follows:

| | 2023.12.31 | 2022.12.31 |
|--|-------------------|-------------------|
| Amount of unsecured convertible bonds initially issued | \$ 710,553 | 710,553 |
| Unamortized discount on bonds payable | - | (194) |
| Cumulative converted amount | (558,595) | (542,964) |
| Less: exercise redemption right | (151,958) | - |
| Bonds payable due, ending balance | \$ - | 167,395 |

Notes to Consolidated Financial Statements of CASwell, Inc. and its Subsidiaries
(continued)

| | 2023.12.31 | 2022.12.31 |
|---|-------------------|-------------------|
| Embedded derivatives-right of redemption (presented in financial assets at fair value through profit or loss) | <u>\$ -</u> | <u>215</u> |
| Equity components - right of conversion (presented in capital surplus - right of subscription) | <u>\$ -</u> | <u>4,441</u> |
| | 2023 | 2022 |
| Interest expenses | <u>\$ 194</u> | <u>2,307</u> |

| Item | First domestic unsecured convertible bonds |
|----------------------------|--|
| 1. Total amount of issue | NT\$700,000 thousand |
| 2. Nominal amount of issue | NT\$100 thousand |
| 3. Issuance period | 2020.2.10~2023.2.10 |
| 4. Bond term | 3 years |
| 5. Coupon rate | 0% |
| 6. Repayment upon maturity | At maturity of the convertible bonds, the Company will make a lump sum payment in cash on the face value of the bonds plus interest (101.5075% of the face value with actual ROI of 0.5%). |
| 7. Redemption method | <p>(1) During the period from the date following three months of the bonds issue to 40 days before the maturity date, when the closing price of the Company's ordinary shares at the business premises of a securities firm exceeds the conversion price by more than 30 (inclusive) percent for 30 consecutive business days, the Company may redeem all convertible bonds outstanding at a price equivalent to their face value in cash in 30 business days thereafter.</p> <p>(2) During the period from the date following three months of the bonds issue to 40 days before the maturity date, when the amount of the convertible bonds outstanding is lower than 10% of total value of bonds issued, the Company may redeem all convertible bonds outstanding at a price equivalent to their face value in cash at any time thereafter.</p> <p>(3) Where a bondholder fails to respond to the Company's stock affairs agency in writing before the base date stated in the "bond recalling notice," the Company shall redeem the convertible bonds held by the bondholder in cash at the price equivalent to their par value within five business days after the base date of recalling the bonds.</p> |
| 8. Conversion period | The bondholders may, from the day following 3 months after such convertible bond are issued to the maturity date, except for when the ownership transfer of ordinary shares are terminated from transferring by law, from 15 days prior to the date of the |

Notes to Consolidated Financial Statements of CASwell, Inc. and its Subsidiaries
(continued)

| <u>Item</u> | <u>First domestic unsecured convertible bonds</u> |
|------------------------------------|---|
| | termination of the ownership transfer of the Company's stock dividends, cash dividends, or cash capital increase subscription to the base date of the distribution of rights, or from the date of the capital reduction to one day before the start of the trading day of the capital reduction for issuance of new shares, file a request to the Company's stock affairs agency through trading securities firms, while informing the Taiwan Depository & Clearing Corporation, to convert the convertible bonds held into the Company's ordinary shares in accordance with regulations. |
| 9. Conversion price and adjustment | The price of conversion was set at NT\$104.1 per share during issuance. In the event of an adjustment of the conversion price of the Company's ordinary share in accordance with the terms of the issuance, the conversion price shall be adjusted in accordance with the formula stipulated in the terms of the issuance. The conversion price was changed to NT\$96.5 per share on August 21, 2022. |

(10) Lease liabilities

Carrying amounts of lease liabilities of the Group are as follows:

| | <u>2023.12.31</u> | <u>2022.12.31</u> |
|-------------|-------------------|-------------------|
| Current | <u>\$ 45,158</u> | <u>56,729</u> |
| Non-current | <u>\$ 490,423</u> | <u>36,809</u> |

Please refer to Note 6(18) financial instruments for details of maturity analysis.

The amounts recognized in profit or loss are as follows:

| | <u>2023</u> | <u>2022</u> |
|---|-----------------|--------------|
| Interest expenses of lease liabilities | <u>\$ 4,639</u> | <u>1,439</u> |
| Short-term lease expenses | <u>\$ 4,052</u> | <u>4,828</u> |
| Expenses for leases of low-value assets | <u>\$ 97</u> | <u>29</u> |

The amounts recognized in the statements of cash flows are:

| | <u>2023</u> | <u>2022</u> |
|-----------------------------|-------------------|---------------|
| Total cash outflow of lease | <u>\$ 254,370</u> | <u>62,616</u> |

a. Lease of houses and buildings

The Group leases houses and buildings for office purpose with a term of 1 to 6 years generally, some leases include an option to renew the lease for another term of same length with the original lease upon expiration.

The lease benefit of some agreements depends on changes in the local price index. Some agreements also stipulate that the Group shall advance the Lessor's taxes and

Notes to Consolidated Financial Statements of CASwell, Inc. and its Subsidiaries
(continued)

insurance expenses related to the property. These fees are usually incurred once a year. The tenancy agreement of some equipment includes options for a lease extension or lease termination. These agreements are managed by corresponding jurisdictions. Therefore, the individual terms and conditions agreed are different for the Group. These options are only enforceable by the Group, not the lessor. Where it is not possible to reasonably determine that the optional lease extension will be exercised, the payment related to the period covered by the option is not included in the lease liability.

b. Other leases

The lease term of the transportation equipment rented by the Group is 1 to 5 year(s). According to some lease contracts, the Group is authorized to buy the rented assets at discretion upon expiry of the lease term, but in some other contracts, the Group shall guarantee residual value of the rented assets when the lease term expires.

The lease term of machines and equipment rented by the Group is 1 to 5 year(s). Such lease is short-term lease and/or lease of low-value subjects. The Group chooses to follow the rules for recognition exemption, in order not to recognize related right-of-use assets and lease liabilities.

(11) Employee benefits

As per the defined contribution scheme of the Group developed according to regulations on employee pension, a contribution of 6% of monthly salary of each employee is made to their personal pension account registered at the Bureau of the Labor Insurance. Under this scheme, the Company has no legal or constructive obligation to pay additional expenses after making contributions of fixed amount to the Bureau of the Labor Insurance.

The cost of the pension contributions to the Bureau of Labor Insurance under this scheme for 2023 and 2022 amounted to NT\$8,899 thousand and NT\$7,924 thousand, respectively. The pensions under the defined pension plan of Hawkeye, a subsidiary of the Company, in 2023 and 2022 amounted to NT\$3,641 thousand and NT\$3,600 thousand, respectively, and all of which was paid to the Bureau of Labor Insurance.

CASO, a subsidiary of the Company in Japan, was established on August 1, 2014. The recognized pensions of this subsidiary in 2023 and 2022 amounted to NT\$798 thousand and NT\$601 thousand, respectively, which were paid to the related competent authority.

Beijing Caswell, a subsidiary of the Company in mainland China, is bound by related rules of mainland China. According to local government rules, it shall contribute employee pensions at certain ratio of the employees' monthly wages. The amount of pensions contributed in 2023 and 2022 were NT\$5,813 thousand and NT\$5,806 thousand, respectively, which were paid to the related competent authority.

Notes to Consolidated Financial Statements of CASwell, Inc. and its Subsidiaries
(continued)

CAI, a subsidiary of the Company in the United States, was established on January 10, 2017, and no pension was incurred.

APLIGO, a subsidiary of the Company in Germany, was acquired on April 1, 2019, and no pension was incurred.

(12) Income taxes

a. Income tax expenses

Income tax expenses of the Group are as follows:

| | <u>2023</u> | <u>2022</u> |
|---------------------------------------|------------------|----------------|
| Current income tax expenses | \$ 98,681 | 120,651 |
| Deferred income tax expenses (income) | (10,307) | 2,334 |
| Income tax expenses | <u>\$ 88,374</u> | <u>122,985</u> |

The reconciliation of income tax expenses and income before income tax is as follows:

| | <u>2023</u> | <u>2022</u> |
|--|-------------------|----------------|
| Income before income tax | <u>\$ 409,652</u> | <u>575,518</u> |
| Income tax at the Company's domestic tax rate | \$ 81,930 | 115,103 |
| Amount affected by the tax rate differences in foreign jurisdictions | 18,765 | 23,759 |
| Non-deductible expenses | (5,750) | (10,129) |
| Recognition of unrecognized tax loss in the preceding period | - | (1,174) |
| Book-tax difference | (1,845) | (7,609) |
| Difference verified | (3,021) | 2,255 |
| Surtax on unappropriated earnings | 1,139 | 3,014 |
| Investment allowances | (2,844) | (2,234) |
| Income tax expenses | <u>\$ 88,374</u> | <u>122,985</u> |

Notes to Consolidated Financial Statements of CASwell, Inc. and its Subsidiaries
(continued)

b. Recognized deferred tax assets and liabilities

Deferred tax liabilities:

| | Unrealized profit and loss from | | |
|-------------------------------------|--|-----------------|-----------------|
| | exchange | Others | Total |
| Balance on January 1, 2023 | \$ (767) | (30,574) | (31,341) |
| Debit (credit) income statement | 681 | 1,644 | 2,325 |
| Balance on December 31, 2023 | \$ (86) | (28,930) | (29,016) |
| Balance on January 1, 2022 | \$ (606) | (26,677) | (27,283) |
| Debit (credit) income statement | (692) | (3,366) | (4,058) |
| Balance on December 31, 2022 | \$ (1,298) | (30,043) | (31,341) |

Deferred tax assets:

| | Unrealized profit and loss from | | |
|-------------------------------------|--|---------------|---------------|
| | exchange | Others | Total |
| Balance on January 1, 2023 | \$ - | 4,128 | 4,128 |
| Debit (credit) income statement | 3,650 | 4,332 | 7,982 |
| Balance on December 31, 2023 | \$ 3,650 | 8,460 | 12,110 |
| Balance on January 1, 2022 | \$ - | 2,404 | 2,404 |
| Debit (credit) income statement | - | 1,724 | 1,724 |
| Balance on December 31, 2022 | \$ - | 4,128 | 4,128 |

c. Income tax assessment

Business income tax returns of the Company and its subsidiary, Hawkeye, through 2021 have been assessed by the tax authority with examination.

(13) Capital and other equity

As of December 31, 2023 and 2022, the total nominal share capital of the Company amounted NT\$1,000,000 thousand with 100,000 thousand shares of par value of NT\$10. The Company has issued 73,348 thousand and 73,189 thousand ordinary shares respectively, received stock capital for all shares issued.

Changes in the number of outstanding shares in 2023 and 2022 are as follows:

| | Ordinary shares | |
|---------------------------------|------------------------|---------------|
| | 2023 | 2022 |
| (presented in thousands shares) | | |
| Balance on January 1 | 73,189 | 73,189 |
| Conversion of convertible bonds | 159 | - |
| Balance on December 31 | 73,348 | 73,189 |

Notes to Consolidated Financial Statements of CASwell, Inc. and its Subsidiaries
(continued)

a. Issuance of ordinary shares

In 2023, the Company issued 159 thousand shares due to the conversion rights of convertible bonds exercised by bondholders. The shares were issued in denominations with a total amount of NT\$1,596 thousand and all shares were registered as required by law.

b. Capital surplus

Balance of the Company's capital surplus is as follows:

| | 2023.12.31 | 2022.12.31 |
|--|---------------------|-------------------|
| Share premium | \$ 1,418,377 | 1,403,907 |
| Treasury share transactions | 22,792 | 22,792 |
| Right of subscription of convertible bonds | - | 4,441 |
| Expired stock options | 4,027 | - |
| | \$ 1,445,196 | 1,431,140 |

Capital surplus shall be allocated to new shares or cash with realized capital surplus in proportion to original shareholdings of shareholders after loss is covered. The above-mentioned realized capital surplus includes amount in excess of the nominal value during shares issuance and acceptance of bestowal. In accordance with the "Regulations Governing the Offering and Issuance of Securities by Securities Issuers," the total of capital surplus appropriated for capital every year shall not exceed 10% of the paid-in capital.

c. Retained earnings

According to the Articles of Association of the Company, where the Company has a profit at the end of each fiscal year, the Company shall first allocate the profit to cover accumulated losses and allocate 10% of the remaining net earnings as the Company's legal reserve unless and until the accumulated legal reserve reaches the Company's paid-in capital. Certain amount shall be further allocated as special reserve or the special reserve. The balance (if any) together with unappropriated earnings at the beginning of the reporting period can be distributed after the distribution plan proposed by the Board and approved by the shareholders' meeting.

The Company distributes dividends or profits in accordance with Article 241, Paragraph 1 of the Company Act, either in full or in part, from legal reserves and capital reserves. If the distribution is made in cash, according to Article 240, Paragraph 5 of the Company Act, the Board of Directors is authorized with the attendance of two-thirds or more of the directors and the consent of a majority of attending directors, and it shall be reported to the shareholders' meeting.

The dividend of the shareholders of the Company can be distributed in cash or shares,

Notes to Consolidated Financial Statements of CASwell, Inc. and its Subsidiaries
(continued)

the amount of such dividends shall be no less than 10% of surplus after tax of the year, and dividends in cash shall account for at least 10% of total dividends of the shareholders. The Company is at a growing stage. Division of such surplus depends on future needs for capital and long-term operation planning of the Company. The Board of Directors should develop surplus distribution plan based on equities of shareholders, balance of dividend policies and planning for needs for capital, and propose it to the shareholders' meeting for resolution and adjustment.

(a) Legal reserve

If there is no loss, the Company may, by resolution of the shareholders' meeting, distribute new shares or cash from legal reserves, but legal reserves distributed cannot exceed 25% of the paid-in capital.

(b) Special reserve

Pursuant to FSC regulations, the Company shall make a special reserve from the current profit and loss and the unappropriated earnings of the previous year by deducting the net amount of other shareholders' equity in the accounts incurred in the current year. If the amount of other shareholders' equity accumulated in the preceding period is reduced, the special reserve set aside from the unappropriated earnings in the preceding period shall not be distributed. If other shareholders' equity deductions are reversed afterward, the reversal may be applicable for distribution of earnings.

(c) Earnings distribution

The plans for distribution of cash dividends for 2022 were passed at the Board of Directors' meeting on March 9, 2023 and the plans for distribution of earnings for 2021 were passed at the shareholders' meetings held on June 16, 2022. Dividends paid to owners of the Company are as follows:

| | 2022 | | 2021 | |
|----------------------------|---|----------------|---|----------------|
| | Dividends Paid to Per Share (NT\$) | Amount | Dividends Paid to Per Share (NT\$) | Amount |
| Dividends distributed to | | | | |
| owners of ordinary shares: | | | | |
| Cash | \$ 3.60 | 264,054 | 2.00 | 146,378 |

Notes to Consolidated Financial Statements of CASwell, Inc. and its Subsidiaries
(continued)

| | Exchange differences arising from the translation of foreign operations | Unrealized gain (loss) on financial assets at fair value through other comprehensive income | Total |
|--|--|--|-----------------|
| January 1, 2023 | \$ (29,780) | (10,450) | (40,230) |
| Unrealized gain (loss) on financial assets at fair value through other comprehensive income | - | (4,025) | (4,025) |
| Exchange differences on translating the net assets of foreign operations | (8,730) | - | (8,730) |
| December 31, 2023 | <u>\$ (38,510)</u> | <u>(14,475)</u> | <u>(52,985)</u> |
| January 1, 2022 | \$ (40,422) | (10,450) | (50,872) |
| Exchange differences on translating the net assets of foreign operations | 10,642 | - | 10,642 |
| December 31, 2022 | <u>\$ (29,780)</u> | <u>(10,450)</u> | <u>(40,230)</u> |

(14) Earnings per share

The amounts of basic earnings per share and diluted earnings per shares are as follows:

| | <u>2023</u> | <u>2022</u> |
|--|-------------------|----------------|
| Basic earnings per share: | | |
| Net profit attributable to owners of ordinary shares of the Company | <u>\$ 322,707</u> | <u>428,332</u> |
| Weighted average number of outstanding ordinary shares (thousand shares) | <u>73,331</u> | <u>73,189</u> |
| Basic earnings per share (NT\$) | <u>\$ 4.40</u> | <u>5.85</u> |
| Diluted earnings per share: | | |
| Net profit attributable to owners of ordinary shares of the Company | \$ 322,707 | 428,332 |
| Impact of potentially diluted ordinary shares Conversion of convertible bonds | <u>155</u> | <u>1,846</u> |

Notes to Consolidated Financial Statements of CASwell, Inc. and its Subsidiaries
(continued)

| | 2023 | 2022 |
|--|-------------------|----------------|
| Net profit attributable to owners of (diluted) ordinary shares of the Company | <u>\$ 322,862</u> | <u>430,178</u> |
| Weighted average number of outstanding (basic) ordinary shares (thousand shares) | 73,331 | 73,189 |
| Impact of potentially diluted ordinary shares (thousand shares) | | |
| Share-based remuneration for employees | 154 | 215 |
| Conversion of convertible bonds | <u>191</u> | <u>1,711</u> |
| Weighted average number of outstanding (diluted) ordinary shares (thousand shares) | <u>73,676</u> | <u>75,115</u> |
| Diluted earnings per share (NT\$) | <u>\$ 4.38</u> | <u>5.73</u> |

(15) Revenue from contracts with customers

a. Disaggregated Revenues

| | 2023 | | | |
|--------------------------------|----------------------|-------------------|----------------|------------------|
| | Domestic Segments | China Segments | Others | Total |
| Primary geographic markets: | | | | |
| Taiwan | \$ 425,343 | - | - | 425,343 |
| Asia | 1,371,048 | 221,758 | 317,987 | 1,910,793 |
| America | 868,679 | - | 292,713 | 1,161,392 |
| Europe | 532,573 | - | 52,016 | 584,589 |
| Australia | - | - | 158 | 158 |
| Africa | - | - | 162 | 162 |
| | <u>\$ 3,197,643</u> | <u>221,758</u> | <u>663,036</u> | <u>4,082,437</u> |
| Major products/services lines: | | | | |
| Communication products | \$ 2,471,519 | 178,334 | 452,903 | 3,102,756 |
| Network communication hosts | 114,045 | 1,699 | 4,243 | 119,987 |
| Other communication products | <u>612,079</u> | <u>41,725</u> | <u>205,890</u> | <u>859,694</u> |
| | <u>\$ 3,197,643</u> | <u>221,758</u> | <u>663,036</u> | <u>4,082,437</u> |

Notes to Consolidated Financial Statements of CASwell, Inc. and its Subsidiaries
(continued)

| | 2022 | | | |
|--------------------------------|---------------------|-----------------|----------------|------------------|
| | Domestic | China | Others | Total |
| | Segments | Segments | Others | Total |
| Primary geographical markets: | | | | |
| Taiwan | \$ 384,803 | - | - | 384,803 |
| Asia | 1,664,455 | 406,983 | 384,286 | 2,455,724 |
| America | 1,168,229 | - | 405,023 | 1,573,252 |
| Europe | 457,235 | - | 111,629 | 568,864 |
| Australia | 29 | - | - | 29 |
| | \$ 3,674,751 | 406,983 | 900,938 | 4,982,672 |
| Major products/services lines: | | | | |
| Communication products | \$ 2,685,616 | 317,654 | 752,907 | 3,756,177 |
| Network communication hosts | 91,737 | 2,325 | 3,910 | 97,972 |
| Other communication products | 897,398 | 87,004 | 144,121 | 1,128,523 |
| | \$ 3,674,751 | 406,983 | 900,938 | 4,982,672 |

b. Contract balance

| | 2023.12.31 | 2022.12.31 | 2022.1.1 |
|---|-------------------|-------------------|-----------------|
| Notes receivable and account receivable | \$ 779,767 | 869,353 | 832,491 |
| Less: Loss allowance | (8,356) | (9,410) | (2,734) |
| Total | \$ 771,411 | 859,943 | 829,757 |

Please refer to Note 6(2) for details of account receivable as well as their impairment.

(16) Compensation to employees and directors

Pursuant to the Articles of Association, the Company shall allocate 2% - 15% of profit (if any) for compensation to employees, and a maximum of 2% profit (if any) for remuneration to directors. When there are accumulated losses, the Company shall retain profit for loss recovery before distribution of remuneration. The above remuneration to the employees may be allotted in cash or stock to eligible employees at subsidiaries. The above remuneration to the directors shall be paid in cash only.

Notes to Consolidated Financial Statements of CASwell, Inc. and its Subsidiaries
(continued)

The compensation to employees and directors in 2023 and 2022 is estimated on the basis of the Company's net profit before deducting the compensation to employees and directors for each period multiplied by the proportion of the compensation to employees and directors as stipulated in the Articles of Association and is recognized as the operating costs or expenses for the period. Relevant information can be inquired at the TWSE MOPS. If there is a difference between the actual distribution amount and the estimated amount for the following year, it will be treated as changes in accounting estimates, and the difference will be recognized as profit or loss for the following year.

Appropriated compensation/remuneration to employees and directors of the Company in 2023 and 2022 are as follows:

| | 2023 | 2022 |
|---------------------------|------------------|---------------|
| Compensation to employees | \$ 12,500 | 16,500 |
| Remuneration to directors | 4,400 | 5,600 |
| | \$ 16,900 | 22,100 |

There is no difference between the amount of compensation actually distributed to employees and directors in 2022 and the estimated amount listed in consolidated financial statements in 2022.

(17) Non-operating income and expenses

a. Interest income

The details of interest income of the Group are as follows:

| | 2023 | 2022 |
|------------------------------------|-----------------|--------------|
| Interest on bank deposit | \$ 5,630 | 1,525 |
| Financial assets at amortized cost | 949 | 1,053 |
| Others | 61 | 32 |
| Total interest income | \$ 6,640 | 2,610 |

b. Other income

The details of other income of the Group are as follows:

| | 2023 | 2022 |
|---|------------------|---------------|
| Dividend income | \$ 303 | - |
| Other Income - Income from NRE and cargo transportation premium | 32,339 | 11,592 |
| Other income- Other | 19,133 | 9,508 |
| Other income | \$ 51,775 | 21,100 |

Notes to Consolidated Financial Statements of CASwell, Inc. and its Subsidiaries
(continued)

c. Other gain and loss

The details of other gains and losses of the Group are as follows:

| | 2023 | 2022 |
|---|--------------------|---------------|
| Loss on disposal and retirement of property, plant and equipment | \$ (3) | (74) |
| Profit from lease modification | 43 | - |
| Gain (loss) on foreign currency exchange | (5,831) | 52,718 |
| Gains (losses) on financial assets (liabilities) at fair value through profit or loss | (6,454) | 2,849 |
| Other loss | (30) | (388) |
| Other gains and losses, net | \$ (12,275) | 55,105 |

d. Finance costs

Details of financial costs of the Group are as follows:

| | 2023 | 2022 |
|---------------------|--------------------|----------------|
| Bank loans | \$ (9,563) | (2,120) |
| Bonds payable | (194) | (2,307) |
| Lease liabilities | (4,639) | (1,439) |
| Total finance costs | \$ (14,396) | (5,866) |

(18) Financial Instruments

a. Credit risks

(a) Maximum credit risk exposure

The carrying amount of financial assets represents the maximum credit risk exposure amount.

(b) Concentration of credit risks

Account receivable and notes receivable are major sources of potential credit risks facing the Group. In order to reduce the credit risk of account receivables, the Group continuously assesses the financial conditions of its clients and requires them to provide collaterals or guarantees when necessary. The Group still regularly evaluates the possibility of recovery of account receivable and provides the allowance for bad debts, also the loss of bad debts is within the expectation of the management. 52.43% and 51.05% of balance of account receivable as of December 31, 2023 and 2022, respectively, were composed of three clients. This causes credit risk concentration.

Notes to Consolidated Financial Statements of CASwell, Inc. and its Subsidiaries
(continued)

(c) Credit risk of receivables

Please refer to Note 6(2) for information on the credit risk exposure of notes receivables and account receivables. Other financial assets at amortized cost include account receivable and time deposit certificates.

The above-mentioned financial assets have low credit risk, so the allowance loss is measured based on the amount of twelve-month expected credit loss the period (please refer to Note 4(7) of Consolidated Financial Statements for 2023 for details on how the Group determines the level of credit risk). There is no allowance for losses on other receivables in 2023 and 2022.

b. Liquidity risks

The following table shows the contractual maturity of financial liabilities, including impact of estimated interest.

| | Carrying amount | Cash flow of the contract | Less than 6 months | 6 - 12 months | 1-2 years | 2-5 years | Over 5 years |
|---|---------------------|---------------------------------|-----------------------|------------------|---------------|----------------|-----------------|
| December 31, 2023 | | | | | | | |
| Non-derivative financial liabilities | | | | | | | |
| Bank loans (including short-term and long-term) | \$ 353,379 | 426,465 | 29,260 | 11,236 | 7,829 | 64,117 | 314,023 |
| Accounts payable (including related parties) | 550,546 | 550,546 | 550,546 | - | - | - | - |
| Other payables (including related parties) | 135,172 | 135,172 | 135,172 | - | - | - | - |
| Lease liabilities | 535,581 | 574,638 | 34,469 | 21,375 | 37,918 | 480,876 | - |
| Total | \$ 1,574,678 | 1,686,821 | 749,447 | 32,611 | 45,747 | 544,993 | 314,023 |
| December 31, 2022 | | | | | | | |
| Non-derivative financial liabilities | | | | | | | |
| Bank loans (including short-term and long-term) | \$ 63,739 | 66,831 | 36,903 | 5,390 | 1,692 | 5,077 | 17,769 |
| Accounts payable (including related parties) | 873,531 | 873,531 | 873,531 | - | - | - | - |
| Other payables (including related parties) | 190,619 | 190,619 | 190,619 | - | - | - | - |
| Lease liabilities | 93,538 | 94,411 | 29,464 | 28,229 | 32,430 | 4,288 | - |
| Convertible corporate bonds | 167,395 | 167,395 | 167,395 | - | - | - | - |
| Total | \$ 1,388,822 | 1,392,787 | 1,297,912 | 33,619 | 34,122 | 9,365 | 17,769 |

The Group does not expect that the cash flow for the due date analysis will occur significantly earlier or that the actual amount may vary significantly.

Notes to Consolidated Financial Statements of CASwell, Inc. and its Subsidiaries
(continued)

c. Exchange rate risks

(a) Exposure to exchange rate risk

The Group's financial assets and liabilities exposing to significant exchange rate risk are as follows:

| 2023.12.31 | | | | | |
|------------------------------|-----------------------------|----------------------|------------|-----------|--|
| | Foreign currency | Exchange rate | NTD | | |
| <u>Financial assets</u> | | | | | |
| <u>Monetary items</u> | | | | | |
| USD | \$ 29,354 | USD/NTD= 30.705 | | 901,315 | |
| JPY | 789 | JPY/NTD= 0.2172 | | 171 | |
| <u>Financial liabilities</u> | | | | | |
| <u>Monetary items</u> | | | | | |
| USD | 10,072 | USD/NTD= 30.705 | | 309,261 | |
| 2022.12.31 | | | | | |
| | Foreign currency | Exchange rate | NTD | | |
| <u>Financial assets</u> | | | | | |
| <u>Monetary items</u> | | | | | |
| USD | \$ 34,424 | USD/NTD= 30.71 | | 1,057,161 | |
| JPY | 20,005 | JPY/NTD= 0.2324 | | 4,649 | |
| <u>Financial liabilities</u> | | | | | |
| <u>Monetary items</u> | | | | | |
| USD | 16,161 | USD/NTD= 30.71 | | 496,304 | |

(b) Sensitivity analysis

Cash and cash equivalents, account receivables and other receivables denominated in foreign currency, account receivables and other receivables are major sources of foreign exchange risks that the Group exposed to, and such risks arise from foreign currency exchange during translation. If the NT dollar depreciates or appreciates by 10% against the US dollar and the Japanese yen as of December 31, 2023 and 2022, and all other factors remain unchanged, the net profit after tax will increase or decrease by NT\$47,378 thousand and NT\$45,240 thousand, respectively, for 2023 and 2022 on the same basis of analysis.

(c) Exchange gain/loss of monetary items

As the Group deals in diverse foreign currencies, gains or losses on foreign currency exchange of monetary items were summarized as a single amount. Gains (losses) on foreign currency exchange (including realized and unrealized) for 2023 and 2022 are NT\$(5,831) thousand and NT\$52,718 thousand, respectively.

Notes to Consolidated Financial Statements of CASwell, Inc. and its Subsidiaries
(continued)

(d) Interest rate analysis

The interest risk exposure from financial assets and liabilities of the Group has been disclosed in this note of liquidity risk management.

The sensitivity analysis below is prepared based on the risk exposure of derivative and non-derivative instruments on the reporting date. For liabilities at floating interest rates, the analysis assumes that they are outstanding throughout the reporting period if they are outstanding on the reporting date. The rate of change used internally to report interest rates to key management is a 1% increase or decrease in interest rates, and this figure also represents the management's assessment on the reasonably possible scope of the interest rate.

If the interest rate increases/decreases by 1%, the Group's after-tax net income will decrease/increase by NT\$2,827 thousand and NT\$510 thousand in 2023 and 2022, respectively, assuming all other variable factors remain constant.

d. Other Price Risks

If the price of equity securities changes on reporting date (both periods analyzed on the same basis and assuming no other changes), the effect on the consolidated profit and loss items would have been as follows:

| Price of securities on reporting date | 2023 | | 2022 | |
|---------------------------------------|------------------------------------|-------------------------|------------------------------------|-------------------------|
| | Other consolidated profit and loss | | Other consolidated profit and loss | |
| | after tax | Post-tax profit or loss | loss after tax | Post-tax profit or loss |
| Increase 1% | \$ 1,068 | 481 | 110 | 426 |
| Decrease 1% | \$ (1,068) | (481) | (110) | (426) |

e. Information on fair value

(a) Categories and fair value of financial instruments

The carrying amount and fair value of various types of financial assets and financial liabilities (including fair value level information, but the carrying amount of financial instruments not measured at fair value is a reasonable approximation, and the fair value of equity instrument investment without quotation in the active market that cannot be reliably measured, the fair value is not required to be disclosed according to regulations) are listed as follows:

Notes to Consolidated Financial Statements of CASwell, Inc. and its Subsidiaries
(continued)

| | 2023.12.31 | | | | |
|--|---------------------|------------|----------|----------|----------|
| | Carrying amount | Fair value | | | |
| | | Level 1 | Level 2 | Level 3 | Total |
| Financial assets at fair value through profit or loss | | | | | |
| Financial assets at fair value through profit or loss | \$ 48,127 | - | - | 48,127 | 48,127 |
| Financial assets at fair value through other comprehensive income | | | | | |
| Equity instrument at fair value without quotation in market | \$ 106,781 | - | - | 106,781 | 106,781 |
| Financial assets at amortized cost | | | | | |
| Cash and Cash Equivalents | \$ 678,872 | - | - | - | - |
| Financial assets at amortized cost | 52,279 | - | - | - | - |
| Notes receivable and account receivable (including related parties) | 771,411 | - | - | - | - |
| Other receivables (including related parties) | 41,554 | - | - | - | - |
| Other current assets | 1,000 | - | - | - | - |
| Refundable deposits | 15,146 | - | - | - | - |
| Total | \$ 1,560,262 | - | - | - | - |
| Financial liabilities at amortized cost | | | | | |
| Bank loans (including short-term and long-term) | \$ 353,379 | - | - | - | - |
| Accounts payable (including related parties) | 550,546 | - | - | - | - |
| Other payables (including related parties) | 135,172 | - | - | - | - |
| Lease liabilities | 535,581 | - | - | - | - |
| Total | \$ 1,574,678 | - | - | - | - |

Notes to Consolidated Financial Statements of CASwell, Inc. and its Subsidiaries
(continued)

| 2022.12.31 | | | | | |
|--|---------------------|------------|----------|----------|----------|
| Financial assets at fair value through profit or loss | Carrying amount | Fair value | | | |
| | Level 1 | Level 2 | Level 3 | Total | |
| Financial assets at fair value through profit or loss | \$ 42,566 | - | - | 42,566 | 42,566 |
| Financial assets at fair value through other comprehensive income | | | | | |
| Equity instrument at fair value without quotation in market | \$ 11,009 | - | - | 11,009 | 11,009 |
| Financial assets at amortized cost | | | | | |
| Cash and Cash Equivalents | \$ 677,584 | - | - | - | - |
| Financial assets at amortized cost | 11,797 | - | - | - | - |
| Accounts receivables (including related parties) | 859,943 | - | - | - | - |
| Other receivables (including related parties) | 100,131 | - | - | - | - |
| Other current assets | 2,047 | - | - | - | - |
| Refundable deposits | 13,948 | - | - | - | - |
| Total | \$ 1,665,450 | - | - | - | - |

| 2022.12.31 | | | | | |
|---|---------------------|------------|----------------|----------|----------------|
| Financial liabilities at fair value through profit or loss | Carrying amount | Fair value | | | |
| | Level 1 | Level 2 | Level 3 | Total | |
| Financial liabilities designated at fair value through profit or loss | \$ 215 | - | 215 | - | 215 |
| Financial liabilities at amortized cost | | | | | |
| Bank loans (including short- term and long-term) | \$ 63,739 | - | - | - | - |
| Accounts payable (including related parties) | 873,531 | - | - | - | - |
| Other payables (including related parties) | 190,619 | - | - | - | - |
| Lease liabilities | 93,538 | - | - | - | - |
| Convertible corporate bonds | 167,395 | - | 167,395 | - | 167,395 |
| Total | \$ 1,388,822 | - | 167,395 | - | 167,395 |

Notes to Consolidated Financial Statements of CASwell, Inc. and its Subsidiaries
(continued)

(b) Valuation techniques of financial instruments measured at fair value

Fair value of financial instrument is obtained through application of valuation techniques or reference to quotation from counterparties. The fair value obtained through application of evaluation techniques may be calculated by reference to the current fair value of other financial instruments with similar material conditions and characteristics, use of the discounted cash flow method, or by other evaluation techniques, including using models based on available market information on the reporting date.

(c) Quantitative information of fair value of significant unobservable inputs (Level 3)

Level 3 fair value measurement, as defined by the Group, refers to financial assets at fair value through profit or loss - investment in private equity.

Level 3 fair value, defined by the Group, only refers to individually significant unobservable input. Quantitative information of fair value of significant unobservable inputs is listed as below:

| Item | Valuation techniques | Significant unobservable input value | Relationship between significant unobservable input value and fair value measurement |
|--|-----------------------------|---|---|
| Financial assets at fair value through profit or loss - investment in private equity | Asset-based approach | • Net asset value | N/A |

(d) Sensitivity analysis of reasonably possible alternative assumptions on fair value measurements in Level 3

The Group's valuation of the fair value of financial instruments is reasonable, but the use of different valuation models or parameters may lead to different results. For financial instrument at Level 3, if there are changes in valuation parameters, the impact on current profit and loss is as follows:

Notes to Consolidated Financial Statements of CASwell, Inc. and its Subsidiaries
(continued)

| | Inputs | Increase or decrease | Changes of fair value reflecting current profit or loss | |
|--|--------|-------------------------|---|---------------------|
| | | | Positive changes | Negative changes |
| December 31, 2023 | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Investment in private equity | 48,127 | 1% | 481 | (481) |
| December 31, 2022 | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Investment in private equity | 42,566 | 1% | 426 | (426) |

(19) Financial risk management

a. Summary

The Group is exposed to the following risks arising from use of financial instruments:

- (a) Credit risks
- (b) Liquidity risks
- (c) Market risks

This note presents information about the Group's exposure to each of the above risks, the Group's purpose, policies and procedure of risk measurement and control. Please refer to relevant notes to the financial statements for details of further quantitative disclosure.

b. Objectives of financial risk management

The purpose of risk control of the Group is to control exchange rate risks, interest rate risks, credit risks and liquidity risks related to operating activities. To reduce related financial risks, the Group is committed to identifying, assessing and avoiding market uncertainties, so as to reduce potentially unfavorable impact of market changes on its financial performance.

The Group's major financial activities are reviewed and approved by the Board of Directors and the internal control system. While the financial plan is underway, the Group shall comply with relevant financial operation procedures on the overall financial risk control and segregation of duties at all times.

c. Credit risks

Credit risks refer to risks that cause financial loss of the Group due to a counterparty's failure to perform contractual obligations. Account receivable arising from operating

Notes to Consolidated Financial Statements of CASwell, Inc. and its Subsidiaries
(continued)

activities are major sources of credit risks facing the Group. Operation-related credit risks and financial credit risks are controlled separately.

Operation-related credit risks

To maintain the quality of account receivable, the Group has established the procedures for control of operation-related credit risks. Risk assessment on individual clients includes factors that could affect clients' ability to pay, such as financial conditions, rating by a credit rating institution, transaction history and current financial resources. The Group may also use certain credit risk reduction tools, such as prepaid payments or credit insurance, when appropriate, to reduce the credit risk of specific clients.

Financial credit risks

The credit risks of bank deposits and other financial instruments are measured and monitored by the finance department of the Group. The Group's counterparties and other performing parties are banks with good credit ratings and financial institutions with investment grade and above, corporate organizations and government agencies without significant performance concerns, and thus there is no material credit risks.

d. Liquidity risks

Liquidity risks refer to risks that the Group is unable to deliver cash or other financial assets to pay off its financial liabilities and fail to meet its obligations.

The method of the Group adopts for managing liquidity lies in ensuring sufficient working capital to pay for due liabilities under normal and pressing circumstances so as to avoid unacceptable losses or risk of damage to goodwill. In addition, the unused loan amounts of the Group as of December 31, 2023 and 2022 amounted to NT\$2,029,095 thousand and NT\$2,092,832 thousand, respectively.

e. Market risks

Market risks refer to risks that changes in market prices, such as exchange rate, interest rate, and equity instrument price, will affect the earnings of the Group or the value of the financial instruments held by the Group. The purpose of market risk control is to maximize return on investment by keeping market risks the Company exposed to at an acceptable level.

The Group manages market risks. All transactions are concluded as instructed by the Board of Directors.

(a) Exchange rate risks

The Group's cash inflows and outflows are partially in foreign currencies, so some risks can be avoided. The purpose of the Group's control of exchange rate risks is to avoid risk rather than making profit.

Notes to Consolidated Financial Statements of CASwell, Inc. and its Subsidiaries
(continued)

The exchange rate risk control strategy is to periodically review net parts of assets and liabilities in various currencies and to control their risks. The selection of tools to avoid exchange rate risks depends on the cost and duration of risk avoiding.

(b) Interest rate risks

The Group holds assets and liabilities with floating rates, resulting in exposure of the Group to cash flow interest rate risks. Assets and liabilities with floating rates of the Group are disclosed in the notes of liquidity risk management.

(20) Capital management

Considering the industrial characteristics, future development, and changes in the environment, the Group plans working capital, research and development expenses and dividends to safeguard its ability to continue as a going concern and to maintain an optimal capital structure, so as to provide more returns for shareholders in a long term.

In order to maintain or adjust its capital structure, the Group may adjust the amount of dividends paid to shareholders by issuing new shares, distributing cash to shareholders or redeeming its shares.

The Group monitors its capital by regularly reviewing its debt to asset ratio. The Group's capital is represented by "total equity" as indicated in its consolidated balance sheets, which is also equal to total assets minus total liabilities.

Debt-to-capital ratio of the Group as of December 31, 2023 and 2022 are as follows:

| | 2023.12.31 | 2022.12.31 |
|---------------------------------|---------------------|-------------------|
| Total liabilities | \$ 1,840,018 | 1,754,693 |
| Less: Cash and cash equivalents | 678,872 | 677,584 |
| Net liabilities | \$ 1,161,146 | 1,077,109 |
| Total Equity | \$ 3,586,513 | 3,544,773 |
| Debt-to-capital ratio | 32.38% | 30.39% |

7. Related Party Transactions

(1) The parent company and the ultimate controlling party

Ennoconn Corporation(Ennoconn), as the parent company of the Company and the ultimate controller of the group, holds 27.27% of the outstanding ordinary shares of the Company. Ennoconn has prepared consolidated financial statements for public use.

(2) Names of related parties and relations

During the reporting period of these consolidated financial statements, related parties engaged in transactions with the Group are as follows:

Notes to Consolidated Financial Statements of CASwell, Inc. and its Subsidiaries
(continued)

| Name of related party | Relationship with the Group |
|---|------------------------------|
| Ennoconn | The Group's parent company |
| Hon Hai Precision Industry Co., Ltd. | The Group's affiliate |
| Vecow Co., Ltd. | The Group's affiliate |
| Thecus NL B.V. | The Group's affiliate |
| Thecus Technology Corp. | The Group's affiliate |
| Jui Neng Information Corp. | The Group's affiliate |
| Dexatek Technology Co. Ltd. | The Group's affiliate |
| WT Microelectronics Co., Ltd. | The Group's affiliate (Note) |
| Ennoconn (Suzhou) Technology Co., Ltd. | The Group's affiliate |
| American Industrial Systems Inc. | The Group's affiliate |
| FORTUNE BAY TECHNOLOGY PTE. LTD. | The Group's affiliate |
| All directors, general manager and deputy general manager and other major officers in management of the Company | |

Note 1: The affiliation with WT Microelectronics Co., Ltd. has been terminated with effect from December 2022.

(3) Substantial Transaction with Related Party

a. Operating Revenue

The amount of goods and services sold by the Group to related parties are as follows:

| | <u>2023</u> | <u>2022</u> |
|------------|------------------|----------------|
| Affiliates | <u>\$ 93,834</u> | <u>278,403</u> |

The terms and conditions of sale to the above companies are not significantly different from the common selling prices. Payment term: O/A 60 - 100 days, or end of month 30 - 90 days. Account receivable among the related parties, for which no collateral security has been received, do not need to be recognized as expected credit impairment loss after evaluation

b. Purchases

The amount of goods and services purchased by the Group from related parties are as follows:

| | <u>2023</u> | <u>2022</u> |
|----------------|-------------------|----------------|
| Parent company | \$ - | 1,381 |
| Affiliates | <u>100,391</u> | <u>176,609</u> |
| | <u>\$ 100,391</u> | <u>177,990</u> |

The terms and conditions of purchase from the above companies are not significantly different from purchasing prices from other common suppliers. The payment term of O/A 60 - 90 days, or end of month 30 - 90 days is not significantly different from payment term accepted by other common suppliers.

Notes to Consolidated Financial Statements of CASwell, Inc. and its Subsidiaries
(continued)

c. Receivables from related parties

The details of the Group's account receivables from related parties are as follows:

| <u>Type of trades</u> | <u>Type of related parties</u> | <u>2023.12.31</u> | <u>2022.12.31</u> |
|-----------------------|---|-------------------|-------------------|
| Account receivables | Affiliates-American Industrial Systems Inc. | \$ 18,253 | 34,757 |
| Account receivables | Affiliates-Thecus Technology Corp. | - | 4,553 |
| Account receivables | Affiliates | 788 | 106 |
| Other receivables | Affiliates | 10 | 54 |
| | | <u>\$ 19,051</u> | <u>39,470</u> |

d. Other Related Party Transactions

| <u>Type of trades</u> | <u>Name/ type of related party</u> | <u>2023</u> | <u>2022</u> |
|-------------------------------------|------------------------------------|-----------------|---------------|
| Operating costs | Affiliates | \$ 2,566 | 20,319 |
| Selling and marketing expenses | Affiliates | - | 2,735 |
| General and administrative expenses | Affiliates | 1,080 | 576 |
| Research and development expenses | Affiliates | - | 4,811 |
| | | <u>\$ 3,646</u> | <u>28,441</u> |

e. Payables to related parties

The details of the Group's account payables to related parties are as follows:

| <u>Type of trades</u> | <u>Type of related parties</u> | <u>2023.12.31</u> | <u>2022.12.31</u> |
|-----------------------|--------------------------------|-------------------|-------------------|
| Account payables | Affiliates - Thecus NL B.V. | \$ 21,002 | 14,287 |
| Account payables | Affiliate - others | 28,628 | 1,348 |
| Other payables | Affiliates - Thecus NL B.V. | 138 | 19,982 |
| Other payables | Affiliate - others | 206 | 1,433 |
| | | <u>\$ 49,974</u> | <u>37,050</u> |

Notes to Consolidated Financial Statements of CASwell, Inc. and its Subsidiaries
(continued)

(4) Transactions with key management officers

a. Remuneration to major managerial personnel

Remuneration to key management officers includes:

| | 2023 | 2022 |
|------------------------------|------------------|---------------|
| Short-term employee benefits | \$ 56,593 | 58,146 |
| Retirement benefits | 914 | 708 |
| | \$ 57,507 | 58,854 |

The Group provides vehicles to key management officers. The original costs and period-specific depreciation expenses of such vehicles in 2023 and 2022 are as follows:

| | 2023 | 2022 |
|-----------------------|-------------|-------------|
| Original cost | \$ 6,982 | 6,982 |
| Depreciation expenses | \$ 1,099 | 1,027 |

8. Pledged Assets

The carrying amount of the Group's pledged assets are as follows:

| Description of asset | Subject matter of pledge | 2023.12.31 | 2022.12.31 |
|---|---------------------------------|-------------------|-------------------|
| Other current assets (pledged fixed deposits) | Tariff Guarantee | \$ 1,000 | 2,047 |
| Property, plant and equipment | Long-term borrowings | 684,645 | 42,409 |
| | | \$ 685,645 | 44,456 |

9. Significant Contingent Liabilities and Unrecognized Contract Commitments

(1) Significant unrecognized contract commitments:

The Group's unrecognized contract commitments are as follows:

| | 2023.12.31 | 2022.12.31 |
|--|-------------------|-------------------|
| Acquisition of property, plant and equipment | \$ - | 491,360 |

10. Significant loss from disasters: None.

11. Significant Events after the Balance Sheet Date: None.

Notes to Consolidated Financial Statements of CASwell, Inc. and its Subsidiaries
(continued)

12. Others

Employee Benefits, Depreciation and Amortization Expenses by Function:

| By functions By nature | 2023 | | | 2022 | | |
|-------------------------------------|-----------------|--------------------|---------|-----------------|--------------------|---------|
| | Operating costs | Operating expenses | Total | Operating costs | Operating expenses | Total |
| Employee benefits expenses | | | | | | |
| Salary expenses | 90,876 | 288,682 | 379,558 | 90,515 | 304,195 | 394,710 |
| Labor and health insurance expenses | 10,589 | 38,083 | 48,672 | 9,817 | 33,890 | 43,707 |
| Pension expenses | 5,774 | 13,377 | 19,151 | 5,420 | 12,511 | 17,931 |
| Remuneration to directors | - | 8,300 | 8,300 | - | 9,309 | 9,309 |
| Other employee benefit expenses | 5,974 | 12,263 | 18,237 | 5,651 | 12,454 | 18,105 |
| Depreciation expenses | 36,958 | 44,352 | 81,310 | 31,077 | 43,270 | 74,347 |
| Amortization expenses | - | 9,995 | 9,995 | - | 8,629 | 8,629 |

13. Supplementary Disclosures

(1) Information on significant transactions:

In accordance with the Regulations Governing the Preparation of Financial statements by Securities Issuers, the Group shall disclose the following information concerning significant transactions in 2023:

a. Loans to others:

Unit: NTD/USD thousand

| No. | Creditor | Debtor | Transaction item | If they are related to each other | Maximum amount of the period | Ending balance | Actual amount drawn | Range of interest rate | Nature of capital loan (Note 1) | Business transaction amount | Reason for short-term financing | Amount of allowance loss appropriated | Collateral | | Limit on loans granted to a single party (Note 2) | Total loan limit (Note 3) |
|-----|-------------|-------------------------|-------------------------------------|-----------------------------------|------------------------------|-----------------|---------------------|------------------------|---------------------------------|-----------------------------|---------------------------------|---------------------------------------|------------|-------|---|---------------------------|
| | | | | | | | | | | | | | Investor | Value | | |
| 0 | The Company | Hawkeye Tech. Co., Ltd. | Other receivables - related parties | Yes | 50,000 | - | - | 1.60% | 2 | - | Working capital for operation | - | - | - | 340,147 | 680,293 |
| 0 | The Company | APLIGO GMBH | Other receivables - related parties | Yes | 24,564 (USD800) | 24,564 (USD800) | 24,564 (USD800) | 2.45% | 2 | - | Working capital for operation | - | - | - | 340,147 | 680,293 |

Note 1: 1. The companies with which the Company engaged in transactions.

2. Necessity for short-term financing.

Note 2: 1. The amount of loans to specific companies shall not exceed the total amount of the Company's business transactions with the Company in the most recent year.

2. The amount of loans to specific companies shall not exceed 10% of the net worth of the Company as stated in its latest financial statements audited or reviewed by an accountant.

Note 3: Total amount of loans shall not be more than 20% of the Company's net worth as stated in its latest financial statement audited or reviewed by an accountant.

Note 4: The above transactions have been fully eliminated as preparing the consolidated financial statements.

b. Endorsements/guarantees for others: None.

Notes to Consolidated Financial Statements of CASwell, Inc. and its Subsidiaries
(continued)

- c. Marketable securities held at the end of the period (excluding investment in subsidiaries, associates and joint ventures):

Unit: NT\$ thousand/thousand shares

| Name of Held Company | Type and Name of Securities | Relationship with Issuer of Securities | Ledger Account | End of Period | | | | Maximum shareholding or capital contribution during the period | Remarks |
|-------------------------|-------------------------------------|--|---|------------------|-----------------|----------------|------------|--|---------|
| | | | | Number of Shares | Carrying amount | Shareholding % | Fair value | | |
| The Company | Zhuo I Erh Investment LP | - | Financial assets at fair value through profit or loss - non-current | - | 48,127 | - % | 48,127 | - % | - |
| The Company | Min Chieh Industrial Holdings Corp. | - | Financial assets at fair value through other comprehensive income - non-current | 1,045 | - | 19.00 % | - | 19.00% | - |
| The Company | Jui Neng Information Corp. | - | Financial assets at fair value through other comprehensive income - non-current | 620 | 7,813 | 12.40 % | 7,813 | 12.40% | - |
| The Company | FiduciaEdge Technologies Co. Ltd. | - | Financial assets at fair value through other comprehensive income - non-current | 1,600 | 40,000 | 10.65 % | 40,000 | 10.65% | - |
| APLIGO GMBH | shares in Volksbank Karlsruhe | - | Financial assets at fair value through other comprehensive income - non-current | - | 10 | - % | 10 | - % | - |
| Hawkeye Tech, Co., Ltd. | VEEA INC | - | Financial assets at fair value through other comprehensive income - non-current | 1,049 | 58,957 | 1.15 % | 58,957 | 1.15% | - |

- d. Marketable securities acquired and disposed of amounting to NT\$300 million or 20% of the paid-in capital or more: None.
- e. Acquisition of property amounting to NT\$300 million or over 20% of paid-in capital:

Unit: NT\$ thousand

| Company that acquired property | Description of property | Date of acquisition | Amounted transacted | Payment status | Counterparty | Relationship | To provide data on past transfers if counterparty is a related party. | | | | Reference for price determination | Purpose of Acquisition and Use | Other Agreements |
|--------------------------------|-------------------------|---------------------|---------------------|----------------|----------------------------|--------------|---|--------------------------|------------------|--------|-----------------------------------|---|------------------|
| | | | | | | | All parties | Relationship with issuer | Date of transfer | Amount | | | |
| CASwell, Inc. | Land and housing | 2023/8/9 | 635,000 | Note 1 | Huaku Development Co., Ltd | - | N/A | N/A | N/A | - | Appraisal Report | The Group's Business Growth and Development Needs | Note 2 |

Note1: As of December 31, 2023, a total of NT\$190,500,000 has been paid.

Note2: From signing the contract and handing over the house until the Company obtains property rights, the right to use the property is acquired through leasing. The right to use the property is recorded as NT\$618,599 thousand. After obtaining property rights in December 2027, it is reclassified as owner-occupied property.

- f. Disposal of property amounting to NT\$300 million or over 20% of paid-in capital: None.

Notes to Consolidated Financial Statements of CASwell, Inc. and its Subsidiaries
(continued)

- g. Purchases from or sales to related parties amounting to NT\$100 million or over 20% of the paid-in capital or more:

Unit: NT\$ thousand

| Buyer (seller) | Counterparty | Relationship | Transaction Details | | | | Unusual Transaction Terms and Reasons | | Notes and account receivable (payable) | | Remarks |
|------------------------|------------------------|----------------|---------------------|-----------|---------------------------------|---------------|---------------------------------------|---------------|--|--|----------|
| | | | Purchases (Sales) | Amount | Ratio to Total Purchase (Sales) | Credit Period | Unit Price | Credit Period | Balance | Ratio to Total Notes or Account Receivable (Payable) | |
| The Company | CASO, INC. | Subsidiary | (Sales) | (207,774) | (6.66) % | O/A 70 days | - | - | 23,776 | 4.06% | (Note 2) |
| CASO, INC. | The Company | Parent company | Purchases | 207,774 | 92.42 % | O/A 70 days | - | - | (23,776) | (91.03)% | (Note 2) |
| The Company | CASWELL AMERICAS, INC. | Subsidiary | (Sales) | (160,625) | (5.15) % | O/A 90 days | - | - | 30,538 | 5.22% | (Note 2) |
| CASWELL AMERICAS, INC. | The Company | Parent company | Purchases | 160,625 | 99.67 % | O/A 90 days | - | - | (30,538) | (95.32)% | (Note 2) |

Note1: Compared against general terms and conditions.

Note2: The transactions listed on the left have been fully eliminated as preparing the consolidated financial statements.

- h. Receivables from related parties amounting to NT\$100 million or over 20% of paid-up capital: None.
- i. Derivatives transactions: None.
- j. Business relations and significant transactions between the parent company and its subsidiaries:

Unit: NT\$ thousand

| No. | Name of Company | Counterparty | Relationship with the counterparty | Transaction Details | | | |
|-----|-----------------|-------------------------|------------------------------------|---------------------|---------|--|--|
| | | | | Ledger Account | Amount | Transaction terms | Ratio to total revenue or total assets |
| 0 | The Company | APLIGO GMBH | 1 | Sales revenue | 8,610 | Compared against general terms and conditions. | 0.21% |
| 0 | The Company | Hawkeye Tech, Co., Ltd. | 1 | Sales revenue | 5,248 | Compared against general terms and conditions. | 0.13% |
| 0 | The Company | Beijing Caswell Ltd. | 1 | Sales revenue | 29,633 | Compared against general terms and conditions. | 0.73% |
| 0 | The Company | CASO, INC. | 1 | Sales revenue | 207,774 | Compared against general terms and conditions. | 5.09% |
| 0 | The Company | CASWELL AMERICAS, INC. | 1 | Sales revenue | 160,625 | Compared against general terms and conditions. | 3.93% |
| 1 | APLIGO GMBH | The Company | 2 | Sales revenue | 8,840 | Compared against general terms and conditions. | 0.22% |
| 0 | The Company | Hawkeye Tech, Co., Ltd. | 1 | Account receivables | 4,116 | Compared against general terms and conditions. | 0.08% |
| 0 | The Company | CASO, INC. | 1 | Account receivables | 23,776 | Compared against general terms and conditions. | 0.44% |
| 0 | The Company | CASWELL AMERICAS, INC. | 1 | Account receivables | 30,538 | Compared against general terms and conditions. | 0.56% |
| 0 | The Company | Beijing Caswell Ltd. | 1 | Account receivables | 17,107 | Compared against general terms and conditions. | 0.32% |
| 1 | APLIGO GMBH | The Company | 2 | Account receivables | 616 | Compared against general terms and conditions. | 0.01% |

Notes to Consolidated Financial Statements of CASwell, Inc. and its Subsidiaries
(continued)

- Note1: The number is filled as follows:
 1. Fill in 0 for parent company
 2. Subsidiary are numbered in order starting from 1 by each company.
- Note2: Relationships with counterparties are listed as follows:
 1. The parent company to subsidiaries.
 2. Subsidiaries to the parent company.
 3. Subsidiaries to subsidiaries.
- Note3: For business relations and important transactions between the parent company and its subsidiaries, only information on sales and account receivables will be disclosed. Corresponding purchase and account payables will not be repeated.

(2) Information on reinvestments (excluding invested companies in mainland China):

The information on reinvestments in 2023:

Unit: NT\$ thousand/thousand shares

| Name of Investor | Name of investee | Region | Principal Business Activities | Initial Investment Amount | | Held at the End of Period | | | Maximum shareholding or capital contribution during the period | Profit and loss of Investee for the Period | Current Profit (Loss) on Investment Recognized | Remarks |
|------------------|--|---------|--|---------------------------|------------------|---------------------------|---------|--------------------------|--|--|--|---------------------|
| | | | | End of the Period | End of Last Year | Number of Shares | Ratio | Carrying amount (Note 1) | | | | |
| The Company | CASO, INC. | Japan | Imports and sales of network machines and computer peripherals | 27,062 | 27,062 | 2 | 99.00% | 118,864 | 99.00% | 19,067 | 18,876 | Subsidiary (note 2) |
| The Company | CASWELL INTERNATIONAL INVESTMENT CO., LTD. | Samoa | Overseas investment | 101,135 | 101,135 | 3,206 | 100.00% | 163,658 | 100.00% | (39,519) | (39,519) | Subsidiary (note 2) |
| The Company | CASWELL AMERICAS, INC. | USA | Sales of network communication products | 92,460 | 92,460 | 3,000 | 100.00% | 76,291 | 100.00% | (354) | (354) | Subsidiary (note 2) |
| The Company | APLIGO GMBH | Germany | Hub and SI Service | 60,275 | 60,275 | 24 | 66.67% | 43,233 | 66.67% | (35,608) | (23,983) | Subsidiary (note 2) |
| The Company | Hawkeye Tech, Co., Ltd. | Taiwan | Design and manufacturing of computers, network and computing equipment | 602,041 | 602,041 | 9,097 | 60.64% | 514,084 | 60.64% | 54,074 | 29,327 | Subsidiary (note 2) |

- Note1: Including adjustments for foreign currency translation.
 Note2: The transactions listed on the left have been fully eliminated as preparing the consolidated financial statements.

(3) Information on investments in mainland China:

a. Information on reinvestments in Mainland China

Unit: NTD/USD thousand

| Investee in mainland China | Principal Business Activities | Paid-in Capital | Way of Investment (Note 1) | Accumulated Amount of Investments Remitted from Taiwan at Beginning of Period (Note 2) | Amount of Investments Remitted or Repatriated for the Period (Note 2) | | Accumulated Amount of Investments Remitted from Taiwan at Beginning of Period (Note 2) | Profit and loss of Investee for the Period | The Company's Direct or Indirect Shareholding % | Maximum shareholding or capital contribution during the period | Investment Profit (Loss) Recognized for the Period | carrying amount of Investments at End of Period | Accumulated return on investments recovered by the end of the period |
|----------------------------|---|--------------------|----------------------------|--|---|-------------|--|--|---|--|--|---|--|
| | | | | | Remitted | Repatriated | | | | | | | |
| Beijing Caswell Ltd. | Manufacturing and sales of network communication products | 116,679 (USD3,800) | (2) | 95,677 (USD3,116) | - | - | 95,677 (USD3,116) | (48,139) | 82% | 82% | (39,474) | 178,734 | - |

- Note1: There are three ways of investment:
 (1) Direct investment in mainland China.
 (2) Investment in mainland China through a company in another region, this is a direct investment by subsidiary, KAISWAY.
 (3) Others.
- Note2: The exchange rate at end of period is used for foreign currency translation
 Note3: The above transactions have been fully eliminated as preparing the consolidated financial statements.

Notes to Consolidated Financial Statements of CASwell, Inc. and its Subsidiaries
(continued)

b. Limits on investments in Mainland China

Unit: NTD/USD thousand

| Accumulated Amount of Investments Remitted from Taiwan to Mainland China at End of Period | Amount of Investments Authorized by Investment Commission, M.O.E.A. | Limits on Amount of Investments in Mainland China as Stipulated by Investment Commission, M.O.E.A. |
|---|---|--|
| 95,677 (USD3,116) | 95,677 (USD3,116) | 2,040,880 |

Exchange rates at end of period: USD : 30.705

Average exchange rate: USD: 31.1547

c. Significant Transactions:

Please refer to the “Information on significant transactions” for direct or indirect material transactions in 2023 between the Group and its investees in mainland China (which have been eliminated during the preparation of consolidated financial statements).

(4) List of major shareholders:

| Name of Major Shareholder | The Number of Shares Held | Shareholding % |
|---------------------------|---------------------------|----------------|
| Ennoconn | 20,000,000 | 27.27% |

Note: (1) The information of major shareholders in this table refers to the information calculated by Taiwan Depository & Clearing Corporation (TDCC) on the last business day at the end of each quarter on the total number of ordinary shares and preferred shares (including treasury shares) of the Company held by shareholders which have been delivered with book-entry registration at least 5 percent in total. However, the share capital recorded in the Company’s financial statements and the number of shares actually delivered by the Company without physical registration may differ due to calculation basis.

(2) If the above information is about the circumstance that the shareholders have entrusted their shares to the trust institutions, it shall be disclosed by the trustor who opened the trust account with the trustee by the individual trust account. Shareholders shall register their shareholding as insider holding more than 10% of the shares in accordance with the Securities and Exchange Act, including the shares held by themselves plus the shares they have entrusted to the trust institutions and have the right to use the trust property. Please refer to TWSE MOPS for information on insider equity registration.

Notes to Consolidated Financial Statements of CASwell, Inc. and its Subsidiaries
(continued)

14. Segment Information

(1) General information

The Group has three segments to be reported, namely the domestic business office and the mainland China business office, which mainly engage in manufacturing and selling various computers and peripherals.

The Group's other business segments mainly specialize in selling various computers and peripherals. The above segments did not reach any quantitative thresholds for reporting in 2023 and 2022.

(2) Information involving profit or loss, asset, liability, and measurement basis and adjustment of reportable segments

The pretax profits (losses) of departments listed in internal management reports and audited by main business decision makers of the Group are reckoned as basis for resource allocation and performance appraisal of the management. As tax expenses (income), extraordinary profit or loss and exchange gain or loss are recognized on the group level, the Group does not allocate tax expenses (income), extraordinary profit or loss and exchange gain or loss to the reportable segments. Thus, not every reportable segment includes material non-monetary items besides depreciation and amortization in the profit or loss. The amounts reported are aligned with the amount recorded in the report used by the business decision makers.

The accounting policies of the business segments are the same as the "Summary of Significant Accounting Policies" in Note 4.

The Group deems the inter-segment sales and transfer as transaction with third parties. And such transactions are measured at current market price.

Information and adjustments of the Group's operating segments are as follows:

| | 2023 | | | | |
|---|------------------------------|---------------------------|-----------------|--|------------------|
| | Domestic Segments | China Segments | Others | Adjustments and elimination | Total |
| Revenue: | | | | | |
| Revenue from external customers | \$ 3,197,643 | 221,758 | 663,036 | - | 4,082,437 |
| Inter-segment revenue | 411,896 | - | 8,914 | (420,810) | - |
| Total revenue | <u>\$ 3,609,539</u> | <u>221,758</u> | <u>671,950</u> | <u>(420,810)</u> | <u>4,082,437</u> |
| Profits (losses) of reportable segments | <u>\$ 376,781</u> | <u>(48,139)</u> | <u>(16,940)</u> | <u>9,576</u> | <u>321,278</u> |
| Assets of reportable segments | <u>\$ 5,431,281</u> | <u>298,485</u> | <u>397,018</u> | <u>(700,253)</u> | <u>5,426,531</u> |
| Liabilities of reportable segments | <u>\$ 1,691,502</u> | <u>80,680</u> | <u>172,588</u> | <u>(104,752)</u> | <u>1,840,018</u> |

Notes to Consolidated Financial Statements of CASwell, Inc. and its Subsidiaries
(continued)

| | 2022 | | | | |
|---|----------------------|-------------------|----------------|-----------------------------------|------------------|
| | Domestic Segments | China Segments | Others | Adjustments and elimination | Total |
| Revenue: | | | | | |
| Revenue from external customers | \$ 3,674,751 | 406,983 | 900,938 | - | 4,982,672 |
| Inter-segment revenue | 449,140 | - | 5,368 | (454,508) | - |
| Total revenue | <u>\$ 4,123,891</u> | <u>406,983</u> | <u>906,306</u> | <u>(454,508)</u> | <u>4,982,672</u> |
| Profits (losses) of reportable segments | <u>\$ 503,652</u> | <u>(14,082)</u> | <u>37,069</u> | <u>(74,106)</u> | <u>452,533</u> |
| Assets of reportable segments | <u>\$ 5,198,238</u> | <u>438,653</u> | <u>468,905</u> | <u>(806,330)</u> | <u>5,299,466</u> |
| Liabilities of reportable segments | <u>\$ 1,527,700</u> | <u>168,495</u> | <u>221,929</u> | <u>(163,431)</u> | <u>1,754,693</u> |

(3) Disaggregated Revenues by Products/Services

Disaggregated Revenues from contracts with customers by Products/Services as follows:

| Products and services | 2023 | 2022 |
|-------------------------------|---------------------|------------------|
| Network communication systems | \$ 3,102,756 | 3,756,177 |
| Network communication hosts | 119,987 | 97,972 |
| Other communication products | 859,694 | 1,128,523 |
| Total | <u>\$ 4,082,437</u> | <u>4,982,672</u> |

(4) Disaggregated Revenues by Geographic markets

Disaggregated Revenues by Geographic markets as follows: Revenues categorized by the geographic location of customers, while the Non-current assets categorized by the geographic location of the assets.

Notes to Consolidated Financial Statements of CASwell, Inc. and its Subsidiaries
(continued)

| By region | 2023 | 2022 |
|------------------------------------|---------------------|------------------|
| Revenue from external customers: | | |
| Taiwan | \$ 425,343 | 384,803 |
| USA | 1,160,818 | 1,572,762 |
| Israel | 1,162,352 | 1,361,045 |
| China | 235,146 | 409,487 |
| United Kingdom | 9,966 | 17,844 |
| France | 426,951 | 303,328 |
| Other Countries | 661,861 | 933,403 |
| | \$ 4,082,437 | 4,982,672 |
| Non-current assets: | | |
| Taiwan | \$ 1,433,799 | 322,993 |
| China | 6,702 | 22,270 |
| Japan | 15,164 | 21,226 |
| USA | 6,987 | 3,567 |
| Other Countries | 55,936 | 4,277 |
| Total | \$ 1,518,588 | 374,333 |
| (5) Major customer information | | |
| Client code | 2023 | 2022 |
| Client A | \$ 778,657 | 1,036,332 |
| Client B | 464,299 | 581,506 |
| Total | \$ 1,242,956 | 1,617,838 |

Independent Auditors' Report

To the Board of Directors of CASwell, Inc.:

Opinion

We have audited the balance sheets of CASwell, Inc. as at December 31, 2023 and 2022, and related statements of comprehensive income, of changes in equity and of cash flows for the period from January 1 to December 31, 2023 and 2022, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinions, the parent company only financial statements mentioned above have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers in all material aspects, and are considered to present fairly the financial conditions of CASwell, Inc. as of December 31, 2023 and 2022, as well as the financial performance and cash flows of CASwell, Inc. from January 1 to December 31, 2023 and 2022.

Basis for Audit Opinions

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements of the CASwell Inc. for 2023. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinions thereon, and we do not provide a separate opinion on these matters. Key audit matters for the company’s financial statements of the current period are stated as follows:

1. Inventory valuation

Please refer to Note 4(7) to the financial statements for the accounting policy regarding the inventory valuation. Please refer to Note 5(1) to the financial statements for the uncertainties of accounting estimates and assumptions regarding the realizability of inventory assessment. Please refer to Note 6(4) to the financial statement for an explanation of the inventory valuation.

Notes on key audit matters:

The inventory amount of CASwell, Inc. has been presented in the financial statements as cost and net realizable value whichever was lower. With the rapid changes of sciences and technologies, new product launch might cause changes in consumer demands and significant fluctuations in sales of related products, so the inventory cost might exceed the realizable value. Losses of

obsolete and slow-moving inventories shall be separately evaluated dependent upon inventory classification and how many days the inventories have become obsolete. The presentation of such inventories involves subjective judgment, so inventory valuation was one of our important audit matters particularly audited for the financial statements of the CASwell Inc.

Audit processes:

The main audit processes we adopted for the above key audit matters included performing inventory valuation to evaluate if CASwell, Inc. had presented its inventories based on the predetermined policies for presenting write-downs of inventories; auditing basis of selling prices and net realizable value adopted by the management, in order to verify appropriateness of the estimated writedowns of inventories and expediency of the net realizable value; implementing the sampling procedure to verify rationality of inventory age; and analyzing the ratio of the current inventory writedowns to the balance of normal inventories, in order to evaluate if the writedowns of general inventories are appropriate.

2. Recognition and Cutoff of Revenues

For detailed accounting policies for revenue recognition, refer to Note 4(14); for details of revenues, refer to Note 6(15).

Notes on key audit matters:

The revenues of CASwell, Inc. have mainly been earned from R&D, production and sales of related equipment related to safe network communication platforms. They were recognized as investors' concerns, so recognition and cutoff of revenues were one of important items we evaluated in auditing the financial reports of CASwell, Inc.

Audit processes:

Our main audit processes for the aforementioned key audit matters include testing internal control systems related to revenues; reviewing new material contracts and understanding impacts of contractual articles upon revenue recognition; additionally sampling sales transactions concluded before and after the date of the balance sheets, and evaluating if revenues were accounted at the right time.

3. Valuation of Impairment of Investments Accounted for Using the Equity Method

For the detailed accounting policy regarding investment impairment accounted for using the equity method, refer to Note 4(8) Investment in Subsidiaries; for the uncertainties of accounting estimates and assumptions regarding investment impairment accounted for using the equity method, refer to Note 5(2); for details of the financial reports on investments accounted for using the equity method, refer to Note 6(5).

Notes on key audit matters:

The goodwill generated by merger and acquisition of CASwell, Inc. is material. The management has evaluated and tested impairment according to the international accounting standards, and estimated the future cash flows expected from the asset's cash-generating unit. Calculation of future cash flows involves several assumptions and estimates, with a high level of uncertainty, so evaluating investment impairment using equity method has been listed as a key audit matter by us in auditing the financial reports of CASwell, Inc.

Audit processes:

Our main audit processes for the above key audit matter included evaluating future cash flow forecasts and discount rate of hypotheses adopted by the impairment model, comparing historical performances with future cash flow forecasts, and comparing discount rate against related external data, so as to perform impairment test of goodwill.

Responsibilities of Management and Governing Bodies for Financial Statements

To ensure that the financial reports do not contain material misstatements caused by fraud or errors, the management is responsible for preparing fair financial reports in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers, and maintaining necessary internal control related to preparation of financial reports.

In preparing financial reports, the management is responsible for evaluating the ability of CASwell, Inc. to continue as a going concern, disclosing, as applicable, matters related to the going concern, and use the going concern basis of accounting, unless the management either intends to liquidate CASwell, Inc., ceases operations, or has no realistic alternative but to do so.

The governing bodies of CASwell, Inc. (including the audit committee) are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

We apply professional judgment and discretion in our audits in accordance with auditing standards. We also:

1. Identify and evaluate the risk of material misstatements due to fraud or error in the parent company only financial statements; design and carry out appropriate countermeasures for the evaluated risk; and obtain sufficient and appropriate evidence as the basis for audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than 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 controls 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 internal controls of CASwell, Inc.
3. Assess the appropriateness of the accounting policies adopted by the management, as well as the reasonableness of their accounting estimates and relevant disclosures.

4. Conclude on the appropriateness of the 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 ability of CASwell, Inc to operate as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause CASwell, Inc to cease to continue as a going concern.
5. Evaluate the overall expression, structure and contents of the parent company only financial statements (including relevant notes), and whether the parent company only financial statements fairly present relevant transactions and items.
6. Sufficient and appropriate audit evidence is obtained regarding the financial information of the investee companies accounted for using the equity method, in order to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision, and performance of the invested companies’ audit, and for expressing an opinion of on the statements of CASwell, Inc.

We communicate with those governing bodies 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 governing bodies 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 governing bodies, we determine the key audit matters of the parent company only financial statements of CASwell Inc. for 2023. We describe these matters in our auditor’s 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.

KPMG

CPA:

| | |
|----------------|---------------------|
| Securities | Tai-Cai-Zheng-6 No. |
| Competent | 0930106739 |
| Authority | Jin-Guang-Zheng-6 |
| Approval No. | No.0960069825 |
| March 13, 2024 | |

CASwell, Inc.
Balance Sheets
December 31, 2023 and 2022

Unit: NT\$ thousand

| Assets | | 2023.12.31 | | 2022.12.31 | | Liabilities and equity | | 2023.12.31 | | 2022.12.31 | |
|----------------------------|---|---------------------|------------|------------------|------------|---------------------------------|--|---------------------|------------|------------------|------------|
| | | Amount | % | Amount | % | | | Amount | % | Amount | % |
| Current assets: | | | | | | Current liabilities: | | | | | |
| 1100 | Cash and cash equivalents (Note 6(1)) | \$ 431,815 | 9 | 383,558 | 8 | 2120 | Financial liabilities at fair value through profit or loss - current (Note 6(9)) | \$ - | - | 215 | - |
| 1170 | Notes receivables and accounts receivables - net (Note 6(2) and (15)) | 508,746 | 10 | 431,880 | 9 | 2170 | Account payables | 409,569 | 8 | 648,533 | 14 |
| 1180 | Accounts receivables from related parties - net (Note 6(2), (15) and 7) | 76,325 | 2 | 131,941 | 3 | 2180 | Accounts payable - related parties (Note 7) | 36,922 | 1 | 11,361 | - |
| 1200 | Other receivables (including related parties) (Note 6(3) and 7) | 60,145 | 1 | 113,646 | 3 | 2200 | Other payables (including related parties) (Note 7) | 101,673 | 2 | 133,811 | 3 |
| 1220 | Current income tax assets | 4,294 | - | 7,325 | - | 2230 | Current income tax liabilities | 38,014 | 1 | 69,899 | 2 |
| 130X | Inventories (Note 6(4)) | 1,339,674 | 27 | 2,220,269 | 48 | 2252 | Short-term provisions for warranty | 4,473 | - | 4,992 | - |
| 1470 | Other current assets (Note 8) | 59,537 | 1 | 66,164 | 2 | 2280 | Lease liabilities - current (Note 6(10)) | 17,565 | - | 22,042 | - |
| | Total current assets | <u>2,480,536</u> | <u>50</u> | <u>3,354,783</u> | <u>73</u> | 2321 | Corporate bonds with maturity or execution of right of sale within one year or one operating cycle (Note 6(9)) | - | - | 167,395 | 4 |
| Non-current assets: | | | | | | 2399 | Other current liabilities - others | 72,034 | 2 | 149,194 | 3 |
| 1510 | Financial assets at fair value through profit or loss - non-current | 48,127 | 1 | 42,566 | 1 | | Total current liabilities | <u>680,250</u> | <u>14</u> | <u>1,207,442</u> | <u>26</u> |
| 1517 | Financial assets at fair value through other comprehensive income - non-current | 47,813 | 1 | 11,000 | - | Non-current liabilities: | | | | | |
| 1550 | Investment accounted for using the equity method (Note 6(5)) | 916,130 | 19 | 961,029 | 20 | 2540 | Long-term loans (Note 6(8)) | 300,000 | 6 | - | - |
| 1600 | Property, plant and equipment (Note 6(6) and 8) | 712,840 | 15 | 33,467 | 1 | 2552 | Long-term provisions for warranty (Note 6(12)) | 15,779 | - | 13,959 | - |
| 1755 | Right-of-use assets (Note 6(7)) | 678,041 | 14 | 34,058 | 1 | 2580 | Lease liabilities - non-current (Note 6(10)) | 477,182 | 10 | 12,128 | - |
| 1780 | Intangible Assets | 5,269 | - | 1,510 | - | 2570 | Deferred tax liabilities (Note 6(12)) | 28,864 | 1 | 32,293 | 1 |
| 1840 | Deferred tax assets (Note 6(12)) | 6,929 | - | - | - | 2670 | Other non-current liabilities - others | 28 | - | 42 | - |
| 1900 | Other non-current assets | 7,884 | - | 167,367 | 4 | | Total non-current liabilities | <u>821,853</u> | <u>17</u> | <u>58,422</u> | <u>1</u> |
| | Total non-current assets | <u>2,423,033</u> | <u>50</u> | <u>1,250,997</u> | <u>27</u> | | Total liabilities | <u>1,502,103</u> | <u>31</u> | <u>1,265,864</u> | <u>27</u> |
| | Total assets | <u>\$ 4,903,569</u> | <u>100</u> | <u>4,605,780</u> | <u>100</u> | Equity (Note 6(13)): | | | | | |
| | | | | | | 3100 | Share capital | 733,485 | 15 | 731,889 | 16 |
| | | | | | | 3200 | Capital surplus (Note 6(9)) | 1,445,196 | 29 | 1,431,140 | 31 |
| | | | | | | 3300 | Retained earnings: | | | | |
| | | | | | | 3310 | Legal reserve | 352,478 | 7 | 309,644 | 7 |
| | | | | | | 3320 | Special reserve | 40,230 | 1 | 50,872 | 1 |
| | | | | | | 3350 | Unappropriated retained earnings | 883,062 | 18 | 856,601 | 19 |
| | | | | | | | Total retained earnings | 1,275,770 | 26 | 1,217,117 | 27 |
| | | | | | | 3400 | Other equity | (52,985) | (1) | (40,230) | (1) |
| | | | | | | | Total equity | <u>3,401,466</u> | <u>69</u> | <u>3,339,916</u> | <u>73</u> |
| | | | | | | | Total liabilities and equity | <u>\$ 4,903,569</u> | <u>100</u> | <u>4,605,780</u> | <u>100</u> |

(Please read the attached notes to parent company only financial statements carefully)

Chairman: Steve Chu

Manager: Reaforl Hung

Accounting Supervisor: Amber Lee

CASwell, Inc.
Consolidated Statements of Comprehensive Income
From January 1 to December 31, 2023 and 2022

Unit: NT\$ thousand

| | 2023 | | 2022 | |
|---|--------------|-----|-----------|-----|
| | Amount | % | Amount | % |
| Operating revenue (Note 6(15) and 7) | \$ 3,120,065 | 100 | 3,465,397 | 100 |
| Operating costs (Note 6(4), (6), (7), (10), (11), (16), 7 and 12) | 2,383,990 | 77 | 2,710,253 | 78 |
| Gross profit | 736,075 | 23 | 755,144 | 22 |
| Operating expenses (Note 6(6), (7), (10), (11), (16) and 12): | | | | |
| Selling and marketing expenses | 93,463 | 3 | 101,635 | 3 |
| General and administrative expenses | 62,982 | 2 | 59,728 | 2 |
| Research and development expenses | 196,271 | 6 | 185,311 | 5 |
| Total operating expenses | 352,716 | 11 | 346,674 | 10 |
| Net operating income | 383,359 | 12 | 408,470 | 12 |
| Non-operating income and expenses (Note 6(17)): | | | | |
| Interest income | 3,552 | - | 1,403 | - |
| Other income | 37,304 | 1 | 12,442 | - |
| Other gain and loss | (11,474) | - | 28,632 | 1 |
| Finance costs (Note 6(9)(10)) | (9,838) | - | (2,895) | - |
| Share of profit or loss of subsidiaries accounted for using the equity method | (15,654) | (1) | 68,053 | 2 |
| Total non-operating income and expenses | 3,890 | - | 107,635 | 3 |
| Net pretax profit of current period | 387,249 | 12 | 516,105 | 15 |
| Less: Income tax expense (Note 6(12)) | 64,542 | 2 | 87,773 | 3 |
| Net profit of current period | 322,707 | 10 | 428,332 | 12 |
| Other comprehensive income/(loss): | | | | |
| Items that may not be reclassified to profit or loss | | | | |
| Unrealized gain (loss) on equity investments at fair value through other comprehensive income | (4,025) | - | - | - |
| Less: Income tax relating to items that may not be reclassified | - | - | - | - |
| Total of items that may not be reclassified to profit or loss | (4,025) | - | - | - |
| Items that may be reclassified subsequently to profit or loss | | | | |
| Exchange differences arising from the translation of foreign operations | (8,730) | - | 10,642 | - |
| Less: Income tax relating to items that may be reclassified | - | - | - | - |
| Total of items that may be reclassified subsequently to profit or loss | (8,730) | - | 10,642 | - |
| Other comprehensive income/(loss) of current period | (12,755) | - | 10,642 | - |
| Total comprehensive income/(loss) of current period | \$ 309,952 | 10 | 438,974 | 12 |
| Earnings per share (Note 6(14)) | | | | |
| Basic earnings per share (NT\$) | \$ 4.40 | | 5.85 | |
| Diluted earnings per share (NT\$) | \$ 4.38 | | 5.73 | |

(Please read the attached notes to parent company only financial statements carefully)

Chairman: Steve Chu

Manager: Reaforl Hung

Accounting Supervisor: Amber Lee

CASwell, Inc.
Consolidated Statements of Changes in Equity
From January 1 to December 31, 2023 and 2022

Unit: NT\$ thousand

| | Retained earnings | | | | | Other equity items | | Total Equity |
|---|-------------------|------------------|----------------|-----------------|----------------------------------|---|---|------------------|
| | Share capital | Capital surplus | Legal reserve | Special reserve | Unappropriated retained earnings | Exchange differences arising from the translation of foreign operations | Unrealized gain (loss) on financial assets at fair value through other comprehensive income | |
| Balance as of January 1, 2022 | \$ 731,889 | 1,431,140 | 287,689 | 30,068 | 617,406 | (40,422) | (10,450) | 3,047,320 |
| Net profit of current period | - | - | - | - | 428,332 | - | - | 428,332 |
| Other comprehensive income/(loss) of current period | - | - | - | - | - | 10,642 | - | 10,642 |
| Total comprehensive income/(loss) of current period | - | - | - | - | 428,332 | 10,642 | - | 438,974 |
| Earnings appropriation and distribution: | | | | | | | | |
| Appropriation of legal reserve | - | - | 21,955 | - | (21,955) | - | - | - |
| Appropriation of special reserve | - | - | - | 20,804 | (20,804) | - | - | - |
| Cash dividends for ordinary shares | - | - | - | - | (146,378) | - | - | (146,378) |
| Balance on December 31, 2022 | 731,889 | 1,431,140 | 309,644 | 50,872 | 856,601 | (29,780) | (10,450) | 3,339,916 |
| Net profit of current period | - | - | - | - | 322,707 | - | - | 322,707 |
| Other comprehensive income/(loss) of current period | - | - | - | - | - | (8,730) | (4,025) | (12,755) |
| Total comprehensive income/(loss) of current period | - | - | - | - | 322,707 | (8,730) | (4,025) | 309,952 |
| Earnings appropriation and distribution: | | | | | | | | |
| Appropriation of legal reserve | - | - | 42,834 | - | (42,834) | - | - | - |
| Reversal of special reserve | - | - | - | (10,642) | 10,642 | - | - | - |
| Cash dividends for ordinary shares | - | - | - | - | (264,054) | - | - | (264,054) |
| Corporate bond conversion into ordinary shares | 1,596 | 14,056 | - | - | - | - | - | 15,652 |
| Balance on December 31, 2023 | \$ 733,485 | 1,445,196 | 352,478 | 40,230 | 883,062 | (38,510) | (14,475) | 3,401,466 |

(Please read the attached notes to parent company only financial statements carefully)

Chairman: Steve Chu

Manager: Reaforl Hung

Accounting Supervisor: Amber Lee

CASwell, Inc.
Statements of Cash Flow
From January 1 to December 31, 2023 and 2022

| | Unit: NT\$ thousand | |
|--|----------------------------|-------------|
| | 2023 | 2022 |
| Cash flows from operating activities: | | |
| Net pretax profit of current period | \$ 387,249 | 516,105 |
| Adjustments: | | |
| Adjustments to reconcile profit (loss) | | |
| Depreciation expenses | 39,666 | 35,012 |
| Amortization expenses | 2,431 | 1,248 |
| Net loss (gain) on financial assets (liabilities) at fair value through profit or loss | 6,454 | (2,849) |
| Interest expenses | 9,838 | 2,895 |
| Interest income | (3,552) | (1,403) |
| Dividend income | (303) | - |
| Share of profit or loss of subsidiaries accounted for using the equity method | 15,654 | (68,053) |
| Profit from lease modification | (43) | - |
| Unrealized Profit on Sales | (7,613) | (3,505) |
| Total adjustments for reconcile profit (loss) | 62,532 | (36,655) |
| Changes in operating assets/liabilities: | | |
| Net changes in operating assets: | | |
| (Increase) decrease in notes and trades receivable (including related parties) | (21,250) | 79,165 |
| Decrease in other payables (including related parties) | 53,508 | 30,667 |
| Inventory (Increase) Decrease | 880,595 | (208,248) |
| Decrease in other current assets | 6,627 | 117,792 |
| Total net changes in operating assets | 919,480 | 19,376 |
| Net changes in operating liabilities: | | |
| Decrease in notes and account payable (including related parties) | (213,403) | (209,408) |
| Increase (decrease) in other payables (including related parties) | (38,588) | 21,381 |
| Increase in warranty provisions | 1,301 | 2,669 |
| Increase (decrease) in other current liabilities | (77,160) | 56,877 |
| Total net changes in operating liabilities | (327,850) | (128,481) |
| Total net changes in operating assets and liabilities | 591,630 | (109,105) |
| Total adjustments | 654,162 | (145,760) |
| Cash inflow generated from operations | 1,041,411 | 370,345 |
| Interest received | 3,545 | 1,403 |
| Dividends received | 27,593 | - |
| Interest paid | (3,193) | (381) |
| Income tax paid | (103,754) | (19,848) |
| Net cash inflow generated from operations | 965,602 | 351,519 |
| Cash flows from investing activities: | | |
| Financial assets at fair value through other comprehensive gains and losses | (40,000) | (3,000) |
| Acquisition of financial assets at fair value through profit or loss | (13,556) | (16,444) |
| Return of capital through profit and loss of financial assets at fair value | 1,347 | 3,299 |
| Acquisition of property, plant and equipment | (537,084) | (5,833) |
| Acquisition of intangible assets | (6,190) | (1,616) |
| Decrease (increase) in other non-current assets | 419 | (163,224) |
| Net cash used in investing activities | (595,064) | (186,818) |
| Cash flows from financing activities: | | |
| Repayment of corporate bonds | (151,958) | - |
| Raise long-term borrowings | 500,000 | - |
| Repayment of long-term loans | (200,000) | - |
| Repayment of lease principal | (206,255) | (21,728) |
| Decrease in other non-current liabilities | (14) | (25) |
| Cash dividends paid | (264,054) | (146,378) |
| Net cash outflow generated from financing activities | (322,281) | (168,131) |
| Increase (decrease) in cash and cash equivalents of current period | 48,257 | (3,430) |
| Cash and cash equivalents at beginning of period | 383,558 | 386,988 |
| Cash and cash equivalents at end of period | \$ 431,815 | 383,558 |

(Please read the attached notes to parent company only financial statements carefully)

Chairman: Steve Chu

Manager: Reaforl Hung

Accounting Supervisor: Amber Lee

CASwell, Inc.
Notes to Parent Company Only Financial Statements
2023 and 2022

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

1. Company History

CASwell, Inc. (hereinafter referred to as “the Company”) was established on April 19, 2007 with the approval of the Ministry of Economic Affairs at the registered address of Principal business of the Company, 12F., No. 308, Jianguo 1st Road, Xinzhuang District, New Taipei City. The main businesses of the Company include manufacturing of electronic components, manufacturing of computers and their peripherals, wholesale of electronic materials and information services.

2. Date of Approval of Financial Statements and Approval Procedures

The parent company only financial statements have been approved by the Board of Directors on March 13, 2024.

3. Application of New and Amended Standards and Interpretations

(1) Impact of adopting newly issued or amended standards and interpretations endorsed by the Financial Supervisory Commission.

The Company has adopted the following revised IFRSs since January 1, 2023, without any material impact on the parent company only financial statements.

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Income Tax related to Assets and Liabilities Derived from Single Transaction”
- The Company has adopted the following revised IFRSs since May 23, 2023, without any material impact on the parent company only financial statements.
- Amendments to IAS 12 “International Tax Reform - Pillar Two Model Rules”

(2) Effect of IFRSs endorsed by the FSC but not yet adopted by the Company

The Company has evaluated that the adoption of the revised IFRSs, effective from January 1, 2024, will not have a material impact on the parent company only financial statements.

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

(3) New and amended IFRSs, not yet endorsed by the FSC, and their interpretations

The Company has evaluated that the other standards released and amended below but not yet endorsed do not have a material impact on the parent company only 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 IAS 17
- Amendments to IFRS 17 “Comparative Information for Initial Application of IFRS 17 and IFRS 9”
- Amendments to IFRS 21 “Lack of Exchangeability”

4. Summary of Significant Accounting Policies

The significant accounting policies applied to the parent company only financial statements are as follows. These policies, excluding Note 3, have been consistently applied to all the periods presented in the parent company only financial statements.

(1) Compliance Declaration

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(2) Preparation basis

a. Basis of measurement

Except for the following significant items provided in the balance sheet, the parent company only financial statements are prepared based on historical cost convention:

- (a) Financial assets at fair value through profit or loss measured at fair value.
- (b) Financial assets at fair value through other comprehensive income measured at fair value.

b. Functional currency and presentation currency

The functional currency of the Company should be the currency of the primary economic environment in which it operates as the functional currency. The parent company only financial statements are presented in the New Taiwan, Dollars, the functional currency of the Company. The amount of financial information in New Taiwan Dollars shall be dominated in thousands of NTD.

(3) Foreign currency

a. Foreign currency transaction

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency monetary items are converted into functional currency at the end of each subsequent date of financial reporting (hereinafter referred to as the reporting date) at the exchange rate on that day.

Foreign non-currency items measured at fair value are re-translated into functional currency according to the exchange rate on the date of fair value, and foreign currency non-currency items measured through historical cost will be translated according to the exchange rate on the date of transaction.

Exchange differences resulting from translating the foreign currency are generally recognized as profit and loss, but the following items are recognized as other comprehensive income:

- (a) Equity instruments designated to be measured at fair value through other

comprehensive income;

(b) Financial liabilities designated as net investment hedging for foreign operations within the effective hedging range; or

(c) Qualified cash flow hedge within the effective hedging range.

b. Foreign operation

The assets and liabilities of a foreign operation, including the goodwill and fair value adjustment, are translated into NTD according to the exchange rate on the reporting date; the revenue and expense items are translated into NTD according to the average exchange rate of the period. And the exchange difference amount will be recognized as other comprehensive income.

When the disposal of a foreign operation causes loss of control, joint control or material impact, all cumulative exchange differences that are attributable to such foreign operation are to be reclassified to profit or loss. In the case of partial disposal of a subsidiary with a foreign operation, the accumulated exchange difference is reclassified into profit and loss. In the case of partial disposal of investments in an affiliated enterprise or joint venture with a foreign operation, the accumulated exchange difference is reclassified into profit or loss in proportion.

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, the related gains and losses arising from the foreign currency exchange are regarded as part of the net investment in that foreign operation and recognized as other comprehensive income.

(4) Standards for classification of current and non-current assets and liabilities

Assets that meet any of the following criteria are classified as current assets; otherwise, they are classified as non-current assets:

- a. Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
- b. Assets held primarily for trading purposes;
- c. Assets expected to be realized within 12 months after the reporting period; or
- d. Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

Liabilities that meet any of the following criteria are classified as current liabilities; otherwise, they are classified as non-current liabilities:

- a. Liabilities that are expected to be paid off within the normal operating cycle;
- b. Liabilities held primarily for trading purposes;
- c. Liabilities to be paid off within 12 months after the end of the reporting period; or
- d. Liabilities with a repayment schedule that cannot be unconditionally deferred till at least 12 months after the reporting period. Terms of liabilities, settled by issuance of

equity instruments at the option of the counterparty, do not affect the classification of such liability.

(5) Cash and Cash Equivalents

Cash includes cash on hand and demand deposit. Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the foregoing definition and are held for short-term cash commitments other than investment or other purposes are presented as cash equivalents.

(6) Financial Instruments

Account receivable and debt securities issued were originally recognized when they were generated. All other financial assets and financial liabilities were recognized when the Company becomes a party of the financial instrument contract. Financial assets that are not measured at fair value through profit or loss (other than account receivables that do not contain a significant financing component) or financial liabilities are originally measured at fair value plus the transaction costs directly attributable to the acquisition or issuance. Account receivable that do not contain a significant financing component are measured at transaction prices.

a. Financial assets

For the purchase or sale of financial assets that conforms to customary transactions, the Company consistently treats all purchases and sales of financial assets classified in the same manner based on the transaction date or delivery date. Financial assets, when initially recognized, may be classified into financial assets at amortized cost, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss. The Company shall reclassify all affected financial assets only when it changes its business model for managing its financial assets from the next reporting period.

(a) Financial assets at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as measured at fair value through profit and loss:

- It is held under a business model with a view to holding assets to collect contractual cash flows.
- The cash flow generated on a specified date under the contract of the financial asset is solely for paying the outstanding principal and its interests.

Such financial asset measured at amortized cost is subsequently recognized at their initial value, plus any directly attributable transaction costs using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign currency profit or loss and impairment loss are recognized as profit or loss. When performing derecognition, the accumulated

profit or loss is recognized as profit or loss.

(b) Financial assets at fair value through other comprehensive income

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

An investment through equity instrument is subsequently measured at fair value. Dividend income (unless it clearly represents the return on part of the investment cost) is recognized as profit and loss. The remaining net profit or loss is recognized as other comprehensive income and is not reclassified to profit and loss.

Dividend income derived from equity investments is recognized on the date (normally the ex-dividend date) that the Company is entitled to receive dividend.

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

Financial assets not measured at amortized costs or at fair value through other comprehensive income shall be measured at fair value through profit and loss, including derivative assets. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or measured at fair value through other comprehensive income, as at fair value through profit and loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value, and their net profits or losses (including any dividends and interest income) are recognized as profit or loss.

(d) Impairment of financial assets

The expected credit loss for financial assets at amortized cost by the Company (including cash and cash equivalents, financial assets at amortized cost, notes receivable and account receivable, other receivables, refundable deposit, and other financial assets, etc.) is recognized as allowance loss.

The Company 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 on 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) have not increased significantly since initial recognition.

Loss allowances of account receivables are recognized based on the expected credit loss during the term of duration.

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

Time deposits held by the Company are traded with and performed by financial institutions of investment grade or above, and therefore are deemed to have low credit risk.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 120 days past due.

If the contract payment is more than 180 days overdue or the borrower is unlikely to fulfill its credit obligation to pay the Company in full, the Company considers that default occurs on the financial asset.

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

The 12-month expected credit loss represents possible credit loss from breach of contract within 12 months of reporting date (or within a shorter period, if the period of existence of financial instruments is less than 12 months).

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

ECLs are a probability-weighted estimate of credit losses during the period of existence of financial instruments. Credit losses are measured as the present value of all cash shortfalls. The difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive. ECLs are discounted at the effective interest rate of the financial asset.

The Company evaluates whether there is credit impairment in measuring financial assets through amortized cost on every reporting date. When there is one or more events arising that will bring unfavorable influence to expected future cash flow, there is already credit impairment to the financial asset. Evidence of a credit impairment of a financial asset includes the observable information for the following events:

- Major financial difficulties of the borrower or issuer;
- Default, such as delay or overdue for more than 180 days;
- The Company may make a concession for the borrower that would not have been considered for economic or contractual reasons related to the borrower's financial difficulties;
- The borrower is most likely to file for bankruptcy or conduct other financial restructuring; or
- The active market for the financial asset disappears due to financial difficulties.

The allowance loss of financial assets at amortized cost is deducted from the carrying amount of assets.

The gross carrying amount of a financial asset is written off directly provided that there is no realistic prospect of recovery either partially or in full. For companies, the Company analyzes the timing and amount of write-offs individually based on whether it is reasonably expected to be recoverable. The Company expects that the amount written off will not be materially reversed. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

(e) Derecognition of financial assets

The Company derecognizes financial assets when the contractual rights to the cash inflow from the asset expire or when the Company transfers the financial assets with substantially all the risks and rewards of ownership to other enterprises, or does not transfer nor retain almost all risk and rewards of ownership nor retain right to control such financial assets.

When the Company enters into a transaction to transfer financial assets, if it retains all or almost all risks and rewards of ownership of the transferred assets, it will continue to be recognized on the balance sheet.

b. Financial Liabilities and Equity Instruments

(a) Classification of liabilities or equities

The debt and equity instruments issued by the Company are classified as financial liabilities or equity according to the substance of the contractual agreement and the definition of financial liabilities and equity instruments.

(b) Equity transactions

Equity instruments refer to any contracts containing the Company's residual interests after subtracting liabilities from assets. The equity instrument issued by the Company shall be recognized by the payment net of the direct cost of issuance.

(c) Compound financial instruments

The composite financial instruments issued by the Company refer to corporate bonds (denominated in NTD) for which holders enjoy the option to convert them into capital, and the number of issued shares will not change with variation of fair value.

For the components of composite financial instruments liability, the initially recognized amount is measured at fair value through liabilities excluding those similar to equity conversion option. For the components of equity, the initially recognized amount is measured by the difference between fair value of overall composite financial instruments and fair value of components of liability. Any directly attributable transaction cost will be amortized to liability and equity components according to the carrying amount ratio of original liability and equity. After initial recognition, the liability components of composite financial instruments are measured through amortized cost with effective interest rate method. The components of composite financial instruments will not be re-measured after initial recognition.

Interest related to financial liabilities is recognized as profit or loss. Financial liability is reclassified as equity upon conversion without being recognized as profit or loss.

(d) Financial liabilities

Financial liabilities are classified as measured at amortized costs or at fair value through profit or loss. Financial liabilities are classified as measured at fair value through profit or loss if they are held for trading, derivatives, or designated at initial recognition. Financial assets at fair value through profit or loss are measured at fair value; and profit or loss, including any interest expense, arising from such financial assets are recognized as profit or loss.

Other subsequent financial liabilities are measured at amortized cost using the effective interest method. Interest expense and profit or loss from foreign currency exchange are recognized as profit or loss. Any gain or loss on derecognition is recognized as profit or loss.

(e) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligation has been discharged or cancelled, or has expired. When the terms of financial liabilities are modified and the cash flow of the modified liabilities is significantly different, the original financial liabilities are derecognized and the new financial liabilities are recognized at fair value based on the revised terms.

When financial liabilities are derecognized, the difference between their carrying amount and the paid consideration (including any transferred non-cash assets or liabilities assumed) shall be recognized in profit or loss.

(f) Offset of financial assets and liabilities

The Company presents financial assets and liabilities on a net basis when it has the legally enforceable right to offset and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(7) Inventories

Inventories are measured at the lower of cost or net realizable value. Inventories are measured at standard cost generally, but when compared against actual cost during the reporting period, necessary adjustment should be made to ensure the inventories are approximate to the weighted average cost. The net realizable value is the estimated selling price in the ordinary course of business less the estimated additional cost required for completion and the estimated cost necessary to offer for sale.

(8) Investments in Subsidiaries

When preparing the parent company only financial statements, the Company evaluates investee companies with controlling interests using the equity method. Under equity method, allocated amount in income (loss) of parent company only financial statements, consolidated financial statements prepared, and other comprehensive income (loss) attributable to shareholders of the parent company are the same. Shareholders' equity in parent company only financial statements and equity attributable to shareholders of the parent company in consolidated financial statements are the same.

When a change in the Company's ownership interests in a subsidiary does not cause it to lose control of the subsidiary, it shall be accounted for as an equity transaction.

(9) Property, plant and equipment

a. Recognition and measurement

Property, plant and equipment shall be measured by deducting accumulated depreciation or any accumulated impairment from cost (including capitalized borrowing costs).

The material components of property, plant and equipment with different service lives are treated as separate items (major components) of property, plant and equipment.

The gain or loss arising from the disposal of property, plant and equipment shall be recognized as profit and loss.

b. Subsequent cost

Subsequent cost is only capitalized when the future economic benefits are likely to flow into the Company.

c. Depreciation

Depreciation is calculated based on the cost deducting the residual value, and depreciation measured using the straight-line method is recognized in profit or loss within the estimated service life of each component.

The estimated service lives of equipment for the current and comparative periods:

- (a) Houses and buildings: 10-50 years
- (b) Machinery equipment: 3-8 years
- (c) R&D equipment: 3-5 years
- (d) Other equipment: 2-10 years

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

(10) Lease

The Company evaluates whether the contract is a lease or contains a lease upon the conclusion of the contract. If the contract transfers control over the use of the identified assets for a period of time in exchange for consideration, the contract is a lease or contains a lease.

The Company, as a lessee, recognizes the right-of-use asset and lease liability upon the inception of the lease. The right-of-use asset is initially measured at cost, which includes the original measured amount of the lease liability, adjusts any lease payments paid on or before the inception of the lease and adds the original direct cost incurred and the estimated cost of dismantling, removing the underlying asset and restoring its location or underlying asset, and deducting any lease incentive.

The right-of-use asset is subsequently depreciated on a straight-line basis between the inception of the lease and the end of the end-of-life of the right-of-use asset or the end of the lease period. In addition, the Company regularly assesses whether the right-of-use asset is impaired and treats any impairment loss that has occurred, as well as cooperating to adjust the right-of-use asset when the lease liability is remeasured.

Lease liabilities are originally measured by the present value of the lease payments that have not been paid at the inception of the lease. If the implicit interest rate of the lease is easy to determine, it is applied as the discount rate. If it is not easy to determine, the incremental borrowing rate of the Company is used. Generally speaking, the Company adopts the incremental borrowing rate as the discount rate.

Lease payments in the measurement of lease liabilities include:

- a. Fixed benefits, including substantial fixed benefits;
- b. Variable lease payments dependent upon certain indicators or rates are measured by the indicators or rates used at the inception of the lease;
- c. The residual value guarantee expected to be paid; and
- d. When reasonably determined that the purchase option or lease termination option will be exercised, the exercise price or the penalty payable.

The lease liability is subsequently accrued by the effective interest method, and the amount is measured when the following occurs:

- a. Changes in the indicator or rate used to determine lease payments result in changes in future lease payments;
- b. Changes in the residual value guarantee expected to be paid;
- c. Changes in the evaluation of the underlying asset purchase option;
- d. Changes in the estimate of whether to exercise the extension or termination option and the assessment of the lease period;
- e. Modification of lease subject, scope or other terms.

When the lease liability is remeasured due to changes in the aforementioned indicator or rate used to determine lease payments, changes in the residual value guarantee, and changes in the evaluation of purchase, extension or termination options, the carrying amount of the right-of-use asset is adjusted accordingly. When the carrying amount of the right-of-use asset is reduced to zero, the remaining remeasured amount is recognized in profit or loss.

For lease modifications that reduce the scope of the lease, the carrying amount of the right-of-use asset is reduced to reflect the partial or full termination of the lease, and the difference between the lease and the remeasured amount of the lease liability is recognized in profit or loss.

For the short-term lease of office and other equipment and the lease of low-value underlying assets leased, the Company chooses not to recognize the right-of-use assets and lease liabilities, but the related lease payments are recognized on a straight-line basis as expenses during the lease period.

(11) Intangible Assets

- a. Recognition and measurement

Intangible assets acquired by the Company with a limited-service life are measured by deducting accumulated amortization and accumulated impairment from cost.

- b. Amortization

Except for goodwill, amortization is calculated based on the cost of assets less the estimated residual value. Since the intangible assets are ready for use, amortization, measuring with the straight-line method, is recognized as profit or loss within their estimated service life.

The estimated service lives of equipment for the current and comparative periods:

Computer software: 1~ 5 years

The residual value, service life and amortization method of intangible assets are reviewed by the Company on each reporting date, and adjusted when necessary.

(12) Impairments of Non-financial Assets

On each reporting date, the Company assesses whether there is any indication that the

carrying amount of non-financial assets (other than inventory and deferred tax assets) is impaired. If any such indication is found, the recoverable amount of the asset is estimated. An impairment test is conducted on goodwill on a yearly basis.

For the purpose of impairment test, a group of assets whose cash inflows are largely independent of the cash inflows of other individual assets or asset groups is used as the smallest identifiable asset group. Goodwill derived from the merger is apportioned to the cash generating units or groups of cash generating units that are expected to benefit from the general effect of the merger.

The recoverable amount is measured by deducting disposal cost and value in use of an individual asset or cash generating unit from its fair value, whichever is higher. When evaluating the value in use, the estimated future cash flow is converted to the present value at a pre-tax discount rate, which should reflect the current market assessment of the time value of money and the specific risks for the asset or cash-generating unit.

If the recoverable amount of an individual asset or cash-generating unit is lower than the carrying amount, an impairment loss is recognized.

If loss from impairment is recognized in current profit and loss, carrying amount of goodwill allocated to the cash generating unit should be reduced first, and then carrying amount of other assets within the unit should be reduced in proportion.

The impairment loss of goodwill will not be reversed. Non-financial assets other than goodwill will be reversed only to the extent not exceeding the carrying amount (less depreciation or amortization) determined if the impairment loss had not been recognized in the previous year.

(13) Provisions

The recognition of provisions means that the Company has a present obligation arising from a past event, and it is likely that the Company will have to discharge resources with economic benefit in the future to fulfill the obligation, the amount of which can be reliably estimated. The provision is discounted at a pre-tax discount rate that reflects the current market's assessment of the time value of money and the specific risk of liabilities. The amortization of the discount is recognized as interest expense.

Provision for warranty liabilities is recognized at the time of sale of goods or services and is measured on a weighted basis according to its relative probability based on historical warranty information and all possible outcomes.

(14) Revenue Recognition

a. Revenue from contracts with customers

Revenue is measured at the consideration to which it is expected to be entitled in transferring the goods or services. The Company recognizes revenue only when the control of goods or services is transferred to customers and the obligations are fulfilled. Major sources of revenue of the Company are as follows:

(a) Goods sales

The Company manufactures and sells to customers network communication products. The Company recognizes revenue when control of the products has transferred. The control of the products has transferred 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 means delivering the products to designated place, whereby their obsolescence and loss risk has been transferred to a customer, who has accepted the products according to sales contract while the acceptance inspection terms become invalid, or the Company has objective evidences to believe that all acceptance inspection conditions have been met.

The Company provides standard warranty on clients' products and therefore assumes the obligation to refund defects, and has recognized the obligation as provisions for warranty.

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

(b) Financial components

The Company expects that the time between the transfer of goods or services to the customer under all customer contracts and the payment for such goods or services by the customer is not exceed one year. Therefore, the Company does not adjust the time value of money of the transaction price.

(15) Employee benefits

a. Defined contribution plan

Obligations for contribution to defined pension contribution scheme are recognized as expenses for the periods during which services are rendered by employees.

b. Short-term employee benefits

Obligations for short-term employee benefits are recognized as expenses for the periods during which services are rendered by employees. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and

the obligation can be estimated reliably.

(16) Income taxes

Income tax expenses include current and deferred income tax. Except for expenses related to merger or recognized directly in equity or other comprehensive income, all current and deferred income taxes shall be recognized in profit or loss.

Current income tax includes the estimated income tax payable or tax refunds receivable based on tax gains (losses) for the current year and any adjustments to income taxes payable or tax refunds receivable for the previous year. The amount is based on the statutory tax rate at the reporting date or the tax rate of substantive legislation to measure the best estimate of the amount expected to be paid or received.

Deferred income tax is measured and recognized based on the temporary difference between the amount of assets and liabilities on the books for financial reporting purposes and the tax basis. Temporary differences arising from the following circumstances are not recognized as deferred income tax:

- a. Assets or liabilities, other than those initially recognized in merger, which do not affect accounting profits and tax gains (losses) at the time of the transaction;
- b. Temporary differences, associated with investments in subsidiaries, that the Company is able to control the time of reversal and may not be reversed in the foreseeable future.
- c. Taxable temporary differences arise from the original recognition of goodwill.

A deferred tax asset should be recognized for the carry forward of unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax credits and deductible temporary differences can be utilized. Such unused tax credits and deductible temporary differences shall also be re-evaluated every year on the financial reporting date, and adjusted based on the probability that future taxable profit will be available against which the unused tax credits and deductible temporary differences can be utilized.

Deferred income tax is measured at the tax rate at the time of reversal of expected temporary differences using the statutory or substantive legislative tax rate on the reporting date.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

- a. The Consolidated Company has the legal right to settle tax assets and liabilities on a net basis; and
- b. The deferred income tax assets and liabilities are related to one of taxpayers paying the income taxes levied by a tax authority;

- (a) The taxes are paid by the same taxpayer; or
- (b) The taxpayers are different, but intend to liquidate current income tax liabilities and assets (where such amounts are significant) on a net basis every year in the period of expected asset realization or debt liquidation, or realize assets and liquidate the liabilities simultaneously.

(17) Earnings per share

The Company discloses the basic and diluted earnings per share attributable to ordinary shareholders of the Company. The basic earnings per share of the Company is calculated by dividing the profit and loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the current period. The calculation of diluted earnings per share is based on the profit and loss attributable to ordinary shareholders of the Company, divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all diluted potential ordinary shares. Potential diluted ordinary shares of the Company include convertible bonds and stock options for employees.

(18) Segment Information

The Company has disclosed information of operating segments in consolidated financial statements. Therefore, related information is not disclosed in the parent company only financial statements.

5. Primary Sources of Uncertainties in Material Accounting Judgments, Estimates, and Assumptions

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

Management continually reviews estimates and underlying assumptions, and recognizes the changes in accounting estimates in the period of change and in the affected future periods.

The Company has no accounting policies that involve material judgments and have material impact on the amounts recognized in the parent company only financial statements.

For the uncertainties in the assumptions and estimates, the information related to the material risk that will result in a material adjustment to the carrying amounts of assets and liabilities in the next fiscal year and reflect the impact of COVID-19 is as follows:

(1) Inventory valuation

As inventories are measured at the cost or net realizable value, whichever comes lower, the Company estimates the net realizable value of inventories that are normally worn and torn, obsolescent or unmarketable on the reporting date and then writes down the cost of inventories to net realizable value. The assessment of this inventory valuation is mainly

based on the product requirements within a specific future period. Hence, it may have significant changes due to rapid industrial changes.

(2) Valuation of Impairment of Investments Accounted for Using the Equity Method

Valuation of impairment of investments using equity method relies on subjective judgment of the Company, and the Company has to judge if the goodwill in invested subsidiaries has been impaired, goodwill that acquired through merger on the acquisition date shall be amortized into the cash-generating unit the Company expects to benefit from the comprehensive effects of the merger to evaluate the value in use of the goodwill amortized in the cash-generating unit. To calculate the value in use, the management shall estimate the future cash flow expected to be generated from the cash-generating unit goodwill is amortized to, and determine the appropriate discount rate used to calculate the present value. Significant impairment loss may occur if actual cash flows are lower than the forecasts.

6. Details of Significant Accounts

(1) Cash and Cash Equivalents

| | <u>2023.12.31</u> | <u>2022.12.31</u> |
|---|--------------------------|-----------------------|
| Cash on hand and petty cash | \$ 618 | 570 |
| Foreign currency and demand deposits | 431,197 | 382,988 |
| Cash and cash equivalents reported in the cash flow statement | <u>\$ 431,815</u> | <u>383,558</u> |

Refer to Note 6(18) for the details on interest rate risk and sensitivity analysis of financial assets and liabilities of the Company.

(2) Notes receivable and account receivable (including related parties)

| | <u>2023.12.31</u> | <u>2022.12.31</u> |
|--|--------------------------|-----------------------|
| Account receivables - measured at amortized cost | \$ 585,951 | 564,701 |
| Less: Loss allowance | (880) | (880) |
| | <u>\$ 585,071</u> | <u>563,821</u> |

The Company applies the simplified approach on the estimation of expected credit losses, that is, a loss allowance is recognized based on lifetime of expected credit losses. To measure the expected credit losses, notes receivable and account receivable were grouped based on shared characteristics of credit risk on remaining payments before due date, and forward-looking information was incorporated as well. The expected credit loss of notes receivable and account receivable of the Company is analyzed as follows:

| | 2023.12.31 | | |
|---------------------------|---|---|---|
| | Carrying amount of account receivables | Weighted average expected credit loss rate | Expected credit losses during the lifetime of loss allowance |
| Not overdue | \$ 518,493 | 0.04% | 207 |
| Less than 30 days overdue | 50,472 | 0.41% | 206 |
| 31 - 120 days overdue | <u>16,986</u> | <u>2.75%</u> | <u>467</u> |
| | <u>\$ 585,951</u> | | <u>880</u> |

| | 2022.12.31 | | |
|---------------------------|---|---|---|
| | Carrying amount of account receivables | Weighted average expected credit loss rate | Expected credit losses during the lifetime of loss allowance |
| Not overdue | \$ 539,254 | 0.01% | 65 |
| Less than 30 days overdue | 1,215 | 2.60% | 32 |
| 31 - 120 days overdue | <u>24,232</u> | <u>3.23%</u> | <u>783</u> |
| | <u>\$ 564,701</u> | | <u>880</u> |

Changes in loss allowances for notes receivable and account receivable of the Company are as follows:

| | 2023 | 2022 |
|--|----------------------|-------------------|
| Beginning balance (i.e., ending balance) | <u>\$ 880</u> | <u>880</u> |

None of the aforesaid financial assets is used as a guarantee for borrowing and financing. Please refer to Note 6(18) for further information on other credit risks.

(3) Other receivables

| | 2023.12.31 | 2022.12.31 |
|---|-------------------------|-----------------------|
| Other receivables - loans to subsidiaries | \$ 24,564 | 24,568 |
| Other receivables - related parties | 3,567 | 6,701 |
| Others | 32,014 | 82,377 |
| Less: Loss allowance | <u>-</u> | <u>-</u> |
| | <u>\$ 60,145</u> | <u>113,646</u> |

Please refer to Note 6(18) for further information on other credit risks.

(4) Inventories

| | <u>2023.12.31</u> | <u>2022.12.31</u> |
|-------------------------------|----------------------------|-------------------------|
| Raw materials and consumables | \$ 910,229 | 1,456,969 |
| Work-in-progress | 142,215 | 207,640 |
| Finished goods | <u>287,230</u> | <u>555,660</u> |
| | <u>\$ 1,339,674</u> | <u>2,220,269</u> |

Details of cost of goods sold in 2023 and 2022 are as follows:

| | <u>2023</u> | <u>2022</u> |
|---------------------------------|----------------------------|-------------------------|
| Inventory cost of goods sold | \$ 2,336,722 | 2,646,430 |
| Loss from inventory devaluation | 3,277 | 3,616 |
| Loss for inventory obsolescence | 7,750 | 7,400 |
| Others | <u>36,241</u> | <u>52,807</u> |
| | <u>\$ 2,383,990</u> | <u>2,710,253</u> |

No inventories of the Company were pledged as collateral as of December 31, 2023 and 2022.

(5) Investments accounted for using equity method

The Company's investments accounted for using the equity method on the reporting date are listed below:

| | <u>2023.12.31</u> | <u>2022.12.31</u> |
|------------|--------------------------|-----------------------|
| Subsidiary | <u>\$ 916,130</u> | <u>961,029</u> |

Please refer to the consolidated financial statements for 2023.

No investments accounted for using the equity method were pledged as collateral as of December 31, 2023 and 2022.

(6) Property, plant and equipment

Changes in cost and depreciation of property, plant and equipment of the Company are as follows:

| | Land | Houses and buildings | Machinery equipment | R&D equipment | Other equipment | Total |
|-------------------------|--------------------------|-------------------------------------|--------------------------------|------------------------------|----------------------------|-----------------------|
| Balance on January 1, | | | | | | |
| 2023 | \$ - | - | 13,326 | 16,329 | 33,874 | 63,529 |
| Additions (Note) | 260,563 | 260,888 | 1,344 | 1,039 | 13,250 | 537,084 |
| Disposal | - | - | (4,456) | (3,095) | (3,159) | (10,710) |
| Reclassification (Note) | <u>83,580</u> | <u>75,140</u> | <u>343</u> | <u>-</u> | <u>-</u> | <u>159,063</u> |
| Balance on December | | | | | | |
| 31, 2023 | <u>\$ 344,143</u> | <u>336,028</u> | <u>10,557</u> | <u>14,273</u> | <u>43,965</u> | <u>748,966</u> |

| | Houses and Machinery R&D Other | | | | | Total |
|---------------------------------|---|------------------|------------------|------------------|------------------|----------------|
| | Land | buildings | equipment | equipment | equipment | |
| Balance on January 1, 2022 | \$ - | - | 12,522 | 17,883 | 35,879 | 66,284 |
| Additions | - | - | 2,566 | 1,769 | 1,498 | 5,833 |
| Disposal | - | - | (1,762) | (3,643) | (3,503) | (8,908) |
| Reclassification | - | - | - | 320 | - | 320 |
| Balance on December 31, 2022 | \$ - | - | 13,326 | 16,329 | 33,874 | 63,529 |
| Balance on January 1, 2023 | \$ - | - | 7,130 | 9,254 | 13,678 | 30,062 |
| Depreciation | - | 3,534 | 3,595 | 2,988 | 6,657 | 16,774 |
| Disposal | - | - | (4,456) | (3,095) | (3,159) | (10,710) |
| Balance on December 31, 2023 | \$ - | 3,534 | 6,269 | 9,147 | 17,176 | 36,126 |
| Balance on January 1, 2022 | \$ - | - | 5,111 | 9,127 | 11,439 | 25,677 |
| Depreciation | - | - | 3,781 | 3,770 | 5,742 | 13,293 |
| Disposal | - | - | (1,762) | (3,643) | (3,503) | (8,908) |
| Balance on December 31, 2022 | \$ - | - | 7,130 | 9,254 | 13,678 | 30,062 |
| Carrying Amount: | | | | | | |
| December 31, 2023 | \$ 344,143 | 332,494 | 4,288 | 5,126 | 26,789 | 712,840 |
| December 31, 2022 | \$ - | - | 6,196 | 7,075 | 20,196 | 33,467 |

Note: In 2023, the Company acquired an office building for NT\$654,511,000 and transferred NT\$158,720,000 from other non-current assets.

Please refer to Note 8 for property, plant or equipment of the Company pledged as collateral for financing limit as of December 31, 2023. No property, plant or equipment of the Company was pledged as collateral as of December 31, 2022.

(7) Right-of-use assets

Changes in cost and depreciation of houses and buildings leased by the Company are as follows:

| | Houses and Transportation | | | Total |
|------------------------------|--------------------------------------|------------------|------------------|--------------|
| | Land | buildings | equipment | |
| Cost of right-of-use assets: | | | | |
| Balance on January 1, 2023 | \$ - | 63,444 | 1,378 | 64,822 |
| Add (Note) | 337,533 | 334,151 | - | 671,684 |
| Decrease | - | (14,429) | - | (14,429) |

| | Land | Houses and buildings | Transport ation equipment | Total |
|--------------------------------------|-------------------|-------------------------|---------------------------------|----------------|
| Balance on December 31, 2023 | <u>\$ 337,533</u> | <u>383,166</u> | <u>1,378</u> | <u>722,077</u> |
| Balance on January 1, 2022 | \$ - | 63,401 | - | 63,401 |
| Additions | - | 2,823 | 1,378 | 4,201 |
| Decrease | - | (2,780) | - | (2,780) |
| Balance on December 31, 2022 | <u>\$ -</u> | <u>63,444</u> | <u>1,378</u> | <u>64,822</u> |
| Depreciation of right-of-use assets: | | | | |
| Balance on January 1, 2023 | \$ - | 30,664 | 100 | 30,764 |
| Provision for depreciation | - | 22,720 | 172 | 22,892 |
| Decrease | - | (9,620) | - | (9,620) |
| Balance on December 31, 2023 | <u>\$ -</u> | <u>43,764</u> | <u>272</u> | <u>44,036</u> |
| Balance on January 1, 2022 | \$ - | 11,825 | - | 11,825 |
| Provision for depreciation | - | 21,619 | 100 | 21,719 |
| Decrease | - | (2,780) | - | (2,780) |
| Balance on December 31, 2022 | <u>\$ -</u> | <u>30,664</u> | <u>100</u> | <u>30,764</u> |
| Carrying Amount: | | | | |
| December 31, 2023 | <u>\$ 337,533</u> | <u>339,402</u> | <u>1,106</u> | <u>678,041</u> |
| December 31, 2022 | <u>\$ -</u> | <u>32,780</u> | <u>1,278</u> | <u>34,058</u> |

Note: The Company has made an agreement with Huaku Development Co., Ltd., anticipating the property transfer to take place in 2027. To adhere to the aforementioned schedule, the Company will acquire the right of use through leasing from the time of signing the contract and handing over the house until the Company obtains the property rights.

(8) Long-term borrowings

Details of the Company's long-term borrowings, conditions, and terms are as follows:

| | 2023.12.31 | | | |
|--------------------|-----------------------------------|------------|-----------------|-------------------|
| | Range of interest rate | | | |
| | Currency | (%) | Due Date | Amount |
| Secured bank loans | NTD | 1.9%~2.04% | 2043.03.20 | <u>\$ 300,000</u> |
| Unused limit | | | | <u>\$ -</u> |

Please refer to Note 8 for details of guarantee for the Company to use assets to pledge for guaranteeing bank loans.

(9) Bonds payable

Bonds payable of the Company are as follows:

| | 2023.12.31 | 2022.12.31 |
|--|-------------------|-------------------|
| Amount of unsecured convertible bonds initially issued | \$ 710,553 | 710,553 |
| Unamortized discount on bonds payable | - | (194) |

| | <u>2023.12.31</u> | <u>2022.12.31</u> |
|---|-------------------|-------------------|
| Cumulative converted amount | (558,595) | (542,964) |
| Less: exercise redemption right | (151,958) | - |
| Bonds payable due, ending balance | <u>\$ -</u> | <u>167,395</u> |
| Embedded derivatives-right of redemption (presented in financial assets at fair value through profit or loss) | <u>\$ -</u> | <u>215</u> |
| Equity components - right of conversion (presented in capital surplus - right of subscription) | <u>\$ -</u> | <u>4,441</u> |
| | <u>2023</u> | <u>2022</u> |
| Interest expenses | <u>\$ 194</u> | <u>2,307</u> |

| <u>Item</u> | <u>First domestic unsecured convertible bonds</u> |
|----------------------------|--|
| 1. Total amount of issue | NT\$700,000 thousand |
| 2. Nominal amount of issue | NT\$100 thousand |
| 3. Issuance period | 2020.2.10~2023.2.10 |
| 4. Bond term | 3 years |
| 5. Coupon rate | 0% |
| 6. Repayment upon maturity | At maturity of the convertible bonds, the Company will make a lump sum payment in cash on the face value of the bonds plus interest (101.5075% of the face value with actual ROI of 0.5%). |
| 7. Redemption method | <p>(1) During the period from the date following three months of the bonds issue to 40 days before the maturity date, when the closing price of the Company's ordinary shares at the business premises of a securities firm exceeds the conversion price by more than 30 (inclusive) percent for 30 consecutive business days, the Company may redeem all convertible bonds outstanding at a price equivalent to their face value in cash in 30 business days thereafter.</p> <p>(2) During the period from the date following three months of the bonds issue to 40 days before the maturity date, when the amount of the convertible bonds outstanding is lower than 10% of total value of bonds issued, the Company may redeem all convertible bonds outstanding at a price equivalent to their face value in cash at any time thereafter.</p> <p>(3) Where a bondholder fails to respond to the Company's stock affairs agency in writing before the base date stated in the</p> |

| Item | First domestic unsecured convertible bonds |
|------------------------------------|--|
| | “bond recalling notice,” the Company shall redeem the convertible bonds held by the bondholder in cash at the price equivalent to their par value within five business days after the base date of recalling the bonds. |
| 8. Conversion period | The bondholders may, from the day following 3 months after such convertible bond are issued to the maturity date, except for when the ownership transfer of ordinary shares are terminated from transferring by law, from 15 days prior to the date of the termination of the ownership transfer of the Company’s stock dividends, cash dividends, or cash capital increase subscription to the base date of the distribution of rights, or from the date of the capital reduction to one day before the start of the trading day of the capital reduction for issuance of new shares, file a request to the Company’s stock affairs agency through trading securities firms, while informing the Taiwan Depository & Clearing Corporation, to convert the convertible bonds held into the Company’s ordinary shares in accordance with regulations. |
| 9. Conversion price and adjustment | The price of conversion was set at NT\$104.1 per share during issuance. In the event of an adjustment of the conversion price of the Company’s ordinary share in accordance with the terms of the issuance, the conversion price shall be adjusted in accordance with the formula stipulated in the terms of the issuance. The conversion price was changed to NT\$96.5 per share on August 21, 2022. |

(10) Lease liabilities

Carrying amounts of lease liabilities of the Company are as follows:

| | 2023.12.31 | 2022.12.31 |
|-------------|-------------------|---------------|
| Current | <u>\$ 17,565</u> | <u>22,042</u> |
| Non-current | <u>\$ 477,182</u> | <u>12,128</u> |

Please refer to Note 6(18) financial instruments for details of maturity analysis.

The amounts recognized in profit or loss are as follows:

| | 2023 | 2022 |
|---|-----------------|------------|
| Interest expenses of lease liabilities | <u>\$ 3,193</u> | <u>381</u> |
| Short-term lease expenses | <u>\$ 137</u> | <u>212</u> |
| Expenses for leases of low-value assets | <u>\$ 18</u> | <u>17</u> |

The amounts recognized in the statements of cash flows are:

| | <u>2023</u> | <u>2022</u> |
|-----------------------------|-------------------|---------------|
| Total cash outflow of lease | <u>\$ 209,603</u> | <u>22,338</u> |

a. Lease of houses and buildings

The Company leases houses and buildings for office purpose with a term of 2 to 6 years generally, some leases include an option to renew the lease for another term of same length with the original lease upon expiration.

Some leases set forth that the Company shall pay taxes for the lesser in advance, and such payment occurs once a year generally.

The Company anticipates that the ratios of fixed and variable rents for future years will be roughly the same as those in this reporting period.

b. Other leases

The Company has leased transport equipment for a period of three years.

The Company has leased miscellaneous equipment with a period of one to five year(s). Such leases are short-term and/or leases of low-value subject matters, and the Company has selected to apply the provision of exemption from recognition and not recognized them as relevant right-of-use assets and lease liabilities.

(11) Employee benefits

As per the defined contribution scheme of the Company developed according to regulations on employee pension, a contribution of 6% of monthly salary of each employee is made to their personal pension account registered at the Bureau of the Labor Insurance. Under this scheme, the Company has no legal or constructive obligation to pay additional expenses after making contributions of fixed amount to the Bureau of the Labor Insurance.

The cost of the pension contributions to the Bureau of Labor Insurance under this scheme for 2023 and 2022 amounted to NT\$8,899 thousand and NT\$7,924 thousand, respectively.

(12) Income taxes

a. Income tax expenses

Income tax expenses of the Company are as follows:

| | <u>2023</u> | <u>2022</u> |
|---|------------------|---------------|
| Current income tax expenses | | |
| Incurred in the current year | \$ 74,900 | 82,887 |
| Deferred income tax expenses | | |
| Origination and reversal of temporary differences | (10,358) | 4,886 |
| Income tax expenses | <u>\$ 64,542</u> | <u>87,773</u> |

The reconciliation of income tax expenses and income before income tax is as follows:

| | <u>2023</u> | <u>2022</u> |
|--|-------------|-------------|
|--|-------------|-------------|

| | | | |
|---|-----------|-----------------------|-----------------------|
| Income before income tax | <u>\$</u> | <u>387,249</u> | <u>516,105</u> |
| Income tax at the Company's domestic tax rate | \$ | 77,449 | 103,221 |
| Non-deductible expenses | | (4,565) | (10,129) |
| Book-tax difference | | (2,477) | (6,861) |
| Difference verified | | (3,021) | 2,255 |
| Surtax on unappropriated earnings | | - | 1,521 |
| Investment allowances | | (2,844) | (2,234) |
| Total | <u>\$</u> | <u>64,542</u> | <u>87,773</u> |

b. Recognized deferred tax assets and liabilities

Deferred tax liabilities:

| | Unrealized profit and loss from | | |
|-------------------------------------|--|-----------------|-----------------|
| | <u>exchange</u> | <u>Others</u> | <u>Total</u> |
| Balance on January 1, 2023 | \$ (977) | (31,316) | (32,293) |
| Debit (credit) income statement | 977 | 2,452 | 3,429 |
| Balance on December 31, 2023 | <u>\$ -</u> | <u>(28,864)</u> | <u>(28,864)</u> |
| Balance on January 1, 2022 | \$ (199) | (27,208) | (27,407) |
| Debit (credit) income statement | (778) | (4,108) | (4,886) |
| Balance on December 31, 2022 | <u>\$ (977)</u> | <u>(31,316)</u> | <u>(32,293)</u> |

Deferred tax assets:

| | Unrealized profit and loss from | | |
|-------------------------------------|--|---------------|--------------|
| | <u>exchange</u> | <u>Others</u> | <u>Total</u> |
| Balance on January 1, 2023 | \$ - | - | - |
| Debit (credit) income statement | 3,004 | 3,925 | 6,929 |
| Balance on December 31, 2023 | <u>\$ 3,004</u> | <u>3,925</u> | <u>6,929</u> |
| Balance on January 1, 2022 | \$ - | - | - |

c. Income tax assessment

Business income tax returns of the Company through 2021 have been assessed by the tax authority with examination.

(13) Capital and other equity

As of December 31, 2023 and 2022, the total nominal share capital of the Company amounted NT\$1,000,000 thousand with 100,000 thousand shares of par value of NT\$10. The aforementioned 73,348 thousand and 73,189 thousand ordinary shares issued by the Company respectively, received stock capital for all shares issued.

Changes in the number of outstanding shares in 2023 and 2022 are as follows:

| (presented in thousands shares) | Ordinary shares | |
|---------------------------------|------------------------|---------------|
| | 2023 | 2022 |
| Balance on January 1 | 73,189 | 73,189 |
| Conversion of convertible bonds | 159 | - |
| Balance on December 31 | 73,348 | 73,189 |

a. Issuance of ordinary shares

In 2023, the Company issued 159 thousand shares due to the conversion rights of convertible bonds exercised by bondholders. The shares were issued in denominations with a total amount of NT\$1,596 thousand and all shares were registered as required by law.

b. Capital surplus

Balance of the Company's capital surplus is as follows:

| | 2023.12.31 | 2022.12.31 |
|--|---------------------|-------------------|
| Share premium | \$ 1,418,377 | 1,403,907 |
| Treasury share transactions | 22,792 | 22,792 |
| Right of subscription of convertible bonds | - | 4,441 |
| Expired stock options | 4,027 | - |
| | \$ 1,445,196 | 1,431,140 |

Capital surplus shall be allocated to new shares or cash with realized capital surplus in proportion to original shareholdings of shareholders after loss is covered. The above-mentioned realized capital surplus includes amount in excess of the nominal value during shares issuance and acceptance of bestowal. In accordance with the "Regulations Governing the Offering and Issuance of Securities by Securities Issuers," the total of capital surplus appropriated for capital every year shall not exceed 10% of the paid-in capital.

c. Retained earnings

According to the Articles of Association of the Company, where the Company has a profit at the end of each fiscal year, the Company shall first allocate the profit to cover accumulated losses and allocate 10% of the remaining net earnings as the Company's legal reserve unless and until the accumulated legal reserve reaches the Company's paid-in capital. The appropriation or reversal of special reserve shall be made in accordance with laws or regulations stipulated by the competent authority. If there is still surplus remaining, along with the undistributed surplus from the beginning of the period, the Board of Directors shall prepare a proposal for profit distribution, and submit it to the shareholders' meeting for resolution.

The Company distributes dividends or profits in accordance with Article 241,

Paragraph 1 of the Company Act, either in full or in part, from legal reserves and capital reserves. If the distribution is made in cash, according to Article 240, Paragraph 5 of the Company Act, the Board of Directors is authorized with the attendance of two-thirds or more of the directors and the consent of a majority of attending directors, and it shall be reported to the shareholders' meeting.

The dividend of the shareholders of the Company can be distributed in cash or shares, the amount of such dividends shall be no less than 10% of surplus after tax of the year, and dividends in cash shall account for at least 10% of total dividends of the shareholders. The Company is at a growing stage. Division of such surplus depends on future needs for capital and long-term operation planning of the Company. The Board of Directors should develop surplus distribution plan based on equities of shareholders, balance of dividend policies and planning for needs for capital, and propose it to the shareholders' meeting for resolution and adjustment.

(a) Legal reserve

If there is no loss, the Company may, by resolution of the shareholders' meeting, distribute new shares or cash from legal reserves, but legal reserves distributed cannot exceed 25% of the paid-in capital.

(b) Special reserve

Pursuant to FSC regulations, when distributing earnings available for distribution, the Company shall make a special reserve from the current profit and loss and the unappropriated earnings of the previous year by deducting the net amount of other shareholders' equity in the accounts incurred in the current year. If the amount of other shareholders' equity accumulated in the preceding period is reduced, the special reserve set aside from the unappropriated earnings in the preceding period shall not be distributed. If other shareholders' equity deductions are reversed afterward, the reversal may be applicable for distribution of earnings.

(c) Earnings distribution

The plans for distribution of cash dividends for 2022 were passed at the Board of Directors' meeting on March 9, 2023 and the plans for distribution of earnings for 2021 were passed at the shareholders' meetings held on June 16, 2022.

Dividends paid to owners of the Company are as follows:

| | 2022 | | 2021 | |
|---|--------|--------|--------|--------|
| | (NT\$) | Amount | (NT\$) | Amount |
| Dividends distributed to owners of ordinary | | | | |

shares:

| | | | | | |
|------|----|------|-----------------------|------|-----------------------|
| Cash | \$ | 3.60 | <u><u>264,054</u></u> | 2.00 | <u><u>146,378</u></u> |
|------|----|------|-----------------------|------|-----------------------|

d. Other equity (net amount after tax)

| | Exchange differences arising from the translation of foreign operations | Unrealized gain (loss) on financial assets at fair value through other comprehensive income | Total |
|---|--|--|-----------------|
| January 1, 2023 | \$ (29,780) | (10,450) | (40,230) |
| Unrealized gain (loss) on financial assets at fair value through other comprehensive income | - | (4,025) | (4,025) |
| Exchange differences on translating the net assets of foreign operations | (8,730) | - | (8,730) |
| December 31, 2023 | <u>\$ (38,510)</u> | <u>(14,475)</u> | <u>(52,985)</u> |
| January 1, 2022 | \$ (40,422) | (10,450) | (50,872) |
| Exchange differences on translating the net assets of foreign operations | 10,642 | - | 10,642 |
| December 31, 2022 | <u>\$ (29,780)</u> | <u>(10,450)</u> | <u>(40,230)</u> |

(14) Earnings per share

The amounts of basic earnings per share and diluted earnings per shares of the Company are as follows:

| | <u>2023</u> | <u>2022</u> |
|--|-------------------|----------------|
| Basic earnings per share: | | |
| Net profit attributable to owners of ordinary shares of the Company | <u>\$ 322,707</u> | <u>428,332</u> |
| Weighted average number of outstanding ordinary shares (thousand shares) | <u>73,331</u> | <u>73,189</u> |
| Basic earnings per share (NT\$) | <u>\$ 4.40</u> | <u>5.85</u> |
| Diluted earnings per share: | | |
| Net profit attributable to owners of ordinary shares of the Company | \$ 322,707 | 428,332 |
| Impact of potentially diluted ordinary shares Conversion of convertible bonds | 155 | 1,846 |
| Net profit attributable to owners of (diluted) ordinary shares of the Company | <u>\$ 322,862</u> | <u>430,178</u> |
| Weighted average number of outstanding (basic) | 73,331 | 73,189 |

| | <u>2023</u> | <u>2022</u> |
|--|----------------|---------------|
| ordinary shares (thousand shares) | | |
| Impact of potentially diluted ordinary shares (thousand shares) | | |
| Share-based remuneration for employees | 154 | 215 |
| Conversion of convertible bonds | 191 | 1,711 |
| Weighted average number of outstanding (diluted) ordinary shares (thousand shares) | <u>73,676</u> | <u>75,115</u> |
| Diluted earnings per share (NT\$) | <u>\$ 4.38</u> | <u>5.73</u> |

(15) Revenue from contracts with customers

a. Disaggregated Revenues

| | <u>2023</u> | <u>2022</u> |
|----------------------------------|---------------------|------------------|
| Primary geographical markets: | | |
| Taiwan | \$ 426,352 | 386,828 |
| Asia | 1,602,612 | 1,930,033 |
| America | 550,128 | 689,224 |
| Europe | 540,973 | 459,312 |
| | <u>\$ 3,120,065</u> | <u>3,465,397</u> |
| Major products/services lines: | | |
| Communication products | \$ 2,830,862 | 3,009,646 |
| Hosts of communication equipment | 145,175 | 189,829 |
| Other communication products | 144,028 | 265,922 |
| Total | <u>\$ 3,120,065</u> | <u>3,465,397</u> |

b. Contract balance

| | <u>2023.12.31</u> | <u>2022.12.31</u> | <u>2022.1.1</u> |
|---|-------------------|-------------------|-----------------|
| Notes receivable and account receivable | \$ 585,951 | 564,701 | 643,866 |
| Less: Loss allowance | (880) | (880) | (880) |
| Total | <u>\$ 585,071</u> | <u>563,821</u> | <u>642,986</u> |

Please refer to Note 6(2) for details of notes and account receivable as well as their impairment.

(16) Compensation to employees and directors

Pursuant to the Articles of Association, the Company shall allocate 2% - 15% of profit (if any) for compensation to employees, and a maximum of 2% profit (if any) for remuneration to directors. When there are accumulated losses, the Company shall retain profit for loss recovery before distribution of remuneration. The above remuneration to the employees may be allotted in cash or stock to eligible employees at subsidiaries. The above

remuneration to the directors shall be paid in cash only.

The compensation to employees and directors in 2023 and 2022 is estimated on the basis of the Company's net profit before deducting the compensation to employees and directors for each period multiplied by the proportion of the compensation to employees and directors as stipulated in the Articles of Association and is recognized as the operating costs or expenses for the period. Relevant information can be inquired at the TWSE MOPS. If there is a difference between the actual distribution amount and the estimated amount for the following year, it will be treated as changes in accounting estimates, and the difference will be recognized as profit or loss for the following year.

Appropriated compensation/remuneration to employees and directors of the Company in 2023 and 2022 are as follows:

| | <u>2023</u> | <u>2022</u> |
|---------------------------|------------------|---------------|
| Compensation to employees | \$ 12,500 | 16,500 |
| Remuneration to directors | 4,400 | 5,600 |
| | <u>\$ 16,900</u> | <u>22,100</u> |

There is no difference between the amount of compensation actually distributed to employees and directors in 2022 and the estimated amount listed in parent company only financial statements in 2022.

(17) Non-operating income and expenses

a. Interest income

The details of interest income of the Company are as follows:

| | <u>2023</u> | <u>2022</u> |
|---------------------------------|-----------------|--------------|
| Interest income on bank deposit | \$ 2,903 | 817 |
| Interest on loans | 588 | 554 |
| Other interest income | 61 | 32 |
| Total interest income | <u>\$ 3,552</u> | <u>1,403</u> |

b. Other income

The details of other income of the Company are as follows:

| | <u>2023</u> | <u>2022</u> |
|--|------------------|---------------|
| Income from NRE and cargo transportation premium | \$ 32,339 | 11,592 |
| Dividend income | 303 | - |
| Other income | 4,662 | 850 |
| | <u>\$ 37,304</u> | <u>12,442</u> |

c. Other gain and loss

The details of other gains and losses of the Company are as follows:

| | <u>2023</u> | <u>2022</u> |
|---|----------------|--------------|
| Profit from lease modification | \$ 43 | - |
| Gain (loss) on foreign currency exchange | (5,063) | 25,783 |
| Gains (losses) from financial assets at fair value through profit or loss | <u>(6,454)</u> | <u>2,849</u> |

| | | |
|-----------------------------|--------------------|---------------|
| Other gains and losses, net | <u>\$ (11,474)</u> | <u>28,632</u> |
|-----------------------------|--------------------|---------------|

d. Finance costs

Details of financial costs of the Company are as follows:

| | <u>2023</u> | <u>2022</u> |
|--------------------|-------------------|----------------|
| Interest expenses | | |
| Bank loans | \$ (6,451) | (207) |
| Bonds payable | (194) | (2,307) |
| Lease liabilities | <u>(3,193)</u> | <u>(381)</u> |
| Finance costs, net | <u>\$ (9,838)</u> | <u>(2,895)</u> |

(18) Financial Instruments

a. Credit risks

(a) Maximum credit risk exposure

The carrying amount of financial assets represents the maximum credit risk exposure amount.

(b) Concentration of credit risks

Account receivable and notes receivable are major sources of potential credit risks facing the Company. In order to reduce the credit risk of account receivables, the Company continuously assesses the financial conditions of its clients and requires them to provide collaterals or guarantees when necessary. The Company still regularly evaluates the possibility of recovery of account receivable and provides the allowance for bad debts, also the loss of bad debts is within the expectation of the management. 63.61% and 57.93% of balance of account receivable as of December 31, 2023 and 2022, respectively, were composed of three clients. This causes credit risk concentration.

(c) Credit risk of receivables

Please refer to Note 6(2) for information on the credit risk exposure of notes receivables and account receivables.

Other financial assets at amortized cost include account receivable and time deposit certificates.

The above-mentioned financial assets have low credit risk, so the allowance loss is measured based on the amount of twelve-month expected credit loss the period (please refer to Note 4(6) for details on how the Company determines the level of credit risk). There is no allowance for losses on other receivables in 2023 and 2022.

b. Liquidity risks

The following table shows the contractual maturity of financial liabilities, including impact of estimated interest.

| | Cash flow | | | | | | |
|---|---------------------|--------------------|-----------------------|------------------|---------------|----------------|-----------------|
| | Carrying amount | of the contract | Less than 6 months | 6 - 12 months | 1-2 years | 2-5 years | Over 5 years |
| December 31, 2023 | | | | | | | |
| Non-derivative financial liabilities | | | | | | | |
| Accounts payable (including related parties) | \$ 446,491 | 446,491 | 446,491 | - | - | - | - |
| Other payables (including related parties) | 101,673 | 101,673 | 101,673 | - | - | - | - |
| Lease liabilities | 494,747 | 532,267 | 17,682 | 9,525 | 26,458 | 478,602 | - |
| Total | <u>\$ 1,042,911</u> | <u>1,080,431</u> | <u>565,846</u> | <u>9,525</u> | <u>26,458</u> | <u>478,602</u> | <u>-</u> |
| December 31, 2022 | | | | | | | |
| Non-derivative financial liabilities | | | | | | | |
| Notes payable and account payable (including related parties) | \$ 659,894 | 659,894 | 659,894 | - | - | - | - |
| Other payables (including related parties) | 133,811 | 133,811 | 133,811 | - | - | - | - |
| Lease liabilities | 34,170 | 34,057 | 11,127 | 11,127 | 11,658 | 145 | - |
| Convertible corporate bonds | 167,395 | 167,395 | 167,395 | - | - | - | - |
| Total | <u>\$ 995,270</u> | <u>995,157</u> | <u>972,227</u> | <u>11,127</u> | <u>11,658</u> | <u>145</u> | <u>-</u> |

The Company does not expect that the cash flow for the due date analysis will occur significantly earlier or that the actual amount may vary significantly.

c. Exchange rate risks

(a) Exposure to exchange rate risk

The Company's financial assets and liabilities exposing to significant exchange rate risk are as follows:

| 2023.12.31 | | | | |
|------------------------------|-----------------------------|----------------------|------------|---------|
| | Foreign currency | Exchange rate | NTD | |
| <u>Financial assets</u> | | | | |
| <u>Monetary items</u> | | | | |
| USD | \$ 28,109 | USD/NTD= | 30.705 | 863,087 |
| JPY | 117,351 | JPY/NTD= | 0.2172 | 25,489 |
| <u>Financial liabilities</u> | | | | |
| <u>Monetary items</u> | | | | |
| USD | 9,712 | USD/NTD= | 30.705 | 298,207 |

| 2022.12.31 | | | | |
|------------------------------|-----------------------------|--------|----------------------|------------|
| | Foreign currency | | Exchange rate | NTD |
| <u>Financial assets</u> | | | | |
| <u>Monetary items</u> | | | | |
| USD | \$ | 29,707 | USD/NTD= | 30.71 |
| JPY | | 78,928 | JPY/NTD= | 0.2324 |
| <u>Financial liabilities</u> | | | | |
| <u>Monetary items</u> | | | | |
| USD | | 14,279 | USD/NTD= | 30.71 |
| | | | | 438,508 |

(b) Sensitivity analysis

The main sources of foreign exchange risks for monetary items of the Company arises from cash and cash equivalents, account receivables and other receivables denominated in foreign currency, account receivables and other receivables, and such risks arise from foreign currency exchange during translation. If the NT dollar depreciates or appreciates by 10% against the US dollar and the Japanese yen as of December 31, 2023 and 2022, and all other factors remain unchanged, the net profit after tax will increase or decrease by NT\$47,230 thousand and NT\$39,371 thousand, respectively, for 2023 and 2022 on the same basis of analysis.

(c) Exchange gain/loss of monetary items

As the Company deals in diverse foreign currencies, gains or losses on foreign currency exchange of monetary items were summarized as a single amount. Gains (losses) on foreign currency exchange (including realized and unrealized) for 2023 and 2022 are NT\$(5,063) thousand and NT\$25,783 thousand, respectively.

d. Interest rate analysis

The interest risk exposure from financial assets and liabilities of the Company has been disclosed in this parent company only financial statements' note of liquidity risk management.

The sensitivity analysis below is prepared based on the risk exposure of derivative and non-derivative instruments on the reporting date. For liabilities at floating interest rates, the analysis assumes that they are outstanding throughout the reporting period if they are outstanding on the reporting date. The rate of change used internally to report interest rates to key management is a 1% increase or decrease in interest rates, and this figure also represents the management's assessment on the reasonably possible scope of the interest rate.

If the interest rate increases/decreases by 1%, the Company's after-tax net income will decrease/increase by NT\$2,400 thousand and NT\$0 thousand in 2023 and 2022, respectively, assuming all other variable factors remain constant.

e. Other Price Risks

If the price of equity securities changes on reporting date (both periods analyzed on the same basis and assuming no other changes), the effect on the consolidated profit and loss items would have been as follows:

| Price of securities on reporting date | 2023 | | 2022 | |
|---------------------------------------|---------------------------|-------------------------|---------------------------|-------------------------|
| | Other consolidated | | Other consolidated | |
| | profit and loss after tax | Post-tax profit or loss | profit and loss after tax | Post-tax profit or loss |
| Increase 1% | \$ 478 | 481 | 110 | 426 |
| Decrease 1% | \$ (478) | (481) | (110) | (426) |

f. Information on fair value

(a) Categories and fair value of financial instruments

The carrying amount and fair value of various types of financial assets and financial liabilities (including fair value level information, but the carrying amount of financial instruments not measured at fair value is a reasonable approximation, and the fair value of equity instrument investment without quotation in the active market that cannot be reliably measured, the fair value is not required to be disclosed according to regulations) are listed as follows:

| | 2023.12.31 | | | | |
|--|-----------------|------------|---------|---------|--------|
| | Carrying amount | Fair value | | | Total |
| | | Level 1 | Level 2 | Level 3 | |
| Financial assets at fair value through profit or loss | | | | | |
| Financial assets at fair value through profit or loss | \$ 48,127 | - | - | 48,127 | 48,127 |
| Financial assets at fair value through other comprehensive income | | | | | |
| Equity instrument at fair value without quotation in market | \$ 47,813 | - | - | 47,813 | 47,813 |
| Financial assets at amortized cost | | | | | |
| Cash and Cash Equivalents | \$ 431,815 | - | - | - | - |
| Notes receivable and account receivable (including related parties) | 585,071 | - | - | - | - |
| Other receivables (including related parties) | 60,145 | - | - | - | - |
| Refundable deposits | 6,090 | - | - | - | - |

| | 2023.12.31 | | | | |
|-------|---------------------|------------|---------|---------|-------|
| | Carrying amount | Fair value | | | |
| | | Level 1 | Level 2 | Level 3 | Total |
| Total | <u>\$ 1,083,121</u> | - | - | - | - |

Financial liabilities at fair value through profit or loss

Financial liabilities at amortized cost

| | | | | | |
|---|---------------------|---|---|---|---|
| Notes payable and account payable (including related parties) | \$ 446,491 | - | - | - | - |
| Other payables (including related parties) | 101,673 | - | - | - | - |
| Lease liabilities | 494,747 | - | - | - | - |
| Total | <u>\$ 1,042,911</u> | - | - | - | - |

| | 2022.12.31 | | | | |
|--|--------------------|------------|---------|---------|-------|
| | Carrying amount | Fair value | | | |
| | | Level 1 | Level 2 | Level 3 | Total |

Financial assets at fair value through profit or loss

| | | | | | |
|---|------------------|---|---|---------------|---------------|
| Financial assets at fair value through profit or loss | <u>\$ 42,566</u> | - | - | <u>42,566</u> | <u>42,566</u> |
|---|------------------|---|---|---------------|---------------|

Financial assets at fair value through other comprehensive income

| | | | | | |
|---|------------------|---|---|---------------|---------------|
| Equity instrument at fair value without quotation in market | <u>\$ 11,000</u> | - | - | <u>11,000</u> | <u>11,000</u> |
|---|------------------|---|---|---------------|---------------|

Financial assets at amortized cost

| | | | | | |
|---|---------------------|---|---|---|---|
| Cash and Cash Equivalents | \$ 383,558 | - | - | - | - |
| Notes receivable and account receivable (including related parties) | 563,821 | - | - | - | - |
| Other receivables (including related parties) | 113,646 | - | - | - | - |
| Other current assets | 1,047 | - | - | - | - |
| Refundable deposits | 4,473 | - | - | - | - |
| Total | <u>\$ 1,066,545</u> | - | - | - | - |

Financial liabilities at fair value through profit or loss

| | | | | | |
|---|---------------|---|------------|---|------------|
| Financial liabilities designated at fair value through profit or loss | <u>\$ 215</u> | - | <u>215</u> | - | <u>215</u> |
|---|---------------|---|------------|---|------------|

Financial liabilities at amortized cost

| | | | | | |
|---|------------|---|---|---|---|
| Notes payable and account payable (including related parties) | \$ 659,894 | - | - | - | - |
| Other payables (including related parties) | 133,811 | - | - | - | - |

2022.12.31

| | Carrying amount | Fair value | | | Total |
|-----------------------------|--------------------|------------|----------------|----------|----------------|
| | | Level 1 | Level 2 | Level 3 | |
| Lease liabilities | 34,170 | - | - | - | - |
| Convertible corporate bonds | 167,395 | - | 167,395 | - | 167,395 |
| Total | \$ 995,270 | - | 167,395 | - | 167,395 |

(b) Valuation techniques of financial instruments measured at fair value

Fair value of financial instrument is obtained through application of valuation techniques or reference to quotation from counterparties. The fair value obtained through application of evaluation techniques may be calculated by reference to the current fair value of other financial instruments with similar material conditions and characteristics, use of the discounted cash flow method, or by other evaluation techniques, including using models based on available market information on the reporting date.

(c) Quantitative information of fair value of significant unobservable inputs (Level 3)

Level 3 fair value measurement, as defined by the Company, refers to financial assets at fair value through profit or loss - investment in private equity.

Level 3 fair value, defined by the Company, only refers to individually significant unobservable input. Quantitative information of fair value of significant unobservable inputs is listed as below:

| Item | Valuation techniques | Significant unobservable input value | Relationship between significant unobservable input value and fair value measurement |
|--|----------------------|--------------------------------------|--|
| Financial assets at fair value through profit or loss - investment in private equity | Asset-based approach | • Net asset value | N/A |

(d) Sensitivity analysis of reasonably possible alternative assumptions on fair value measurements in Level 3

The Company's valuation of the fair value of financial instruments is reasonable, but the use of different valuation models or parameters may lead to different results. For financial instrument at Level 3, if there are changes in valuation parameters, the impact on current profit and loss is as follows:

| | Inputs | Increase or decrease | Changes of fair value reflecting current profit or loss | |
|---|--------|----------------------|---|------------------|
| | | | Positive changes | Negative changes |
| December 31, 2023 | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Investment in private equity | 48,127 | 1% | 481 | (481) |
| December 31, 2022 | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Investment in private equity | 42,566 | 1% | 426 | (426) |

(19) Financial risk management

a. Summary

The Company is exposed to the following risks arising from use of financial instruments:

- (a) Credit risks
- (b) Liquidity risks
- (c) Market risks

This note presents information about the Company's exposure to each of the above risks, the Company's purpose, policies and procedure of risk measurement and control. Please refer to relevant notes to the financial statements for details of further quantitative disclosure.

b. Objectives of financial risk management

The purpose of risk control of the Company is to control exchange rate risks, interest rate risks, credit risks and liquidity risks related to operating activities. To reduce related financial risks, the Company is committed to identifying, assessing and avoiding market uncertainties, so as to reduce potentially unfavorable impact of market changes on its financial performance.

The Company's major financial activities are reviewed and approved by the Board of Directors and the internal control system. While the financial plan is underway, the Company shall comply with relevant financial operation procedures on the overall financial risk control and segregation of duties at all times.

c. Credit risks

Credit risks refer to risks that cause financial loss of the Company due to a counterparty's failure to perform contractual obligations. Account receivable arising

from operating activities are major sources of credit risks facing the Company. Operation-related credit risks and financial credit risks are controlled separately.

Operation-related credit risks

To maintain the quality of account receivable, the Company has established the procedures for control of operation-related credit risks. Risk assessment on individual clients includes factors that could affect clients' ability to pay, such as financial conditions, rating by a credit rating institution, transaction history and current financial resources. The Company may also use certain credit risk reduction tools, such as prepaid payments or credit insurance, when appropriate, to reduce the credit risk of specific clients.

Financial credit risks

The credit risks of bank deposits and other financial instruments are measured and monitored by the finance department of the Company. The Company's counterparties and other performing parties are banks with good credit ratings and financial institutions with investment grade and above, corporate organizations and government agencies without significant performance concerns, and thus there is no material credit risks.

d. Liquidity risks

Liquidity risks refer to risks that the Company is unable to deliver cash or other financial assets to pay off its financial liabilities and fail to meet its obligations.

The method of the Company adopts for managing liquidity lies in ensuring sufficient working capital to pay for due liabilities under normal and pressing circumstances so as to avoid unacceptable losses or risk of damage to goodwill. In addition, the unused loan amounts of the Company as of December 31, 2023 and 2022 amounted to NT\$1,775,950 thousand and NT\$1,900,000 thousand, respectively.

e. Market risks

Market risks refer to risks that changes in market prices, such as exchange rate, interest rate, and equity instrument price, will affect the earnings of the Company or the value of the financial instruments held by the Company. The purpose of market risk control is to maximize return on investment by keeping market risks the Company exposed to at an acceptable level.

(a) Exchange rate risks

The Company's cash inflows and outflows are partially in foreign currencies, so some risks can be avoided. The purpose of the Company's control of exchange rate risks is to avoid risk rather than making profit.

The exchange rate risk control strategy is to periodically review net parts of assets and liabilities in various currencies and to control their risks. The selection of tools to avoid exchange rate risks depends on the cost and duration of risk

avoiding.

(b) Interest rate risks

The Company holds assets and liabilities with floating rates, resulting in exposure of the Company to cash flow interest rate risks. The details of the financial assets and liabilities with floating rates of the Company has been disclosed in this parent company only financial statements' note of liquidity risk management.

(20) Capital management

Considering the industrial characteristics, future development, and changes in the environment, the Company plans working capital, research and development expenses and dividends to safeguard its ability to continue as a going concern and to maintain an optimal capital structure, so as to provide more returns for shareholders in a long term.

In order to maintain or adjust its capital structure, the Company may adjust the amount of dividends paid to shareholders by issuing new shares, distributing cash to shareholders or redeeming its shares.

The Company monitors its capital by regular review of the debt-to-capital ratio, the same as its peers. The ratio is calculated as net liabilities divided by total capital. Net liabilities is the total liabilities shown on the balance sheet less cash and cash equivalents. Total capital is all the components of equity (i.e., share capital, capital surplus, retained earnings and other equity).

Debt-to-capital ratio of the Company as of December 31, 2023 and 2022 are as follows:

| | <u>2023.12.31</u> | <u>2022.12.31</u> |
|---------------------------------|---------------------|-------------------|
| Total liabilities | \$ 1,502,103 | 1,265,864 |
| Less: Cash and cash equivalents | 431,815 | 383,558 |
| Net liabilities | <u>\$ 1,070,288</u> | <u>882,306</u> |
| Total Equity | <u>\$ 3,401,466</u> | <u>3,339,916</u> |
| Debt-to-capital ratio | <u>31.47%</u> | <u>26.42%</u> |

7. Related Party Transactions

(1) The parent company and the ultimate controlling party

Ennoconn Corporation(Ennoconn), as the parent company of the Company and the ultimate controller of the group, holds 27.27% of the outstanding ordinary shares of the Company. Ennoconn has prepared consolidated financial statements for public use.

(2) Names of related parties and relations

During the reporting period of these parent company only financial statements, related parties engaged in transactions with the Company are as follows:

| <u>Name of related party</u> | <u>Relationship with the Company</u> |
|------------------------------|--------------------------------------|
| Ennoconn | The Company's parent company |
| CASO, INC. | The Company's subsidiary |
| Beijing Caswell Ltd. | The Company's subsidiary |

| Name of related party | Relationship with the Company |
|---|--------------------------------|
| CASWELL INTERNATIONAL INVESTMENT CO., LTD. | The Company's subsidiary |
| CASWELL AMERICAS, INC. | The Company's subsidiary |
| APLIGO GMBH | The Company's subsidiary |
| Hawkeye Tech, Co., Ltd. | The Company's subsidiary |
| Hon Hai Precision Industry Co., Ltd. | The Company's affiliate |
| Thecus Technology Corp. | The Company's affiliate |
| Vecow Co., Ltd. | The Company's affiliate |
| Dexatek Technology Co., Ltd. | The Company's affiliate |
| Ennoconn (Suzhou) Technology Co., Ltd. | The Company's affiliate |
| WT Microelectronics Co., Ltd. | The Company's affiliate (Note) |
| Thecus NL B.V. | The Company's affiliate |
| FORTUNE BAY TECHNOLOGY PTE. LTD. | The Company's affiliate |
| All directors, general manager and deputy general manager and other major officers in management of the Company | |

(Note): The affiliation with WT Microelectronics Co., Ltd. has been terminated with effect from December 2022.

(3) Substantial Transaction with Related Party

a. Operating Revenue

The amount of goods and services sold by the Company to related parties are as follows:

| | 2023 | 2022 |
|------------|-------------------|----------------|
| Subsidiary | \$ 411,890 | 439,749 |
| Affiliates | 7,333 | 37,849 |
| | \$ 419,223 | 477,598 |

The terms and conditions of sale to the above companies are not significantly different from the common selling prices. Payment term: O/A 60 - 100 days, or end of month 30 - 60 days. Account receivable among the related parties, for which no collateral security has been received, do not need to be recognized as expected credit impairment loss after evaluation

b. Purchases

The amount of goods and services purchased by the Company from related parties are as follows:

| | 2023 | 2022 |
|------------------|------------------|----------------|
| Subsidiary | \$ 15 | 9,391 |
| Affiliates | | |
| Other affiliates | 79,485 | 105,716 |
| | \$ 79,500 | 115,107 |

The terms and conditions of purchase from the above companies are not significantly

different from purchasing prices from other common suppliers. The payment term of O/A 60 - 90 days, or end of month 30 - 90 days is not significantly different from payment term accepted by other common suppliers.

c. Other Related Party Transactions

| Type of trades | Name/ type of related party | 2023 | 2022 |
|-------------------------------------|-----------------------------|-----------------|---------------|
| Operating costs | Subsidiary | \$ 2,427 | 2,590 |
| | Affiliates | 12 | 15,576 |
| Selling and marketing expenses | Subsidiary | 3,447 | 2,710 |
| | Affiliates | - | 2,735 |
| General and administrative expenses | Subsidiary | 23 | - |
| | Affiliates | 52 | - |
| Research and development expenses | Subsidiary | 39 | - |
| | Affiliates | - | 4,811 |
| | | \$ 6,000 | 28,422 |

d. Receivables from related parties

The details of the Company's account receivables from related parties are as follows:

| Type of trades | Type of related parties | 2023.12.31 | 2022.12.31 |
|---------------------|-------------------------------------|------------------|----------------|
| Account receivables | Subsidiary - Beijing Caswell Ltd. | \$ 17,107 | 43,384 |
| Account receivables | Subsidiary - Caswell Americas, Inc. | 30,538 | 71,868 |
| Account receivables | Subsidiary - CASO, INC. | 23,776 | - |
| Account receivables | Subsidiary - others | 4,116 | 12,136 |
| Account receivables | Affiliates | 788 | 4,553 |
| Other receivables | Subsidiary | 3,557 | 6,647 |
| Other receivables | Affiliates | 10 | 54 |
| | | \$ 79,892 | 138,642 |

e. Payables to related parties

The details of the Company's account payables to related parties are as follows:

| <u>Type of trades</u> | <u>Type of related parties</u> | <u>2023.12.31</u> | <u>2022.12.31</u> |
|-----------------------|--------------------------------|-------------------|-------------------|
| Account payables | Subsidiary | \$ 3 | - |
| Account payables | Affiliate - others | 36,919 | 11,361 |
| Other payables | Subsidiary | 617 | 3,503 |
| Other payables | Affiliates - Thecus NL B.V. | 138 | 19,982 |
| Other payables | Affiliates | 206 | 94 |
| | | <u>\$ 37,883</u> | <u>34,940</u> |

f. Loan to related parties

Actual payment of the Company's loans to related parties (recognized as other receivables) is as follows:

| | <u>2023</u> | <u>2022</u> |
|--------------------------|------------------|---------------|
| Subsidiary - APLIGO GMBH | <u>\$ 24,564</u> | <u>24,568</u> |

The interest on the Company's loans to related parties is based on the average interest rate of the Company's short-term borrowings from financial institutions in the year of appropriation, and they are all unsecured loans, and no expected credit impairment loss is required to be recognized after evaluation.

(4) Transactions with key management officers

a. Remuneration to major managerial personnel

Remuneration to key management officers includes:

| | <u>2023</u> | <u>2022</u> |
|------------------------------|------------------|---------------|
| Short-term employee benefits | \$ 26,745 | 26,387 |
| Retirement benefits | 590 | 420 |
| | <u>\$ 27,335</u> | <u>26,807</u> |

The Company provides vehicles to key management officers. The original costs and period-specific depreciation expenses of such vehicles in 2023 and 2022 are as follows:

| | <u>2023</u> | <u>2022</u> |
|-----------------------|-----------------|--------------|
| Original cost | <u>\$ 6,982</u> | <u>6,982</u> |
| Depreciation expenses | <u>\$ 1,099</u> | <u>1,027</u> |

8. Pledged Assets

The carrying amount of the Company's pledged assets are as follows:

| <u>Description of asset</u> | <u>Subject matter of pledge</u> | <u>2023.12.31</u> | <u>2022.12.31</u> |
|-------------------------------|---------------------------------|-------------------|-------------------|
| Other current assets (pledged | Tariff Guarantee | \$ - | 1,047 |

| | | |
|-------------------------------|----------------------|---|
| fixed deposits) | | |
| Property, plant and equipment | Long-term borrowings | |
| | | 642,704 - |
| | | <u>\$ 642,704 1,047</u> |

9. Significant Contingent Liabilities and Unrecognized Contract Commitments

(1) Significant unrecognized contract commitments:

a. The Company's unrecognized contract commitments are as follows:

| | | |
|--|-------------------|-------------------|
| | <u>2023.12.31</u> | <u>2022.12.31</u> |
| Acquisition of property, plant and equipment | <u>\$ -</u> | <u>491,360</u> |

10. Significant loss from disasters: None.

11. Significant Events after the Balance Sheet Date: None.

12. Others

Employee Benefits, Depreciation and Amortization Expenses by Function:

| By nature | 2023 | | | 2022 | | |
|-------------------------------------|-----------------|--------------------|---------|-----------------|--------------------|---------|
| | Operating costs | Operating expenses | Total | Operating costs | Operating expenses | Total |
| Employee benefits expenses | | | | | | |
| Salary expenses | 49,269 | 158,666 | 207,935 | 48,292 | 159,302 | 207,594 |
| Labor and health insurance expenses | 4,811 | 14,954 | 19,765 | 4,371 | 13,113 | 17,484 |
| Pension expenses | 2,167 | 6,732 | 8,899 | 1,970 | 5,954 | 7,924 |
| Remuneration to directors | - | 5,422 | 5,422 | - | 6,736 | 6,736 |
| Other employee benefit expenses | 3,538 | 8,365 | 11,903 | 3,608 | 8,126 | 11,734 |
| Depreciation expenses | 17,687 | 21,979 | 39,666 | 14,323 | 20,689 | 35,012 |
| Amortization expenses | - | 2,431 | 2,431 | - | 1,248 | 1,248 |

Additional information on the number of employees and employee benefits expenses of the Company in 2023 and 2022 are as follows:

| | | |
|---|--------------------|---------------|
| | <u>2023</u> | <u>2022</u> |
| Number of employees | <u>272</u> | <u>255</u> |
| Number of directors who do not serve as employees | <u>6</u> | <u>6</u> |
| Average employee benefit expenses | <u>\$ 934</u> | <u>983</u> |
| Average employee salary expenses | <u>\$ 782</u> | <u>834</u> |
| Adjustment to average employee salary expenses | <u>(6.24)%</u> | <u>16.48%</u> |
| Remuneration to supervisors | <u>\$ -</u> | <u>-</u> |

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

According to Articles of Association of the Company, the company may pay remuneration to the directors for performing their duties for the Company. The Remuneration Committee shall

evaluate the remuneration according to directors' involvement in and contribution to operation of the Company, taking into account the domestic and international industry standards, and shall make recommendations to the Board of Directors for reference in making decisions.

For the performance evaluation and remuneration of managers, the Remuneration Committee shall take into account the remuneration standard in the industry, workload they are assigned, degree to which their performance objectives are achieved and the rationality of the correlation between business performance and future risks.

Compensation to employees mainly consists of basic salary and bonus, which is determined based on the employee's experience, professional knowledge and skills, years of professional experience, market conditions, business performance and organizational structure of the Company. The bonus will be adjusted and paid according to the market wage dynamics, individual performance, the overall economic and industrial climate changes, and the government decrees.

13. Supplementary Disclosures

(1) Information on significant transactions:

In accordance with the Regulations Governing the Preparation of Financial statements by Securities Issuers, the Company shall disclose the following information concerning significant transactions in 2023:

a. Loans to others:

Unit: NTD/USD thousand

| No. | Creditor | Debtor | Transaction item | If they are related to each other | Maximum amount of the period | Ending balance | Actual amount drawn | Range of interest rate | Nature of capital loan (Note 1) | Business transaction amount | Reason for short-term financing | Amount of allowance loss appropriated | Guarantee | | Limit on loans granted to a single party (Note 2) | Total loan limit (Note 3) |
|-----|-------------|-------------------------|-------------------------------------|-----------------------------------|------------------------------|-----------------|---------------------|------------------------|---------------------------------|-----------------------------|---------------------------------|---------------------------------------|-----------|-------|---|---------------------------|
| | | | | | | | | | | | | | Investor | Value | | |
| 0 | The Company | Hawkeye Tech, Co., Ltd. | Other receivables - related parties | Yes | 50,000 | - | - | 1.60% | 2 | - | Working capital for operation | - | - | - | 340,147 | 680,293 |
| 0 | The Company | APLIGO GMBH | Other receivables - related parties | Yes | 24,564 (USD800) | 24,564 (USD800) | 24,564 (USD800) | 2.45% | 2 | - | Working capital for operation | - | - | - | 340,147 | 680,293 |

Note 1: 1. The companies with which the Company engaged in transactions.

2. Necessity for short-term financing.

Note 2: 1. The amount of loans to specific companies shall not exceed the total amount of the Company's business transactions with the Company in the most recent year.

2. The amount of loans to specific companies shall not exceed 10% of the net worth of the

Company as stated in its latest financial statements audited or reviewed by an accountant.

Note 3: Total amount of loans shall not be more than 20% of the Company's net worth as stated in its latest financial statement audited or reviewed by an accountant.

- b. Endorsements/guarantees for others: None.
- c. Marketable securities held at the end of the period (excluding investment in subsidiaries, associates and joint ventures):

Unit: NT\$ thousand/thousand shares

| Name of Held Company | Type and Name of Securities | Relationship with Issuer of Securities | Ledger Account | End of Period | | | | Remarks |
|-------------------------|-------------------------------------|--|---|------------------|-----------------|----------------|------------|---------|
| | | | | Number of Shares | Carrying amount | Shareholding % | Fair value | |
| The Company | Zhuo I Erh Investment LP | - | Financial assets at fair value through profit or loss - non-current | - | 48,127 | - % | 48,127 | - |
| The Company | Min Chieh Industrial Holdings Corp. | - | Financial assets at fair value through other comprehensive income - non-current | 1,045 | - | 19.00 % | - | - |
| The Company | Jui Neng Information Corp. | - | Financial assets at fair value through other comprehensive income - non-current | 620 | 7,813 | 12.40 % | 7,813 | - |
| APLIGO GMBH | shares in Volksbank Karlsruhe | - | Financial assets at fair value through other comprehensive income - non-current | - | 10 | - % | 10 | - |
| The Company | FiduciaEdge Technologies Co. Ltd. | - | Financial assets at fair value through other comprehensive income - non-current | 1,600 | 40,000 | 10.65 % | 40,000 | - |
| Hawkeye Tech. Co., Ltd. | VEEA | - | Financial assets at fair value through other comprehensive income - non-current | 1,049 | 58,957 | 1.15 % | 58,957 | - |

- d. Marketable securities acquired and disposed of amounting to NT\$300 million or 20% of the paid-in capital or more: None.
- e. Acquisition of property amounting to NT\$300 million or over 20% of paid-in capital:

Unit: NT\$ thousand

| Company that acquired property | Description of property | Date of acquisition | Amounted transacted | Payment status | Counterparty | Relationship | To provide data on past transfers if counterparty is a related party. | | | | Reference for price determination | Purpose of Acquisition and Use | Other Agreements |
|--------------------------------|-------------------------|---------------------|---------------------|----------------|----------------------------|--------------|---|--------------------------|------------------|--------|-----------------------------------|---|------------------|
| | | | | | | | All parties | Relationship with issuer | Date of transfer | Amount | | | |
| CASwell, Inc. | Land and housing | 2023/8/9 | 635,000 | Note 1 | Huaku Development Co., Ltd | - | N/A | N/A | N/A | - | Appraisal Report | The Group's Business Growth and Development Needs | Note 2 |

Note 1: As of December 31, 2023, a total of NT\$190,500,000 has been paid.

Note 2: From signing the contract and handing over the house until the Company obtains property rights, the right to use the property is acquired through leasing. The right to use the property is recorded as NT\$618,599 thousand. After obtaining property rights in December 2027, it is

reclassified as owner-occupied property.

- f. Disposal of property amounting to NT\$300 million or over 20% of paid-in capital :
None.
- g. Purchases from or sales to related parties amounting to NT\$100 million or over 20%
of the paid-in capital or more:

Unit: NT\$ thousand

| Buyer (seller) | Counterparty | Relationship | Transaction Details | | | | Unusual Transaction Terms and Reasons | | Notes and account receivable (payable) | | Remarks |
|------------------------------|------------------------------|-------------------|----------------------|-----------|--|------------------|--|------------------|---|--|---------|
| | | | Purchases (Sales) | Amount | Ratio to Total Purchase (Sales) | Credit Period | Unit Price | Credit Period | Balance | Ratio to Total Notes or Account Receivable (Payable) | |
| The Company | CASO, INC. | Subsidiary | (Sales) | (207,774) | (6.66) % | O/A 70 days | - | - | 23,776 | 4.06% | - |
| | | | | | | | (Note 1) | (Note 1) | | | |
| CASO, INC. | The Company | Parent company | Purchases | 207,774 | 92.42 % | O/A 70 days | - | - | (23,776) | (91.03)% | - |
| | | | | | | | (Note 1) | (Note 1) | | | |
| The Company | CASWELL AMERICAS, INC. | Subsidiary | (Sales) | (160,625) | (5.15) % | O/A 90 days | - | - | 30,538 | 5.22% | - |
| | | | | | | | (Note 1) | (Note 1) | | | |
| CASWELL AMERICAS, INC. | The Company | Parent company | Purchases | 160,625 | 99.67 % | O/A 90 days | - | - | (30,538) | (95.32)% | - |
| | | | | | | | (Note 1) | (Note 1) | | | |

Note: Compared against general terms and conditions.

- h. Receivables from related parties amounting to NT\$100 million or over 20% of paid-up capital: None.
- i. Derivatives transactions: None.
- (2) Information on reinvestments (excluding invested companies in mainland China):
The information on reinvestments in 2023:

Unit: NT\$ thousand/thousand shares

| Name of Investor | Name of investee | Region | Principal Business Activities | Initial Investment | | Held at the End of Period | | | Profit and loss of Investee for the Period | Current Profit (Loss) on Investment Recognized | Remarks |
|---------------------|------------------|--------|----------------------------------|----------------------|---------------------|---------------------------|-------|--------------------------------|---|--|---------|
| | | | | Amount | | Number of Shares | Ratio | Carrying amount (Note 1) | | | |
| | | | | End of the Period | End of Last Year | | | | | | |

| Name of Investor | Name of investee | Region | Principal Business Activities | Initial Investment | | Held at the End of Period | | | Profit and loss of Investee for the Period | Current Profit (Loss) on Investment Recognized | Remarks |
|------------------|--|---------|--|--------------------|------------------|---------------------------|---------|--------------------------|--|--|------------|
| | | | | Amount | | Number of Shares | Ratio | Carrying amount (Note 1) | | | |
| | | | | End of the Period | End of Last Year | | | | | | |
| The Company | CASO, INC. | Japan | Imports and sales of network machines and computer peripherals | 27,062 | 27,062 | 2 | 99.00% | 118,864 | 19,067 | 18,876 | Subsidiary |
| The Company | CASWELL INTERNATIONAL INVESTMENT CO., LTD. | Samoa | Overseas investment | 101,135 | 101,135 | 3,206 | 100.00% | 163,658 | (39,519) | (39,519) | Subsidiary |
| The Company | CASWELL AMERICAS, INC. | USA | Sales of network communication products | 92,460 | 92,460 | 3,000 | 100.00% | 76,291 | (354) | (354) | Subsidiary |
| The Company | APLIGO GMBH | Germany | Hub and SI Service | 60,275 | 60,275 | 24 | 66.67% | 43,233 | (35,608) | (23,983) | Subsidiary |
| The Company | Hawkeye Tech. Co., Ltd. | Taiwan | Design and manufacturing of computers, network and computing equipment | 602,041 | 602,041 | 9,097 | 60.64% | 514,084 | 54,074 | 29,326 | Subsidiary |

Note 1: Including adjustments for foreign currency translation.

(3) Information on investments in mainland China:

a. Information on reinvestments in Mainland China

Unit: NTD/USD thousand

| Investee in mainland China | Principal Business Activities | Paid-in Capital | Way of Investment (Note 1) | Accumulated Amount of Investments Remitted from Taiwan at Beginning of Period (Note 2) | Amount of Investments | | Accumulated Amount of Investments Remitted from Taiwan at Beginning of Period (Note 2) | Profit and loss of Investee for the Period | The Company's Direct or Indirect Shareholding % | Investment Profit (Loss) Recognized for the Period | carrying amount of Investmen ts at End of Period | Accumulated return on investments recovered by the end of the period |
|-------------------------------|---|-----------------------|----------------------------------|---|-----------------------|-----------------|---|--|--|---|--|---|
| | | | | | Remitted | Repatriated | | | | | | |
| | | | | | Period (Note 2) | Period (Note 2) | | | | | | |
| Beijing Caswell Ltd. | Manufacturing and sales of network communication products | 116,679 (USD3,800) | (2) | 95,677 (USD3,116) | - | - | 95,677 (USD3,116) | (48,139) | 82% | (39,474) | 178,734 | - |

Note 1: There are three ways of investment:

- (1) Direct investment in mainland China.
- (2) Investment in mainland China through a company in another region, this is a direct investment by subsidiary, KAISWAY.
- (3) Others.

Note 2: The exchange rate at end of period is used for foreign currency translation

b. Limits on investments in Mainland China

Unit: NTD/USD thousand

| Accumulated Amount of Investments Remitted from Taiwan to Mainland China at End of Period | Amount of Investments Authorized by Investment Commission, M.O.E.A. | Limits on Amount of Investments in Mainland China as Stipulated by Investment Commission, M.O.E.A. |
|--|---|---|
| 95,677 (USD3,116) | 95,677 (USD3,116) | 2,040,880 |

Exchange rates at end of period: USD : 30.705

Average exchange rate: USD: 4.327

c. Significant Transactions:

Please refer to the "Information on significant transactions" for direct or indirect material transactions in 2023 between the Company and its investees in mainland China (which have been eliminated during the preparation of consolidated financial statements).

(4) List of major shareholders:

| Name of Major Shareholder | The Number of Shares Held | Shareholding % |
|----------------------------------|----------------------------------|-----------------------|
| Ennoconn | 20,000,000 | 27.27% |

Note:

- (1) The information of major shareholders in this table refers to the information calculated by Taiwan Depository & Clearing Corporation (TDCC) on the last business day at the end of each quarter on the total number of ordinary shares and preferred shares (including treasury shares) of the Company held by shareholders which have been delivered with book-entry registration at least 5 percent in total. However, the share capital recorded in the Company's financial statements and the number of shares actually delivered by the Company without physical registration may differ due to calculation basis.
- (2) If the above information is about the circumstance that the shareholders have entrusted their shares to the trust institutions, it shall be disclosed by the trustor who opened the trust account with the trustee by the individual trust account. Shareholders shall register their shareholding as insider holding more than 10% of the shares in accordance with the Securities and Exchange Act, including the shares held by themselves plus the shares they have entrusted to the trust institutions and have the right to use the trust property. Please refer to TWSE MOPS for information on insider equity registration.

14. Segment Information

Please refer to the consolidated financial statements for 2023 for details.