

Stock Code:6416

**CASwell, Inc. and Its Subsidiaries**  
**Consolidated Financial Statements and**  
**Independent Auditors' Report**  
**2022 and 2021**

**Company Address: F8, No.242, Bo'ai Street, Shulin District, New Taipei City**  
**Tel:02-7705-8888**

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## Statement of Declaration

The entities that are required to be included in the combined financial statements of the Company for 2022 (from January 1 to December 31, 2022) 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 9, 2023

## **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, 2022 and 2021, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows from January 1 to December 31, 2022 and 2021, 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, 2022 and 2021, as well as the consolidated financial performance and consolidated cash flows from January 1 to December 31, 2022 and 2021.

### **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 2022. 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:

#### **I. Inventory valuation**

Please refer to Note IV(VIII) for the accounting policy regarding the inventory valuation. Please refer to Note V(I) for the uncertainties of accounting estimates and assumptions regarding the allowance for price decline in inventories. Please refer to Note VI(III) 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.

## II. Recognition and Cutoff of Revenues

For detailed accounting policies for revenue recognition, refer to Note IV(XIV); for details of revenues, refer to Note VI(XVI).

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.

## III. Assessment of Impairment of Goodwill

For the detailed accounting policy regarding assessment of impairment of goodwill, please refer to Note IV(XII) Impairments of non-financial assets; for the uncertainties of accounting estimates and assumptions regarding goodwill, please refer to Note V(II); for relevant disclosures of goodwill, please refer to Note VI(VI).

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, 2022 and 2021 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 2022. 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 Competent Authority  
Approval No.

Tai-Cai-Zheng-6 No. 0930106739  
: Jin-Guang-Zheng-6  
No.0960069825

March 9, 2023

**CASwell, Inc. and its subsidiaries**  
**Consolidated Balance Sheets**  
**December 31, 2022 and 2021**

		<b>2022.12.31</b>		<b>2021.12.31</b>				<b>Unit: NT\$ thousand</b>	
<b>Assets</b>		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>	<b>Liabilities and equity</b>		<b>2022.12.31</b>	<b>2021.12.31</b>
						<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>Current assets:</b>						<b>Current liabilities:</b>			
1100	Cash and cash equivalents (Note VI(I))	\$ 677,584	13	643,403	13	2100	Short-term borrowings (Note VI (VII))	\$ 39,888	1
1136	Financial assets at amortized cost - current	11,797	-	11,436	-	2120	Financial liabilities at fair value through profit or loss - current (Note VI(IX))	215	-
1170	Notes receivables and accounts receivables - net (Note VI(II) and (XVI))	820,527	16	787,796	16	2170	Account payables	857,896	16
1180	Accounts receivables from related parties - net (Note VI(II), (XVI) and VII)	39,416	1	41,961	1	2180	Accounts payable - related parties (Note VII)	15,635	-
1200	Other receivables (including related parties) (Note VII)	100,131	2	135,665	3	2200	Other payables (including related parties) (Note VII)	190,619	4
1220	Current income tax assets	8,550	-	-	-	2230	Current income tax liabilities	116,765	2
130X	Inventories (Note VI(III))	2,763,873	52	2,481,708	50	2252	Short-term provisions for warranty	6,127	-
1470	Other current assets (Note VIII)	116,077	2	255,679	5	2280	Lease liabilities - current (Note VI(X))	56,729	1
	<b>Total current assets</b>	<b>4,537,955</b>	<b>86</b>	<b>4,357,648</b>	<b>88</b>	2321	Corporate bonds due or execute the rights to sell within one year (Note VI(IX))	167,395	3
<b>Non-current assets:</b>						2322	Long-term borrowings due within one year (Note VI(VIII))	1,404	-
1510	Financial assets at fair value through profit or loss - non-current	42,566	1	26,473	1	2399	Other current liabilities - others	193,911	4
1517	Financial assets at fair value through other comprehensive income - non-current	11,009	-	8,009	-		<b>Total current liabilities</b>	<b>1,646,584</b>	<b>31</b>
1600	Property, plant and equipment (Note VI(IV) and VIII)	86,078	2	92,827	2		<b>Non-current liabilities:</b>	<b>1,446,133</b>	<b>29</b>
1755	Right-of-use assets (Note VI(V))	90,887	2	105,636	2	2530	Bonds payable (Note VI(IX))	-	-
1780	Intangible assets (Note VI(VI))	350,000	6	352,098	7	2540	Long-term loans (Note VI(VIII))	22,447	-
1840	Deferred tax assets (Note VI(XII))	4,128	-	2,404	-	2552	Long-term provisions for warranty	17,471	-
1900	Other non-current assets	176,843	3	10,850	-	2570	Deferred tax liabilities (Note VI(XII))	31,341	1
	<b>Total non-current assets</b>	<b>761,511</b>	<b>14</b>	<b>598,297</b>	<b>12</b>	2580	Lease liabilities - non-current (Note VI(X))	36,809	1
						2670	Other non-current liabilities - others	41	-
							<b>Total non-current liabilities</b>	<b>108,109</b>	<b>2</b>
							<b>Total liabilities</b>	<b>1,754,693</b>	<b>33</b>
							<b>Equity attributable to owners of the parent company (Note VI(XIII)):</b>		
						3100	Share capital	731,889	14
						3200	Capital surplus (Note VI(IX))	1,431,140	27
						3300	Retained earnings:		
						3310	Legal reserve	309,644	6
						3320	Special reserve	50,872	1
						3350	Unappropriated retained earnings	856,601	16
							Total retained earnings	1,217,117	23
						3400	Other equity	(40,230)	(1)
							Subtotal equity attributable to owners of the parent company	3,339,916	63
						36XX	Non-controlling interests	204,857	4
							<b>Total equity</b>	<b>3,544,773</b>	<b>67</b>
							<b>Total liabilities and equity</b>	<b>\$ 5,299,466</b>	<b>100</b>
								<b>4,955,945</b>	<b>100</b>
	<b>Total assets</b>	<b>\$ 5,299,466</b>	<b>100</b>	<b>4,955,945</b>	<b>100</b>				

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

Chairman: Steve Chu

Manager: Reaforl Hung

Accounting Supervisor: Li, Yu-Fen



**CASwell, Inc. and its subsidiaries**  
**Consolidated Statements of Comprehensive Income**  
**January 1 to December 31, 2022 and 2021**

**Unit: NTD Thousand**

		2022		2021	
		Amount	%	Amount	%
4000	<b>Operating revenue (Note VI(XVI) and VII)</b>	\$ 4,982,672	100	4,673,944	100
5000	<b>Operating costs (Note VI(III), (X), (XI), ((XIV), (XVII), VII and XII)</b>	3,860,631	77	3,749,078	80
	<b>Gross profit</b>	1,122,041	23	924,866	20
	<b>Operating expenses (Note VI(X), (XI), (XIV), (XVII), VII and XII):</b>				
6100	Selling and marketing expenses	154,349	3	169,639	4
6200	General and administrative expenses	221,708	5	203,853	4
6300	Research and development expenses	235,202	5	245,627	5
6450	Expected credit loss (Note VI(II))	8,213	-	-	-
	<b>Total operating expenses</b>	619,472	13	619,119	13
	<b>Operating Profit</b>	502,569	10	305,747	7
	<b>Non-operating income and expenses (Note VI(XVIII)):</b>				
7100	Interest income	2,610	-	2,536	-
7010	Other income	21,100	-	20,802	-
7020	Other gain and loss	55,105	1	(478)	-
7050	Finance costs (Note VI(IX) and (X))	(5,866)	-	(5,787)	-
	<b>Total non-operating income and expenses</b>	72,949	1	17,073	-
7900	<b>Net pretax profit of current period</b>	575,518	11	322,820	7
7950	<b>Income tax expense (Note VI(XII))</b>	122,985	2	82,755	2
	<b>Net profit of current period</b>	452,533	9	240,065	5
8300	<b>Other comprehensive income/(loss):</b>				
8360	<b>Items that may be reclassified subsequently to profit or loss</b>				
8361	Exchange differences arising from the translation of foreign operations	12,217	-	(23,576)	(1)
8399	Income tax relating to items that may be reclassified subsequently to profit or loss	-	-	-	-
	<b>Total of items that may be reclassified subsequently to profit or loss</b>	12,217	-	(23,576)	(1)
8300	<b>Other comprehensive income/(loss) of current period</b>	12,217	-	(23,576)	(1)
8500	<b>Total comprehensive income/(loss) of current period</b>	\$ 464,750	9	216,489	4
	<b>Net profit in current period attributable to:</b>				
8610	Owners of the parent company	428,332	9	219,556	5
8620	Non-controlling interests	24,201	-	20,509	-
	<b>Net profit of current period</b>	\$ 452,533	9	240,065	5
	<b>Comprehensive income attributable to:</b>				
8710	Owners of the parent company	438,974	9	198,752	4
8720	Non-controlling interests	25,776	-	17,737	-
	<b>Total comprehensive income/(loss) of current period</b>	\$ 464,750	9	216,489	4
	<b>Earnings per share (Note VI(XV))</b>				
9750	Basic earnings per share (NT\$)	\$ 5.85		3.00	
9850	Diluted earnings per share ( NT\$)	\$ 5.73		2.95	

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

Chairman: Steve Chu

Manager: Reaforl Hung

Accounting Supervisor: Li, Yu-Fen

**CASwell, Inc. and its subsidiaries**  
**Consolidated Statements of Changes in Equity**  
**January 1 to December 31, 2022 and 2021**

**Unit: NT\$ thousand**

	Equity attributable to owners of parent company								Total Equity Attributable to Owners of the Parent Company	Non- controlling interests	Total equity
	Retained earnings					Other equity items					
	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	Treasury shares			
<b>Balance as of January 1, 2021</b>	\$ 730,678	1,412,389	265,232	32,749	684,323	(19,618)	(10,450)	(17,856)	3,077,447	169,314	3,246,761
Net profit of current period	-	-	-	-	219,556	-	-	-	219,556	20,509	240,065
Other comprehensive income/(loss) of current period	-	-	-	-	-	(20,804)	-	-	(20,804)	(2,772)	(23,576)
Total comprehensive income/(loss) of current period	-	-	-	-	219,556	(20,804)	-	-	198,752	17,737	216,489
Earnings appropriation and distribution:											
Appropriation of legal reserve	-	-	22,457	-	(22,457)	-	-	-	-	-	-
Cash dividends for ordinary shares	-	-	-	-	(266,697)	-	-	-	(266,697)	-	(266,697)
Reversal of special reserve	-	-	-	(2,681)	2,681	-	-	-	-	-	-
Corporate bond conversion into ordinary shares	1,211	11,041	-	-	-	-	-	-	12,252	-	12,252
Transfer of treasury stocks to employees	-	7,710	-	-	-	-	-	17,856	25,566	-	25,566
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	(7,970)	(7,970)
<b>Balance as of December 31, 2021</b>	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)
<b>Balance on December 31, 2022</b>	<b>\$ 731,889</b>	<b>1,431,140</b>	<b>309,644</b>	<b>50,872</b>	<b>856,601</b>	<b>(29,780)</b>	<b>(10,450)</b>	<b>-</b>	<b>3,339,916</b>	<b>204,857</b>	<b>3,544,773</b>

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

Chairman: Steve Chu

Manager: Reaforl Hung

Accounting Supervisor: Li, Yu-Fen

**CASwell, Inc. and its subsidiaries**  
**Consolidated Statements of Cash Flows**  
**January 1 to December 31, 2022 and 2021**

Unit: NTD Thousand

	2022	2021
<b>Cash flows from operating activities:</b>		
Net pretax profit of current period	\$ 575,518	322,820
<b>Adjustments:</b>		
Adjustments to reconcile profit (loss)		
Depreciation expenses	74,347	72,714
Amortization expenses	8,629	7,730
Expected credit loss	8,213	-
Net gain on financial assets at fair value through profit or loss	(2,849)	(811)
Interest expenses	5,866	5,787
Interest income	(2,610)	(2,536)
Loss (gain) on disposal and scrapping of property, plant and equipment	74	(339)
Compensation cost relating to share-based payment	-	7,764
Total adjustments for reconcile profit (loss)	91,670	90,309
Changes in operating assets/liabilities:		
Net changes in operating assets:		
(Increase) decrease in notes and trades receivable (including related parties)	(38,442)	226,865
(Decrease) increase in other payables (including related parties)	35,534	(50,806)
Increase in inventories	(282,165)	(143,222)
Decrease (increase) in other current assets	139,602	(183,975)
Total net changes in operating assets	(145,471)	(151,138)
Net changes in operating liabilities:		
Increase (decrease) in accounts payable (including related parties)	(202,090)	114,023
Increase (decrease) in other payables (including related parties)	22,326	(14,956)
Increase in warranty provisions	2,737	950
Increase in other current liabilities	99,736	32,971
Total net changes in operating liabilities	(77,291)	132,988
Total net changes in operating assets and liabilities	(222,762)	(18,150)
Total adjustments to reconcile profit (loss)	(131,092)	72,159
Cash inflow generated from operations	444,426	394,979
Interest received	2,610	2,577
Interest paid	(3,556)	(3,457)
Income tax paid	(36,654)	(118,699)
<b>Net cash inflow generated from operations</b>	<b>406,826</b>	<b>275,400</b>
<b>Cash flows from investing activities:</b>		
Financial assets at fair value through other comprehensive gains and losses	(3,000)	-
Acquisition of financial assets at amortized cost	(361)	(11,436)
Acquisition of financial assets at fair value through profit or loss	(16,444)	(10,800)
Return of capital through profit and loss of financial assets at fair value	3,299	-
Acquisition of property, plant and equipment	(9,830)	(26,150)
Disposal of property, plant and equipment	-	1,714
Acquisition of intangible assets	(5,381)	(6,010)
Increase in other non-current assets	(165,970)	(3,585)
Increase in prepayments for business facilities	(343)	(320)
<b>Net cash used in investing activities</b>	<b>(198,030)</b>	<b>(56,587)</b>
<b>Cash flows from financing activities:</b>		
Increase in short-term borrowings	18,461	6,427
Repayments of long-term loans	(1,355)	(1,367)
Repayment of lease principal	(56,320)	(53,514)
Decrease in other non-current liabilities	(27)	(6)
Cash dividends paid	(146,378)	(266,697)
Share issuance costs	-	(54)
Transfer costs of treasury stocks	-	17,856
Changes in non-controlling interests	-	(7,970)
<b>Net cash outflow generated from financing activities</b>	<b>(185,619)</b>	<b>(305,325)</b>
Effect of exchange rates on cash and cash equivalents	11,004	(20,419)
Increase (decrease) in cash and cash equivalents of current period	34,181	(106,931)
Cash and cash equivalents at beginning of period	643,403	750,334
Cash and cash equivalents at end of period	<b>\$ 677,584</b>	<b>643,403</b>

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

Chairman: Steve Chu

Manager: Reaforl Hung

Accounting Supervisor: Li, Yu-Fen

**CASwell, Inc. and Its Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**2022 and 2021**

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

**I. 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, F8, No.242, Bo'ai Street, Shulin 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.

**II. Date of Approval of Financial Statements and Approval Procedures**

The consolidated financial statements have been approved by the Board of Directors on March 9, 2023.

**III. Application of New and Amended Standards and Interpretations**

(I) 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, 2022, without any material impact on the consolidated financial statements.

(II) 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, 2023, will not have a 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"

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

The Group has evaluated that the below standards released and amended 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
- Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"
- Amendments to IAS 1 "Non-current Liabilities with Contractual Terms"
- Amendments to IFRS 17 "Comparative Information for Initial Application of IFRS 17 and IFRS 9"
- Amendments to IFRS 16 "Provisions for Sale and Leaseback Transactions"

**CASwell, Inc. and Its Subsidiaries Notes to Consolidated Financial Statements**  
**(continued)**

**IV. Summary of Significant Accounting Policies**

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

(I) 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 as endorsed by the FSC").

(II) Preparation basis

1) 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.

2) 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.

(III) Basis of Consolidation

1) 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 consolidated financial statements. A subsidiary's total

**CASwell, Inc. and Its Subsidiaries Notes to Consolidated Financial Statements**  
(continued)

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.

2) 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>December 31, 2022</u>	<u>December 31, 2021</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%

3) Subsidiaries not included in the consolidated financial statements: None.

**CASwell, Inc. and Its Subsidiaries Notes to Consolidated Financial Statements**  
**(continued)**

(IV) Foreign currency

1) 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

2) 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

**CASwell, Inc. and Its Subsidiaries Notes to Consolidated Financial Statements**  
**(continued)**

of the net investment in that foreign operation and recognized as other comprehensive income.

(V) 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:

- 1) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
- 2) Assets held primarily for trading purposes;
- 3) Assets expected to be realized within 12 months after the reporting period; or
- 4) 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:

- 1) Liabilities that are expected to be paid off within the normal operating cycle;
- 2) Liabilities held primarily for trading purposes;
- 3) Liabilities that are to be paid off within twelve months after the reporting period; or
- 4) 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.

(VI) 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.

(VII) 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



**CASwell, Inc. and Its Subsidiaries Notes to Consolidated Financial Statements**  
**(continued)**

acquisition or issuance. Account receivable that do not contain a significant financing component are measured at transaction prices.

1) 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.

**CASwell, Inc. and Its Subsidiaries Notes to Consolidated Financial Statements**  
**(continued)**

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 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.

**CASwell, Inc. and Its Subsidiaries Notes to Consolidated Financial Statements**  
**(continued)**

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.

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.

**CASwell, Inc. and Its Subsidiaries Notes to Consolidated Financial Statements**  
**(continued)**

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 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.

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.

2) 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) Treasury shares

When buying back the equity instruments recognized by the Company, the consideration paid (including directly attributable costs) is recognized as a decrease in equity. The repurchased shares are classified as treasury shares. For subsequent sales or re-issuance of treasury shares, the amount received is recognized as an increase in equity, and the remaining or loss generated by the transaction is recognized as a capital reserve or retained surplus (if the capital reserve is insufficient for the offsetting).

**CASwell, Inc. and Its Subsidiaries Notes to Consolidated Financial Statements**  
**(continued)**

d) 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.

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.

e) 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.

f) 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

**CASwell, Inc. and Its Subsidiaries Notes to Consolidated Financial Statements**  
**(continued)**

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.

g) 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.

(VIII) 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.

(IX) Property, plant and equipment

1) 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.

2) Subsequent cost

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

3) 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:

**CASwell, Inc. and Its Subsidiaries Notes to Consolidated Financial Statements**  
**(continued)**

- a) Houses and buildings: 32 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.

**(X) 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 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:

- 1) Fixed benefits, including substantial fixed benefits;
- 2) Variable lease payments dependent upon certain indicators or rates are measured by the indicators or rates used at the inception of the lease;
- 3) The residual value guarantee expected to be paid; and
- 4) 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:

**CASwell, Inc. and Its Subsidiaries Notes to Consolidated Financial Statements**  
**(continued)**

- 1) Changes in the indicator or rate used to determine lease payments result in changes in future lease payments;
- 2) Changes in the residual value guarantee expected to be paid;
- 3) Changes in the evaluation of the underlying asset purchase option;
- 4) Changes in the estimate of whether to exercise the extension or termination option and the assessment of the lease period;
- 5) 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.

(XI) Intangible Assets

1) 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.

2) 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



**CASwell, Inc. and Its Subsidiaries Notes to Consolidated Financial Statements**  
**(continued)**

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

**(XII) 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.

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.

**(XIII) 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.

**CASwell, Inc. and Its Subsidiaries Notes to Consolidated Financial Statements**  
**(continued)**

(XIV) Revenue Recognition

1) 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 receivable 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 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.

(XV) Employee benefits

1) 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.

**CASwell, Inc. and Its Subsidiaries Notes to Consolidated Financial Statements**  
**(continued)**

2) 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.

(XVI) Share-based Payment Transactions

The share-based payment agreement for equity delivery is recognized as expenses and increase in relative interest at the fair value of the date of conclusion during accrued period of the award. The amount recognized as an expense is adjusted to reflect the number of awards whose related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

Non-vesting conditions of share-based payment rewards have been reflected in measurement of fair value of share-based payment on the date payment is made, and there is no need to verify and adjust difference between estimate and actual values.

The date on which the share-based payment is made is the base date for capital increase approved by the Board of Directors.

(XVII) 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:

- 1) 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;

**CASwell, Inc. and Its Subsidiaries Notes to Consolidated Financial Statements**  
**(continued)**

- 2) 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
- 3) 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:

- 1) The Consolidated Company has the legal right to settle tax assets and liabilities on a net basis; and
- 2) 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.

**(XVIII) 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.

**CASwell, Inc. and Its Subsidiaries Notes to Consolidated Financial Statements**  
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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 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.

**(XIX) 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.

**(XX) 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.

**V. 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:

**CASwell, Inc. and Its Subsidiaries Notes to Consolidated Financial Statements**  
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(I) 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.

(II) 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.

**VI. Details of Significant Accounts**

(I) Cash and Cash Equivalents

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Cash on hand and petty cash	\$ 653	802
Foreign currency and demand deposits	611,640	589,545
Time deposits	65,291	53,056
Cash and cash equivalents reported in the consolidated cash flow statement	<b>\$ 677,584</b>	<b>643,403</b>

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

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

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Notes receivables - operating	\$ -	176
Account receivables - measured at amortized cost	869,353	832,315
Less: Loss allowance	(9,410)	(2,734)
	<b>\$ 859,943</b>	<b>829,757</b>

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

**CASwell, Inc. and Its Subsidiaries Notes to Consolidated Financial Statements**  
(continued)

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:

	<b>December 31, 2022</b>		
	<b>Carrying amount of notes receivable and account receivable</b>	<b>Weighted average expected credit loss rate</b>	<b>Expected credit losses during the lifetime of loss allowance</b>
Not overdue	\$ 746,192	0.57%	4,280
Less than 30 days overdue	35,957	2.26%	811
31 - 120days 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
	<b>\$ 869,353</b>		<b>9,410</b>

	<b>December 31, 2021</b>		
	<b>Carrying amount of notes receivable and account receivable</b>	<b>Weighted average expected credit loss rate</b>	<b>Expected credit losses during the lifetime of loss allowance</b>
Not overdue	\$ 765,362	0.12%	881
Less than 30 days overdue	41,532	0.15%	63
31 - 120days overdue	6,927	1.08%	75
121 ~ 365 days overdue	17,179	1.30%	224
More than 366 days overdue	1,491	100.00%	1,491
	<b>\$ 832,491</b>		<b>2,734</b>

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

	<b>2022</b>	<b>2021</b>
Beginning balance	\$ 2,734	2,695
Impairment loss recognized	8,213	-
Unrecoverable write-off of current year	(1,580)	-
Foreign currency translation gain or loss	43	39
Ending balance	<b>\$ 9,410</b>	<b>2,734</b>

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

**CASwell, Inc. and Its Subsidiaries Notes to Consolidated Financial Statements**  
(continued)

(III) Inventories

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Raw materials and consumables	\$ 1,808,260	1,662,689
Work-in-progress	255,018	226,918
Finished goods	700,595	592,101
	<b>\$ 2,763,873</b>	<b>2,481,708</b>

Details of cost of goods sold in 2022 and 2021 are as follows:

	<b>2022</b>	<b>2021</b>
Inventory cost of goods sold	\$ 3,755,546	3,654,539
loss (gains) on inventory valuation	13,891	842
Loss for inventory obsolescence	7,399	9,731
Others	83,795	83,966
	<b>\$ 3,860,631</b>	<b>3,749,078</b>

None of the Consolidated Company's inventories have been pledged or guaranteed.

(IV) Property, plant and equipment

	<b>Land</b>	<b>Houses and buildings</b>	<b>Machinery equipment</b>	<b>R&amp;D equipment</b>	<b>Other equipment</b>	<b>Total</b>
Cost:						
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	<b>\$ 22,048</b>	<b>25,098</b>	<b>23,041</b>	<b>18,253</b>	<b>52,379</b>	<b>140,819</b>
Balance on January 1, 2021	\$ 22,048	25,098	23,377	34,967	49,721	155,211
Additions	-	-	6,123	1,151	18,876	26,150
Disposal	-	-	(4,621)	(16,131)	(11,842)	(32,594)
Effect of exchange rates	-	-	(8)	(16)	(1,118)	(1,142)
Balance on December 31, 2021	<b>\$ 22,048</b>	<b>25,098</b>	<b>24,871</b>	<b>19,971</b>	<b>55,637</b>	<b>147,625</b>
Depreciation and impairment loss:						
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	<b>\$ -</b>	<b>3,948</b>	<b>12,839</b>	<b>11,036</b>	<b>26,918</b>	<b>54,741</b>



**CASwell, Inc. and Its Subsidiaries Notes to Consolidated Financial Statements**  
(continued)

	<u>Land</u>	<u>Houses and buildings</u>	<u>Machinery equipment</u>	<u>R&amp;D equipment</u>	<u>Other equipment</u>	<u>Total</u>
Balance on January 1, 2021	\$ -	2,360	11,681	21,173	33,639	68,853
Depreciation	-	794	5,310	6,030	5,972	18,106
Disposal	-	-	(4,621)	(16,131)	(10,467)	(31,219)
Effect of exchange rates	-	-	(7)	(15)	(920)	(942)
Balance on December 31, 2021	<u>\$ -</u>	<u>3,154</u>	<u>12,363</u>	<u>11,057</u>	<u>28,224</u>	<u>54,798</u>
Carrying Amount:						
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>
December 31, 2021	<u>\$ 22,048</u>	<u>21,944</u>	<u>12,508</u>	<u>8,914</u>	<u>27,413</u>	<u>92,827</u>

Please refer to Note VIII for property, plant or equipment of the Group pledged as collateral for financing limit as of December 31, 2022 and 2021.

(V) 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>Houses and buildings</u>	<u>Machinery equipment</u>	<u>Transportation equipment</u>	<u>Total</u>
Cost of right-of-use assets:				
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>\$ 177,448</u>	<u>99</u>	<u>7,619</u>	<u>185,166</u>
Balance on January 1, 2021	\$ 183,229	152	5,236	188,617
Additions	68,407	91	2,822	71,320
Decrease	(63,484)	(144)	(1,030)	(64,658)
Effect of exchange rates	(2,907)	(13)	(329)	(3,249)
Balance on December 31, 2021	<u>\$ 185,245</u>	<u>86</u>	<u>6,699</u>	<u>192,030</u>
Depreciation of right-of-use assets:				
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	<u>\$ 92,112</u>	<u>25</u>	<u>2,142</u>	<u>94,279</u>
Balance on January 1, 2021	\$ 95,005	88	3,011	98,104

**CASwell, Inc. and Its Subsidiaries Notes to Consolidated Financial Statements**  
(continued)

	Houses and buildings	Machinery equipment	Transportation equipment	Total
Provision for depreciation	52,819	84	1,705	54,608
Decrease	(63,484)	(144)	(1,030)	(64,658)
Effect of exchange rates	(1,519)	(6)	(135)	(1,660)
Balance on December 31, 2021	<u>\$ 82,821</u>	<u>22</u>	<u>3,551</u>	<u>86,394</u>
Carrying Amount:				
December 31, 2022	<u>\$ 85,336</u>	<u>74</u>	<u>5,477</u>	<u>90,887</u>
December 31, 2021	<u>\$ 102,424</u>	<u>64</u>	<u>3,148</u>	<u>105,636</u>

(VI) Intangible Assets

	Goodwill	Computer software and others	Total
Cost:			
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	<u>\$ 330,287</u>	<u>44,181</u>	<u>374,468</u>
Balance on January 1, 2021	\$ 331,970	38,843	370,813
Purchase	-	6,010	6,010
Disposal	-	(2,187)	(2,187)
Effect of exchange rates	(2,708)	(285)	(2,993)
Balance on December 31, 2021	<u>\$ 329,262</u>	<u>42,381</u>	<u>371,643</u>
Amortization and impairment loss:			
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	<u>\$ 812</u>	<u>23,656</u>	<u>24,468</u>
Balance on January 1, 2021	\$ 812	13,283	14,095
Amortization in the period	-	7,730	7,730
Disposal	-	(2,187)	(2,187)
Effect of exchange rates	-	(93)	(93)
Balance on December 31, 2021	<u>\$ 812</u>	<u>18,733</u>	<u>19,545</u>
Carrying Amount:			
December 31, 2022	<u>\$ 329,475</u>	<u>20,525</u>	<u>350,000</u>
December 31, 2021	<u>\$ 328,450</u>	<u>23,648</u>	<u>352,098</u>

**CASwell, Inc. and Its Subsidiaries Notes to Consolidated Financial Statements**  
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(VII) Short-term borrowings

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

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Unsecured loans	<b>\$ 39,888</b>	<b>21,427</b>
Unused limit	<b>\$ 2,092,832</b>	<b>1,249,305</b>
Range of interest rate	<b><u>0.7%~5.5%</u></b>	<b><u>0.88%~5.5%</u></b>

1) Issuance and repayment of loans

There were no significant issuance, repurchase or repayment for short-term borrowings of the Group in 2022 and 2021, please refer to Note VI (XVIII) for details of interest expense.

2) Collateral for bank loans

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

(VIII) Long-term borrowings

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

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Secured bank loans	\$ 23,851	25,206
Less: Loans matured within one year	(1,404)	(1,384)
Total	<b>\$ 22,447</b>	<b>23,822</b>
Unused limit	<b>\$ -</b>	<b>210</b>
Range of interest rate	<b><u>1.97%</u></b>	<b><u>1.20%</u></b>

1) Issuance and repayment of loans

There were no significant issuance, repurchase or repayment for short-term borrowings of the Group in 2022 and 2021, please refer to Note VI (XVIII) for details of interest expense.

2) Collateral for bank loans

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

(IX) Bonds payable

Bonds payable of the Group are as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Amount of unsecured convertible bonds initially issued	\$ 710,553	710,553
Unamortized discount on bonds payable	(194)	(2,501)
Cumulative converted amount	(542,964)	(542,964)
Bonds payable due, ending balance	<b>\$ 167,395</b>	<b>165,088</b>

**CASwell, Inc. and Its Subsidiaries Notes to Consolidated Financial Statements**  
(continued)

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Embedded derivatives-right of redemption (presented in financial assets at fair value through profit or loss)	\$ 215	116
Equity components - right of conversion (presented in capital surplus - right of subscription)	\$ 4,441	4,441
Interest expenses	\$ 2,307	2,326

<b>Item</b>	<b>First domestic unsecured convertible bonds</b>	
1) Total amount of issue	700,000	NT\$ Thousand
2) Nominal amount of issue	100	NT\$ 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>a) 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>b) 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>c) 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</p>	

**CASwell, Inc. and Its Subsidiaries Notes to Consolidated Financial Statements**  
(continued)

<b>Item</b>	<b>First domestic unsecured convertible bonds</b>
	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.

(X) Lease liabilities

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

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Current	<u>\$ 56,729</u>	<u>53,237</u>
Non-current	<u>\$ 36,809</u>	<u>53,954</u>

Please refer to Note VI (XIX) financial instruments for details of maturity analysis.

The amounts recognized in profit or loss are as follows:

	<b>2022</b>	<b>2021</b>
Interest expenses of lease liabilities	<u>\$ 1,439</u>	<u>1,846</u>
Short-term lease expenses	<u>\$ 4,828</u>	<u>6,837</u>
Expenses for leases of low-value assets	<u>\$ 29</u>	<u>91</u>

**CASwell, Inc. and Its Subsidiaries Notes to Consolidated Financial Statements**  
**(continued)**

The amounts recognized in the statements of cash flows are:

	<b>2022</b>	<b>2021</b>
Total cash outflow of lease	<b>\$ 62,616</b>	<b>62,288</b>

1) Lease of houses and buildings

The Group leases houses and buildings for office purpose with a term of 1 to 4 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 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.

2) 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.

(XI) 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.

**CASwell, Inc. and Its Subsidiaries Notes to Consolidated Financial Statements**  
(continued)

The cost of the pension contributions to the Bureau of Labor Insurance under this scheme for 2022 and 2021 amounted to NT\$7,924 thousand and NT\$8,323 thousand, respectively. The pensions under the defined pension plan of Hawkeye, a subsidiary of the Company, in 2022 and 2021 amounted to NT\$3,600 thousand and NT\$3,458 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 2022 and 2021 amounted to NT\$601 thousand and NT\$643 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 2022 and 2021 were NT\$5,806 thousand and NT\$5,875 thousand, respectively, which were paid to the related competent authority.

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.

(XII) Income taxes

1) Income tax expenses

Income tax expenses of the Group are as follows:

	<u>2022</u>	<u>2021</u>
Current income tax expenses	\$ 120,651	70,115
Deferred income tax expenses	2,334	12,640
Income tax expenses	<u>\$ 122,985</u>	<u>82,755</u>

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

	<u>2022</u>	<u>2021</u>
Income before income tax	<u>\$ 575,518</u>	<u>322,820</u>
Income tax at the Company's domestic tax rate	\$ 115,103	64,564
Amount affected by the tax rate differences in foreign jurisdictions	23,759	21,993
Non-deductible expenses	(10,129)	(4,344)
Recognition of unrecognized tax loss in the preceding period	(1,174)	-
Book-tax difference	(7,609)	(7,614)
Difference verified	2,255	6,042

**CASwell, Inc. and Its Subsidiaries Notes to Consolidated Financial Statements**  
(continued)

	<b>2022</b>	<b>2021</b>
Surtax on unappropriated earnings	3,014	5,231
Investment allowances	(2,234)	(3,117)
Income tax expenses	<b>\$ 122,985</b>	<b>82,755</b>

2) Recognized deferred tax assets and liabilities

Changes in deferred tax assets (liabilities) are as follows:

	<b>Loss on inventory valuation</b>	<b>Unrealized profit and loss from exchange</b>	<b>Others</b>	<b>Total</b>
<b>Balance on January 1, 2022</b>	\$ 1,892	(75)	(26,696)	(24,879)
Debit (credit) income statement	1,536	(692)	(3,178)	(2,334)
<b>Balance on December 31, 2022</b>	<b>\$ 3,428</b>	<b>(767)</b>	<b>(29,874)</b>	<b>(27,213)</b>
<b>Balance on January 1, 2021</b>	\$ 2,673	467	(15,379)	(12,239)
Debit (credit) income statement	(781)	(542)	(11,317)	(12,640)
<b>Balance on December 31, 2021</b>	<b>\$ 1,892</b>	<b>(75)</b>	<b>(26,696)</b>	<b>(24,879)</b>

3) Income tax assessment

Business income tax returns of the Company and its subsidiary, Hawkeye, through 2020 have been assessed by the tax authority with examination.

(XIII) Capital and other equity

As of December 31, 2022 and 2021, 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 73,189 thousand ordinary shares, received stock capital for all shares issued.

Changes in the number of outstanding shares in 2022 and 2021 are as follows:

	<b>Ordinary shares</b>	
(presented in thousands shares)	<b>2022</b>	<b>2021</b>
Balance on January 1	73,189	72,858
Exercise of employee share options	-	210
Conversion of convertible bonds	-	121
Balance on December 31	<b>73,189</b>	<b>73,189</b>



**CASwell, Inc. and Its Subsidiaries Notes to Consolidated Financial Statements**  
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1) Issuance of ordinary shares

In 2021, the Company issued 121 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\$1,211 thousand and all shares were registered as required by law.

2) Capital surplus

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

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Share premium	\$ 1,403,907	1,403,907
Treasury share transactions	22,792	22,792
-Right of subscription of convertible bonds	4,441	4,441
	<b>\$ 1,431,140</b>	<b>1,431,140</b>

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.

3) 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 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

**CASwell, Inc. and Its Subsidiaries Notes to Consolidated Financial Statements**  
(continued)

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 earnings for 2021 and 2020 were passed at the shareholders' meetings held on June 16, 2022 and August 5, 2021, respectively. Dividends paid to owners of the Company are as follows:

	<b>2021</b>		<b>2020</b>	
	<b>Dividends Paid to Per Share (NT\$)</b>	<b>Amount</b>	<b>Dividends Paid to Per Share (NT\$)</b>	<b>Amount</b>
Dividends distributed to owners of ordinary shares:				
Cash	\$ 2.00	146,378	3.64	266,697

4) Treasury shares

a) The treasury shares that the Company redeemed from employees to which shares of the Company were transferred to according to Article 28-2, Securities and Exchange Act amounted to 603 thousand shares with total redemption price of NT\$51,269 thousand. Changes in treasury shares in 2021 are as follows:

**CASwell, Inc. and Its Subsidiaries Notes to Consolidated Financial Statements**  
(continued)

	Number of shares (thousand shares)	Amount
January 1, 2021	210	\$ 17,856
Transfer in the period	(210)	(17,856)
December 31, 2021	-	\$ -

b) According to the Securities and Exchange Act, the treasury shares held by the Company may not be pledged, and before assignment, no shareholders' rights shall be enjoyed in such shares.

5) 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, 2022	\$ (40,422)	(10,450)	(50,872)
Exchange differences on translating the net assets of foreign operations	10,642	-	10,642
December 31, 2022	\$ (29,780)	(10,450)	(40,230)
January 1, 2021	\$ (19,618)	(10,450)	(30,068)
Exchange differences on translating the net assets of foreign operations	(20,804)	-	(20,804)
December 31, 2021	\$ (40,422)	(10,450)	(50,872)

(XIV) Share-based payment

No share-based payment occurred within the Group in 2022, and share-based payments in 2021 are as follows:

	Delivery of equities Transfer of treasury stocks to employees
Grant date	2021.1.6
Number of shares granted	210 thousand shares
Contract term	-
Granted to	All employees
Vesting conditions	Immediate vesting

**CASwell, Inc. and Its Subsidiaries Notes to Consolidated Financial Statements**  
(continued)

1) Measurement parameters of fair value on the grant date

The Group adopts the Black--Scholes option pricing model to estimate the fair value of share-based payment at date transferred. The input value of this model is as follows:

	<b>2021</b>	
	<b>Transfer of treasury stocks to employees</b>	
Fair value on the grant date (NT\$)	\$	122.00
Share price on the grant date (NT\$)		122.00
Grant price (NT\$)		85.02

The determination of fair value does not take into account the services and non-market performance conditions included in the transaction.

2) Information on procedures for transferring treasury shares

Details of methods used in transfer of treasury shares are as follows:

(presented in thousands shares)

	<b>2021</b>	
	<b>Transfer of treasury stocks to employees</b>	
	<b>Weighted Average Striking Price(NT\$)</b>	<b>Number of stock options</b>
Outstanding as of January 1	\$ -	-
Granted in this period	85.02	210
Expired in this period	-	-
Exercised in this period	(85.02)	(210)
Outstanding as of December 31	-	-
Executable stock options on December 31	-	-

3) Employee expenses

Remuneration recognized, arising from transfer of treasury shares to employees, in 2021 amounted to NT\$7,764 thousand.

(XV) Earnings per share

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

	<b>2022</b>	<b>2021</b>
<b>Basic earnings per share:</b>		
Net profit attributable to owners of ordinary shares of the Company	\$ 428,332	219,556
Weighted average number of outstanding ordinary shares (thousand shares)	73,189	73,146

**CASwell, Inc. and Its Subsidiaries Notes to Consolidated Financial Statements**  
(continued)

	2022	2021
Basic earnings per share (NT\$)	<u>\$ 5.85</u>	<u>3.00</u>
<b>Diluted earnings per share:</b>		
Net profit attributable to owners of ordinary shares of the Company	\$ 428,332	219,556
Impact of potentially diluted ordinary shares		
Conversion of convertible bonds	1,846	1,860
Net profit attributable to owners of (diluted) ordinary shares of the Company	<u>\$ 430,178</u>	<u>221,416</u>
Weighted average number of outstanding (basic) ordinary shares (thousand shares)	73,189	73,146
Impact of potentially diluted ordinary shares (thousand shares)		
Share-based remuneration for employees	215	125
Conversion of convertible bonds	1,711	1,661
Weighted average number of outstanding (diluted) ordinary shares (thousand shares)	75,115	74,932
Diluted earnings per share (NT\$)	<u>\$ 5.73</u>	<u>2.95</u>

(XVI) Revenue from contracts with customers

1) Breakdown of income

	2022			
	Domestic Operation Office	Mainland China Operation Office	Others	Total
Major regional 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
	<u>\$ 3,674,751</u>	<u>406,983</u>	<u>900,938</u>	<u>4,982,672</u>
Main products/services:				
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
	<u>\$ 3,674,751</u>	<u>406,983</u>	<u>900,938</u>	<u>4,982,672</u>

**CASwell, Inc. and Its Subsidiaries Notes to Consolidated Financial Statements**  
(continued)

	<b>2021</b>			
	<b>Domestic Operation Office</b>	<b>Mainland China Operation Office</b>	<b>Others</b>	<b>Total</b>
Major regional markets:				
Taiwan	\$ 150,471	-	10	150,481
Asia	1,354,374	613,867	296,226	2,264,467
America	1,049,695	-	444,037	1,493,732
Europe	597,018	-	168,246	765,264
	<b>\$ 3,151,558</b>	<b>613,867</b>	<b>908,519</b>	<b>4,673,944</b>
Main products/services:				
Communication products	\$ 2,438,364	478,866	778,084	3,695,314
Network communication hosts	119,768	2,890	11,910	134,568
Other communication products	593,426	132,111	118,525	844,062
	<b>\$ 3,151,558</b>	<b>613,867</b>	<b>908,519</b>	<b>4,673,944</b>

2) Contract balance

	<b>December 31, 2022</b>	<b>December 31, 2021</b>	<b>2021.1.1</b>
Notes receivable and account receivable	\$ 869,353	832,491	1,059,356
Less: Loss allowance	(9,410)	(2,734)	(2,695)
Total	<b>\$ 859,943</b>	<b>829,757</b>	<b>1,056,661</b>

Please refer to Note VI (II) for details of account receivable as well as their impairment.

(XVII) 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.

Appropriated compensation/remuneration to employees and directors of the Company is as follows:

**CASwell, Inc. and Its Subsidiaries Notes to Consolidated Financial Statements**  
(continued)

	<b>2022</b>	<b>2021</b>
Compensation to employees	\$ 16,500	10,500
Remuneration to directors	5,600	3,600
	<b>\$ 22,100</b>	<b>14,100</b>

It 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. The amount of employee and director compensation resolved by the Board of Directors does not differ from the amount listed in the Group's consolidated financial statements for the years 2022 and 2021.

(XVIII) Non-operating income and expenses

1) Interest income

The details of interest income of the Group are as follows:

	<b>2022</b>	<b>2021</b>
Interest on bank deposit	\$ 1,525	2,309
Financial assets at amortized cost	1,053	217
Others	32	10
Total interest income	<b>\$ 2,610</b>	<b>2,536</b>

2) Other income

The details of other income of the Group are as follows:

	<b>2022</b>	<b>2021</b>
Other income	<b>\$ 21,100</b>	<b>20,802</b>

**CASwell, Inc. and Its Subsidiaries Notes to Consolidated Financial Statements**  
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3) Other gain and loss

The details of other gains and losses of the Group are as follows:

	<b>2022</b>	<b>2021</b>
Gain (loss) on disposal and retirement of property, \$ plant and equipment	(74)	339
Gain (loss) on foreign currency exchange	52,718	(529)
Gains on financial assets (liabilities) at fair value through profit or loss	2,849	811
Other loss	(388)	(1,099)
Other gains and losses, net	<b>\$ 55,105</b>	<b>(478)</b>

4) Finance costs

Details of financial costs of the Group are as follows:

	<b>2022</b>	<b>2021</b>
Bank loans	\$ (2,120)	(1,615)
Bonds payable	(2,307)	(2,326)
Lease liabilities	(1,439)	(1,846)
Total finance costs	<b>\$ (5,866)</b>	<b>(5,787)</b>

(XIX) Financial Instruments

1) 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. 51.05% and 48.61% of balance of account receivable as of December 31, 2022 and 2021, respectively, were composed of three clients. This causes credit risk concentration.

c) Credit risk of receivables

Please refer to Note VI (II) 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.



**CASwell, Inc. and Its Subsidiaries Notes to Consolidated Financial Statements**  
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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 IV (VII) for details on how the Group determines the level of credit risk). There is no allowance for losses on other receivables in 2022 and 2021.

2) 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
<b>December 31, 2022</b>							
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	-	-	-	-
<b>Total</b>	<b>\$ 1,388,822</b>	<b>1,392,787</b>	<b>1,297,912</b>	<b>33,619</b>	<b>34,122</b>	<b>9,365</b>	<b>17,769</b>
<b>December 31, 2021</b>							
Non-derivative financial liabilities							
Bank loans (including \$ short-term and long-term)	46,633	50,047	18,123	5,741	1,675	5,071	19,437
Notes payable and account payable (including related parties)	1,075,621	1,075,621	1,075,621	-	-	-	-
Other payables (including related parties)	168,290	168,290	168,290	-	-	-	-
Lease liabilities	107,191	109,006	28,137	26,385	39,051	15,433	-
Convertible corporate bonds	165,088	165,088	-	-	165,088	-	-
<b>Total</b>	<b>\$ 1,562,823</b>	<b>1,568,052</b>	<b>1,290,171</b>	<b>32,126</b>	<b>205,814</b>	<b>20,504</b>	<b>19,437</b>

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.

3) 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:

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December 31, 2022				
	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
December 31, 2021				
	Foreign currency		Exchange rate	NTD
<u>Financial assets</u>				
<u>Monetary items</u>				
USD	\$	36,208	USD/NTD=	27.68
				1,002,237
JPY		8,595	JPY/NTD=	0.2405
				2,067
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD		23,624	USD/NTD=	27.68
				653,912

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, 2022 and 2021, and all other factors remain unchanged, the net profit after tax will increase or decrease by NT\$45,240 thousand and NT\$28,031 thousand, respectively, for 2022 and 2021 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(loss) on foreign currency exchange (including realized and unrealized) for 2022 and 2021 are NT\$52,718 thousand and NT\$(529) thousand, respectively.

**CASwell, Inc. and Its Subsidiaries Notes to Consolidated Financial Statements**  
(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\$510 thousand and NT\$373 thousand in 2022 and 2021, respectively, assuming all other variable factors remain constant.

4) 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:

<u>Price of securities on reporting date</u>	<u>2022</u>		<u>2021</u>	
	<b>Other consolidated profit and loss after tax</b>	<b>Post-tax profit or loss</b>	<b>Other consolidated profit and loss after tax</b>	<b>Post-tax profit or loss</b>
Increase 1%	<u>\$ 110</u>	<u>426</u>	<u>80</u>	<u>265</u>
Decrease 1%	<u>\$ (110)</u>	<u>(426)</u>	<u>(80)</u>	<u>(265)</u>

5) 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:

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		December 31, 2022				
		Carrying amount	Fair value			
			Level 1	Level 2	Level 3	Total
<b>Financial assets at fair value through profit or loss Assets</b>						
Financial assets at fair value through profit or loss						
	\$	<b>42,566</b>	-	-	<b>42,566</b>	<b>42,566</b>
<b>Financial assets at fair value through other comprehensive income</b>						
<b>Financial asset</b>						
Equity instrument at fair value without quotation in market						
	\$	<b>11,009</b>	-	-	<b>11,009</b>	<b>11,009</b>
<b>Financial assets at amortized cost</b>						
Cash and Cash Equivalents						
	\$	677,584	-	-	-	-
Financial assets at amortized cost						
		11,797	-	-	-	-
Notes receivable and account receivable (including related parties)						
		859,943	-	-	-	-
Other receivables (including related parties)						
		100,131	-	-	-	-
Other current assets						
		2,047	-	-	-	-
Refundable deposits						
		13,948	-	-	-	-
<b>Total</b>		<b>\$ 1,665,450</b>	-	-	-	-
<b>Financial liabilities at fair value through profit or loss</b>						
Financial liabilities designated at fair value through profit or loss						
	\$	<b>215</b>	-	<b>215</b>	-	<b>215</b>
<b>Financial liabilities at amortized cost</b>						
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
<b>Total</b>		<b>\$ 1,388,822</b>	-	<b>167,395</b>	-	<b>167,395</b>

**CASwell, Inc. and Its Subsidiaries Notes to Consolidated Financial Statements**  
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	December 31, 2021				Total
	Carrying amount	Level 1	Level 2	Level 3	
<b>Financial assets at fair value through profit or loss Assets</b>					
Financial assets at fair value through profit or loss	\$ 26,473	-	-	26,473	26,473
<b>Financial assets at fair value through other comprehensive income</b>					
<b>Financial asset</b>					
Equity instrument at fair value without quotation in market	\$ 8,009	-	-	8,009	8,009
<b>Financial assets at amortized cost</b>					
Cash and Cash Equivalents	\$ 643,403	-	-	-	-
Financial assets at amortized cost	11,436	-	-	-	-
Notes receivable and account receivable (including related parties)	829,757	-	-	-	-
Other receivables (including related parties)	135,665	-	-	-	-
Other current assets	1,040	-	-	-	-
Refundable deposits	10,530	-	-	-	-
<b>Total</b>	<b>\$ 1,631,831</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Financial liabilities at fair value through profit or loss</b>					
Financial liabilities designated at fair value through profit or loss	\$ 116	-	116	-	116
<b>Financial liabilities at amortized cost</b>					
Bank loans (including short-term and long-term)	\$ 46,633	-	-	-	-
Accounts payable (including related parties)	1,075,621	-	-	-	-
Other payables (including related parties)	168,290	-	-	-	-
Lease liabilities	107,191	-	-	-	-
Convertible corporate bonds	165,088	-	165,088	-	165,088
<b>Total</b>	<b>\$ 1,562,823</b>	<b>-</b>	<b>165,088</b>	<b>-</b>	<b>165,088</b>

- 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)

**CASwell, Inc. and Its Subsidiaries Notes to Consolidated Financial Statements**  
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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:

<u>Item</u>	<u>Valuation techniques</u>	<u>Significant unobservable input value</u>	<u>Relationship between significant unobservable input value and fair value measurement</u>
Financial assets at fair value through profit or loss - investment in private equity	Net asset valuation	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:

	<u>Inputs</u>	<u>Increase or decrease</u>	<u>Changes of fair value reflecting current profit or loss</u>	
			<u>Positive changes</u>	<u>Negative changes</u>
<b>December 31, 2022</b>				
Financial assets at fair value through profit or loss				
Investment in private equity	42,566	1% \$	426	(426)
<b>December 31, 2021</b>				
Financial assets at fair value through profit or loss				
Investment in private equity	26,473	1%	265	(265)

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(XX) Financial risk management

1) 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.

2) 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.

3) 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 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.

**CASwell, Inc. and Its Subsidiaries Notes to Consolidated Financial Statements**  
**(continued)**

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.

4) 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, 2022 and 2021 amounted to NT\$2,092,832 thousand and NT\$1,249,515 thousand, respectively.

5) 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.

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.



**CASwell, Inc. and Its Subsidiaries Notes to Consolidated Financial Statements**  
(continued)

(XXI) 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, 2022 and 2021 are as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Total liabilities	\$ 1,754,693	1,729,544
Cash and cash equivalents	677,584	643,403
Net liabilities	<b>\$ 1,077,109</b>	<b>1,086,141</b>
Total Equity	<b>\$ 3,544,773</b>	<b>3,226,401</b>
Debt-to-capital ratio	<b>30.39%</b>	<b>33.66%</b>

**VII. Related Party Transactions**

(I) 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 27.32% of the outstanding ordinary shares of the Company. Ennoconn has prepared consolidated financial statements for public use.

(II) 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:

<b>Name of related party</b>	<b>Relationship with the Group</b>
Ennoconn	The Group's parent company
Hon Hai Precision Industry Co., Ltd.	The Group's affiliate
Vecow Co., Ltd.	The Group's affiliate
Victor Plus Holdings Ltd.	The Group's affiliate
Thecus Technology Corp.	The Group's affiliate
Hon Lin 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

**CASwell, Inc. and Its Subsidiaries Notes to Consolidated Financial Statements**  
(continued)

<u>Name of related party</u>	<u>Relationship with the Group</u>
Ennoconn (Kunshan) Intelligent Technology Co., Ltd.	The Group's affiliate
Thecus U.S.A., Inc.	The Group's affiliate
HighAim Technology Inc.	The Group's affiliate
American Industrial Systems Inc.	The Group's affiliate
Cloud Network Technology Singapore Pte. Ltd.	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): The affiliation with WT Microelectronics Co., Ltd. has been terminated with effect from December 2022.

(III) Substantial Transaction with Related Party

1) Operating Revenue

The amount of goods and services sold by the Group to related parties are as follows:

	<u>2022</u>	<u>2021</u>
Parent company	\$ -	10
Affiliates	<u>278,403</u>	<u>276,462</u>
	<u><b>\$ 278,403</b></u>	<u><b>276,472</b></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

2) Purchases

The amount of goods and services purchased by the Group from related parties are as follows:

	<u>2022</u>	<u>2021</u>
Parent company	\$ 1,381	2,392
Affiliates	<u>176,609</u>	<u>243,507</u>
	<u><b>\$ 177,990</b></u>	<u><b>245,899</b></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.

**CASwell, Inc. and Its Subsidiaries Notes to Consolidated Financial Statements**  
(continued)

3) 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>December 31, 2022</u>	<u>December 31, 2021</u>
Account receivables	Affiliates-American Industrial Systems Inc.	\$ 34,757	34,381
Account receivables	Affiliates-Thecus Technology Corp.	4,553	2,031
Account receivables	Affiliates	106	5,549
Other receivables	Affiliates	54	156
		<u>\$ 39,470</u>	<u>42,117</u>

4) 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>December 31, 2022</u>	<u>December 31, 2021</u>
Account payables	Parent company	\$ -	465
Account payables	Affiliates - Victor Plus Holdings Ltd	14,287	73,370
Account payables	Affiliate - others	1,348	23,471
Other payables	Affiliates - Victor Plus Holdings Ltd	19,982	20,410
Other payables	Affiliate - others	1,433	7,313
		<u>\$ 37,050</u>	<u>125,029</u>

(IV) Transactions with key management officers

1) Remuneration to major managerial personnel

Remuneration to key management officers includes:

	<u>2022</u>	<u>2021</u>
Short-term employee benefits	\$ 58,146	51,446
Retirement benefits	708	729
	<u>\$ 58,854</u>	<u>52,175</u>

The Group provides vehicles to key management officers. The original costs and period-specific depreciation expenses of such vehicles in 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Original cost	<u>\$ 6,982</u>	<u>7,904</u>
Depreciation expenses	<u>\$ 1,027</u>	<u>975</u>

**CASwell, Inc. and Its Subsidiaries Notes to Consolidated Financial Statements**  
(continued)

**VIII. Pledged Assets**

The carrying amount of the Group's pledged assets are as follows:

Description of asset	Subject matter of pledge	December 31, 2022	December 31, 2021
Other current assets (pledged fixed deposits)	Tariff Guarantee	\$ 2,047	1,040
Property, plant and equipment	Long-term borrowings	42,409	42,877
		<b>\$ 44,456</b>	<b>43,917</b>

**IX. Significant Contingent Liabilities and Unrecognized Contract Commitments**

(I) Significant unrecognized contract commitments:

The Group's unrecognized contract commitments are as follows:

	December 31, 2022	December 31, 2021
Acquisition of property, plant and equipment	<b>\$ 491,360</b>	-

**X. Significant loss from disasters: None.**

**XI. Significant Events after the Balance Sheet Date**

The Company's first domestic unsecured convertible bond was executed on February 10, 2023, and was closed to over-the-counter trading.

**XII. Others**

Employee Benefits, Depreciation and Amortization Expenses by Function:

By nature	2022			2021		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expenses						
Salary expenses	90,515	304,195	394,710	82,705	279,802	362,507
Labor and health insurance expenses	9,817	33,890	43,707	9,354	33,680	43,034
Pension expenses	5,420	12,511	17,931	5,156	13,143	18,299
Remuneration to directors	-	9,309	9,309	-	7,044	7,044
Other employee benefit expenses	5,651	12,454	18,105	5,222	12,537	17,759
Depreciation expenses	31,077	43,270	74,347	29,362	43,352	72,714
Amortization expenses	-	8,629	8,629	-	7,730	7,730

**CASwell, Inc. and Its Subsidiaries Notes to Consolidated Financial Statements**  
(continued)

**XIII. Supplementary Disclosures**

(I) 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 2022:

1) 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	appropriated Amount of allowance loss	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	50,000	-	1.60%	2	-	Working capital for operation	-	-	-	333,992	667,983
0	The Company	APLIGO GMBH	Other receivables - related parties	Yes	24,568 (USD800)	24,568 (USD800)	24,568 (USD800)	2.45%	2	-	Working capital for operation	-	-	-	333,992	667,983

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.

2) Endorsements/guarantees for others: None.

3) 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	-	42,566	- %	42,566	- %	-
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	11,000	12.40 %	11,000	16.00%	-
APLIGO GMBH	shares in Volksbank Karlsruhe	-	Financial assets at fair value through other comprehensive income - non-current	-	9	- %	9	- %	-

**CASwell, Inc. and Its Subsidiaries Notes to Consolidated Financial Statements**  
(continued)

- 4) Marketable securities acquired and disposed of amounting to NT\$300 million or 20% of the paid-in capital or more: None.
- 5) Acquisition of property amounting to NT\$300 million or over 20% of paid-in capital: None.

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	2022/6/16	656,000	Note:	Huaku Development Co., Ltd	N/A	N/A	N/A	N/A	-	Market and valuation reports	The Group's Business Growth and Development Needs	None

Note: In accordance with work progress, to date the payment of NT\$162,551 thousand (before tax) has been made and is recorded as other non-current assets

- 6) Disposal of property amounting to NT\$300 million or over 20% of paid-in capital : None.
- 7) 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)	(178,226)	(5.14) %	O/A 70 days	-	-	12,136	2.15%	(Note 2)
CASO, INC.	The Company	Parent company	Purchases	178,226	80.28 %	O/A 70 days	(Note 1)	(Note 1)	(12,136)	(92.00)%	(Note 2)
The Company	CASWELL AMERICAS, INC.	Subsidiary	(Sales)	(168,218)	(4.85) %	O/A 90 days	(Note 1)	(Note 1)	71,868	12.75%	(Note 2)
CASWELL AMERICAS, INC.	The Company	Parent company	Purchases	168,218	99.89 %	O/A 90 days	(Note 1)	(Note 1)	(71,868)	(96.52)%	(Note 2)
APLIGO GMBH	American Industrial Systems Inc.	Affiliates	(Sales)	(239,726)	(77.02) %	O/A 60 days	(Note 1)	(Note 1)	34,757	44.99%	-

(Note 1): Compared against general terms and conditions.

(Note 2): The transactions listed on the left have been fully eliminated as preparing the consolidated financial statements.

- 8) Receivables from related parties amounting to NT\$100 million or over 20% of paid-up capital: None.
- 9) Derivatives transactions: None.
- 10) Business relations and significant transactions between the parent company and its subsidiaries:

**CASwell, Inc. and Its Subsidiaries Notes to Consolidated Financial Statements**  
(continued)

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	2,077	Compared against general terms and conditions.	0.04%
0	The Company	Hawkeye Tech, Co., Ltd.	1	Sales revenue	3,862	Compared against general terms and conditions.	0.08%
0	The Company	Beijing Caswell Ltd.	1	Sales revenue	87,366	Compared against general terms and conditions.	1.75%
0	The Company	CASO, INC.	1	Sales revenue	178,226	Compared against general terms and conditions.	3.58%
0	The Company	CASWELL AMERICAS, INC.	1	Sales revenue	168,218	Compared against general terms and conditions.	3.38%
1	Hawkeye Tech, Co., Ltd.	The Company	2	Sales revenue	9,391	Compared against general terms and conditions.	0.19%
2	APLIGO GMBH	The Company	2	Sales revenue	5,279	Compared against general terms and conditions.	0.11%
0	The Company	CASO, INC.	1	Account receivables	12,136	Compared against general terms and conditions.	0.23%
0	The Company	CASWELL AMERICAS, INC.	1	Account receivables	71,868	Compared against general terms and conditions.	1.36%
0	The Company	Beijing Caswell Ltd.	1	Account receivables	43,384	Compared against general terms and conditions.	0.82%
2	APLIGO GMBH	The Company	2	Account receivables	3,503	Compared against general terms and conditions.	0.07%

Note 1: 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.

Note 2: Relationships with counterparties are listed as follows:

1. The parent company to subsidiaries.
2. Subsidiaries to the parent company.
3. Subsidiaries to subsidiaries.

Note 3: 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 won't be repeated.

(II) Information on reinvestments (excluding invested companies in mainland China):

The information on reinvestments in 2022:

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 on 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%	105,756	99.00%	26,934	26,665	Subsidiary (note 2)
The Company	CASWELL INTERNATIONAL INVESTMENT CO., LTD.	Samoa	Overseas investment	101,135	101,135	3,206	100.00%	202,003	100.00%	(11,583)	(11,583)	Subsidiary (note 2)

**CASwell, Inc. and Its Subsidiaries Notes to Consolidated Financial Statements**  
(continued)

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	CASWELL AMERICAS, INC.	USA	Sales of network communication products	92,460	92,460	3,000	100.00%	75,445	100.00%	12,623	12,623	Subsidiary (note 2)
The Company	APLIGO GMBH	Germany	Hub and SI Service	60,275	60,275	24	66.67%	64,939	66.67%	(2,453)	(1,862)	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%	512,886	60.64%	75,320	42,210	Subsidiary (note 2)

(Note 1): Including adjustments for foreign currency translation.

(Note 2): The transactions listed on the left have been fully eliminated as preparing the consolidated financial statements.

(III) Information on investments in mainland China:

1) 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 (Note2)		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	116,698 (USD3,800)	(2)	95,692 (USD3,116)	-	-	95,692 (USD3,116)	(14,082)	82%	82%	(11,548)	221,664	-

(Note 1): There are three ways of investment:

(I) Direct investment in mainland China.

(II) Investment in mainland China through a company in another region, this is a direct investment by subsidiary, KAISWAY.

(III) Others.

(Note 2): The exchange rate at end of period is used for foreign currency translation

(Note 3): The above transactions have been fully eliminated as preparing the consolidated financial statements.

2) 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.
95,692 (USD3,116)	95,692 (USD3,116)	2,003,950

Exchange rates at end of period: USD : 30.71

Average exchange rate: USD: 29.8025



**CASwell, Inc. and Its Subsidiaries Notes to Consolidated Financial Statements**  
**(continued)**

3) Significant Transactions:

Please refer to the "Information on significant transactions" for direct or indirect material transactions in 2022 between the Group and its investees in mainland China(which have been eliminated during the preparation of consolidated financial statements).

(IV) List of major shareholders:

Name of Major Shareholder	The Number of Shares Held	Shareholding %
Ennoconn	20,000,000	27.32%

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.

**XIV. Segment Information**

(I) 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.

**CASwell, Inc. and Its Subsidiaries Notes to Consolidated Financial Statements**  
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The Group's other business segments mainly specialize in selling various computers and peripherals. The above segments didn't reach any quantitative thresholds for reporting in 2022 and 2021.

(II) 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 IV.

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:

	2022				
	Domestic Operation Office	Mainland China Operation Office	All Other Departments	Adjustments and elimination	Total
Revenue:					
Revenue from external clients	\$ 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>

**CASwell, Inc. and Its Subsidiaries Notes to Consolidated Financial Statements**  
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	2021				
	Domestic Operation Office	Mainland China Operation Office	Others	Adjustments and elimination	Total
Revenue:					
Revenue from external clients	\$ 3,151,558	613,866	908,520	-	4,673,944
Inter-segment revenue	589,846	-	11,074	(600,920)	-
Total revenue	<u>\$ 3,741,404</u>	<u>613,866</u>	<u>919,594</u>	<u>(600,920)</u>	<u>4,673,944</u>
Profits (losses) of reportable segments	<u>\$ 252,734</u>	<u>45,043</u>	<u>36,550</u>	<u>(94,262)</u>	<u>240,065</u>
Assets of reportable segments	<u>\$ 4,776,476</u>	<u>521,895</u>	<u>411,436</u>	<u>(753,862)</u>	<u>4,955,945</u>
Liabilities of reportable segments	<u>\$ 1,473,854</u>	<u>241,825</u>	<u>208,499</u>	<u>(194,634)</u>	<u>1,729,544</u>

(III) Product and service information

The information of revenue from external customers for the Group was as follows:

Products and services	2022	2021
Network communication systems	\$ 3,756,177	3,695,314
Network communication hosts	97,972	134,568
Other communication products	1,128,523	844,062
Total	<u>\$ 4,982,672</u>	<u>4,673,944</u>

(IV) Geographical information

The region information of the Group is as follows, in which the income is classified based on the geographical location of customers, while the non-current assets are classified based on the geographical location of the assets.

By region	2022	2021
Revenue from external customers:		
Taiwan	\$ 384,803	150,481
USA	1,572,762	1,492,670
Israel	1,361,045	1,133,783
China	409,487	614,757
United Kingdom	17,844	139,830
France	303,328	185,243
Other Countries	933,403	957,180
	<u>\$ 4,982,672</u>	<u>4,673,944</u>
Non-current assets:		
Taiwan	\$ 322,993	180,555
China	22,270	35,596
Japan	21,226	2,242
USA	3,567	5,297
Other Countries	4,277	9,271
Total	<u>\$ 374,333</u>	<u>232,961</u>

**CASwell, Inc. and Its Subsidiaries Notes to Consolidated Financial Statements**  
**(continued)**

(V)	Major customer information		
	<u>Client code</u>	<u>2022</u>	<u>2021</u>
	Client A	\$ 1,036,332	848,430
	Client B	581,506	498,501
	Total	<u>\$ 1,617,838</u>	<u>1,346,931</u>