

Stock Code: 6416

CASwell, Inc. and its subsidiaries
Consolidated Financial Statements and
Independent Auditors' Report
2024 and 2023

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Statement of Declaration

The companies required to be included in the consolidated financial statements of affiliates in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" for the year ended December 31, 2024 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 10 "Consolidated Financial Statements". Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we do not prepare a separate set of consolidated financial statements of affiliates.

Sincerely,

Company Name: CASwell, Inc.

Chairman: Steve Chu

Date: March 5, 2025

Independent Auditors' Report

To the Board of Directors of CASwell, Inc.:

Opinion

We have audited the accompanying consolidated balance sheets of CASwell, Inc. and its subsidiaries (the “Group”) as of December 31, 2024 and 2023, and the related consolidated statements of comprehensive income, changes in equity, and cash flows for the years then ended, as well as the notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, the consolidated financial statements referred to 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 (IFRS), International Accounting Standards (IAS), IFRIC Interpretations, and SIC Interpretations as endorsed and issued by the Financial Supervisory Commission of the Republic of China. The consolidated financial statements present fairly, in all material respects, the financial position of CASwell, Inc. as of December 31, 2024 and 2023, and its financial performance and cash flows for the years then ended.

Basis for Opinion

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 in the Republic of China. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements section of this report.

We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountants of the Republic of China (“the Norm”) and 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 opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the Group for 2024. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon. We do not provide a separate opinion on these matters.

1. *Measurement of Inventories*

Refer to Note 4(8) for the accounting policy on inventory valuation, Note 5(1) for critical accounting estimates and assumptions regarding inventory write-downs, and Note 6(3) for further inventory disclosures.

Inventories are measured at the lower of cost or net realizable value. Due to rapid technological developments and the frequent introduction of new products, consumer demand and market pricing for certain products may fluctuate, potentially causing inventory costs to exceed net realizable values. CASwell, Inc. evaluates losses for obsolete and slow-moving inventory based on the nature and aging of the inventories, which involves significant judgment. Accordingly, inventory valuation was identified as a key audit matter.

Our audit procedures included evaluating whether the Group's inventory valuation policies were consistently applied and appropriate; verifying the basis of the net realizable values used by management; performing sampling procedures to assess inventory aging; and analyzing inventory write-down ratios relative to total inventory, in order to evaluate whether the write-downs were reasonable.

2. *Revenue recognition, including cut-off testing*

Refer to Note 4(14) for accounting policies on revenue recognition and Note 6(15) for related revenue disclosures.

The Group primarily derives its revenue from the R&D, production, and sales of network appliances. Revenue is a key performance indicator for shareholders and is subject to inherent risk regarding the appropriate timing of recognition. Accordingly, revenue recognition and cut-off testing were considered key audit matters.

Our audit procedures included testing internal controls over revenue recognition; reviewing significant contracts and evaluating the relevant terms affecting revenue recognition; and performing cut-off testing by selecting sales transactions that occurred before and after the balance sheet date to assess the timing and appropriateness of revenue recognition.

3. *Assessment of Goodwill Impairment*

Refer to Note 4(12) for accounting policies on goodwill impairment, Note 5(2) for critical estimates and assumptions, and Note 6(6) for goodwill disclosures.

The Group's goodwill arising from business combinations is material. Management is required to perform an annual impairment test in accordance with IFRS. This process involves significant

estimates, including projected future cash flows and the weighted average cost of capital used in estimating value in use. Given the complexity and judgment involved, goodwill impairment assessment was identified as a key audit matter.

Our audit procedures included evaluating the reasonableness of key assumptions used in the impairment model, such as cash flow forecasts and discount rates; comparing projected results to historical performance; and benchmarking discount rates against external market data.

Other Matters

CASwell, Inc. has also prepared separate parent company-only financial statements as of and for the years ended December 31, 2024 and 2023, on which we have issued an unqualified opinion for reference.

Responsibilities of Management and Those Charged with Governance

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, IFRS, IAS, and the interpretations and announcements issued by the Financial Supervisory Commission. Management is also responsible for the design, implementation, and maintenance of internal controls to ensure the consolidated financial statements are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to assess the Group's ability to continue as a going concern, disclose matters related to going concern where applicable, and apply the going concern basis of accounting unless management intends to liquidate the Group or cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but not a guarantee that an audit will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made based on these consolidated financial statements.

We conduct our audit in accordance with auditing standards and apply professional judgment and professional skepticism throughout the audit. As part of our audit, we:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated, we determine the key audit matters to be included in our report, unless law or regulation precludes public disclosure or, in rare cases, we determine that such communication would result in consequences that outweigh the public interest benefits.

KPMG

CPA:

Securities Authority : MOF Securities Letter No. 0930106739
Approval Reference No. FSC Securities Letter No. 0960069825

March 5, 2025

Notice to Reader

For the convenience of readers, this report has been translated into English from the original Chinese version. The English version has not been audited or reviewed by independent auditors. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

CASwell, Inc. and its subsidiaries

Consolidated Balance Sheets

December 31, 2024 and 2023

Unit: NT\$ thousand

Assets		2024.12.31		2023.12.31		Liabilities and equity		2024.12.31		2023.12.31	
		Amount	%	Amount	%			Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (Note 6(1))	\$ 487,593	9	678,872	13	2100	Short-term borrowings (Note 6 (7))	\$ 158,749	3	30,835	1
1136	Financial assets at amortized cost - Current	69,189	1	52,279	1	2170	Accounts payable	618,699	11	500,916	9
1170	Notes and accounts receivables - net (Note 6(2) and (15))	843,499	15	752,370	14	2180	Accounts payable - related parties (Note 7)	36,807	-	49,630	1
1180	Accounts receivable from related parties - net (Note 6(2), (15) and 7)	13,230	-	19,041	-	2200	Other payables (including related parties) (Note 7)	143,473	3	135,172	2
1200	Other receivables (including related parties) (Note 7)	64,301	1	41,554	1	2230	Current income tax liabilities	51,503	1	74,658	1
1220	Current income tax assets	-	-	4,900	-	2252	Short-term warranty provisions	6,162	-	5,587	-
130X	Inventories (Note 6(3))	2,104,877	37	1,788,145	33	2280	Lease liabilities - Current (Note 6(10))	38,402	1	45,158	1
1470	Other current assets (Note 8)	94,205	2	73,366	1	2322	Long-term borrowings due within one year (Note 6(8) and 8)	1,388	-	1,427	-
	Total current assets	<u>3,676,894</u>	<u>65</u>	<u>3,410,527</u>	<u>63</u>	2399	Other current liabilities (Note 7)	<u>116,568</u>	<u>2</u>	<u>136,825</u>	<u>3</u>
	Non-current assets:						Total current liabilities	<u>1,171,751</u>	<u>21</u>	<u>980,208</u>	<u>18</u>
1510	Financial assets at fair value through profit or loss - Non-current	47,364	1	48,127	1		Non-current liabilities:				
1517	Financial assets at fair value through other comprehensive income - Non-current	79,402	1	106,781	2	2540	Long-term borrowings (Note 6(8) and 8)	269,920	5	321,117	6
1600	Property, plant and equipment (Note 6(4), 7 and 8)	784,767	14	767,718	14	2552	Long-term warranty provisions	23,389	-	19,226	-
1755	Right-of-use assets (Note 6(5))	714,507	13	717,331	13	2570	Deferred income tax liabilities (Note 6(12))	25,727	-	29,016	1
1780	Intangible assets (Note 6(6))	338,026	6	346,997	7	2580	Lease liabilities - Non-current (Note 6(10))	499,314	9	490,423	9
1840	Deferred income tax assets (Note 6(12))	14,053	-	12,110	-	2670	Other non-current liabilities	14	-	28	-
1900	Other non-current assets	11,086	-	16,940	-		Total non-current liabilities	<u>818,364</u>	<u>14</u>	<u>859,810</u>	<u>16</u>
		<u>1,989,205</u>	<u>35</u>	<u>2,016,004</u>	<u>37</u>		Total liabilities	<u>1,990,115</u>	<u>35</u>	<u>1,840,018</u>	<u>34</u>
							Equity attributable to shareholders of the parent company (Note 6(13)):				
						3100	Share capital	<u>733,485</u>	<u>13</u>	<u>733,485</u>	<u>14</u>
						3200	Capital surplus (Note 6(9) and (13))	<u>1,445,196</u>	<u>25</u>	<u>1,445,196</u>	<u>27</u>
						3300	Retained earnings:				
						3310	Legal reserve	384,748	7	352,478	6
						3320	Special earnings reserve	52,985	1	40,230	1
						3350	Undistributed earnings	961,065	17	883,062	16
							Total retained earnings	<u>1,398,798</u>	<u>25</u>	<u>1,275,770</u>	<u>23</u>
						3400	Other equity	(61,227)	(1)	(52,985)	(1)
							Equity attributable to shareholders of the parent company	<u>3,516,252</u>	<u>62</u>	<u>3,401,466</u>	<u>63</u>
						36XX	Non-controlling interests	<u>159,732</u>	<u>3</u>	<u>185,047</u>	<u>3</u>
							Total equity	<u>3,675,984</u>	<u>65</u>	<u>3,586,513</u>	<u>66</u>
Total assets		<u>\$ 5,666,099</u>	<u>100</u>	<u>5,426,531</u>	<u>100</u>		Total liabilities and equity	<u>\$ 5,666,099</u>	<u>100</u>	<u>5,426,531</u>	<u>100</u>

(The accompanying notes are an integral part of the consolidated financial statements.)

Chairman: Steve Chu

President: Reaforl Hung

Accounting Supervisor: Amber Lee

CASwell, Inc. and its subsidiaries
Consolidated Statements of Comprehensive Income
From January 1 to December 31, 2024 and 2023

Unit: NT\$ thousand

		2024		2023	
		Amount	%	Amount	%
4000	Sales revenue-net (Note 6(15) and 7)	\$ 4,253,669	100	4,082,437	100
5000	Cost of sales (Note 6(3), (4), (5), (10), (11), (16), 7 and 12)	3,239,943	76	3,088,923	76
	Gross profit	1,013,726	24	993,514	24
	Operating expenses (Note 6(4), (5), (10), (11), (16), 7 and 12):				
6100	Selling and marketing expenses	174,638	4	144,593	4
6200	General and administrative expenses	235,603	6	220,418	5
6300	Research and development expenses	270,608	6	251,714	6
6450	Reversal of expected credit loss (Note 6(2))	(1,445)	-	(1,119)	-
	Total operating expenses	679,404	16	615,606	15
	Operating Income	334,322	8	377,908	9
	Non-operating income and expenses (Note 6(17)):				
7100	Interest income	12,163	-	6,640	-
7010	Other income	64,952	2	51,775	1
7020	Other gains and losses	28,142	-	(12,275)	-
7050	Finance costs (Note 6(9) and (10))	(22,007)	-	(14,396)	-
	Total non-operating income and expenses	83,250	2	31,744	1
7900	Net Income before income tax	417,572	10	409,652	10
7950	Less: Income tax expense (Note 6(12))	86,607	2	88,374	2
	Net Income after tax	330,965	8	321,278	8
8300	Other comprehensive income/(loss):				
8310	Items that will not be reclassified to profit or loss				
8316	Unrealized gain (loss) on equity investments at fair value through other comprehensive income	(28,292)	(1)	(4,570)	-
8349	Income tax relating to items that will not be reclassified	-	-	-	-
	Total of items that will not be reclassified to profit or loss	(28,292)	(1)	(4,570)	-
8360	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences arising from the translation of foreign operations	8,703	-	(8,856)	-
8399	Income tax relating to items that may be reclassified subsequently to profit or loss	-	-	-	-
	Total of items that may be reclassified subsequently to profit or loss	8,703	-	(8,856)	-
8300	Other comprehensive loss	(19,589)	(1)	(13,426)	-
8500	Total comprehensive income	\$ 311,376	7	307,852	8
	Net Income attributable to:				
8610	Shareholders of the parent company	\$ 330,082	8	322,707	8
8620	Non-controlling interests	883	-	(1,429)	-
	Net Income	\$ 330,965	8	321,278	8
	Comprehensive income attributable to:				
8710	Shareholders of the parent company	\$ 320,162	7	309,952	8
8720	Non-controlling interests	(8,786)	-	(2,100)	-
	Total comprehensive income	\$ 311,376	7	307,852	8
	Earnings per share (Note 6(14))				
9750	Basic earnings per share (NT\$)	\$ 4.50		4.40	
9850	Diluted earnings per share (NT\$)	\$ 4.49		4.38	

(The accompanying notes are an integral part of the consolidated financial statements.)

Chairman: Steve Chu

President: Reaforl Hung

Accounting Supervisor: Amber Lee

CASwell, Inc. and its subsidiaries
Consolidated Statements of Changes in Equity
From January 1 to December 31, 2024 and 2023

Unit: NT\$ thousand

	Equity attributable to shareholders of parent company						Other equity items	Total equity attributable to shareholders of the parent company	Non-controlling interests	Total Equity	
	Retained earnings					Exchange differences arising from the translation of foreign operations					Unrealized gain (loss) on financial assets at fair value through other comprehensive income
	Share capital	Capital surplus	Legal reserve	Special earnings reserve	Undistributed earnings						
Balance, January 1, 2023	\$ 731,889	1,431,140	309,644	50,872	856,601	(29,780)	(10,450)	3,339,916	204,857	3,544,773	
Net Income	-	-	-	-	322,707	-	-	322,707	(1,429)	321,278	
Other comprehensive loss	-	-	-	-	-	(8,730)	(4,025)	(12,755)	(671)	(13,426)	
Total comprehensive income/(loss)	-	-	-	-	322,707	(8,730)	(4,025)	309,952	(2,100)	307,852	
Earnings distribution:											
Appropriation of legal reserve	-	-	42,834	-	(42,834)	-	-	-	-	-	
Reversal of special earnings reserve	-	-	-	(10,642)	10,642	-	-	-	-	-	
Cash dividends to shareholders	-	-	-	-	(264,054)	-	-	(264,054)	-	(264,054)	
Conversion of convertible bonds	1,596	14,056	-	-	-	-	-	15,652	-	15,652	
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	(17,710)	(17,710)	
Balance, December 31, 2023	733,485	1,445,196	352,478	40,230	883,062	(38,510)	(14,475)	3,401,466	185,047	3,586,513	
Net Income	-	-	-	-	330,082	-	-	330,082	883	330,965	
Other comprehensive loss	-	-	-	-	-	7,236	(17,156)	(9,920)	(9,669)	(19,589)	
Total comprehensive income/(loss)	-	-	-	-	330,082	7,236	(17,156)	320,162	(8,786)	311,376	
Earnings distribution:											
Appropriation of legal reserve	-	-	32,270	-	(32,270)	-	-	-	-	-	
Appropriation of special earnings reserve	-	-	-	12,755	(12,755)	-	-	-	-	-	
Cash dividends to shareholders	-	-	-	-	(205,376)	-	-	(205,376)	-	(205,376)	
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	(16,529)	(16,529)	
Disposals of equity investments measured at fair value through other comprehensive income	-	-	-	-	(1,678)	-	1,678	-	-	-	
Balance, December 31, 2024	\$ 733,485	1,445,196	384,748	52,985	961,065	(31,274)	(29,953)	3,516,252	159,732	3,675,984	

(The accompanying notes are an integral part of the consolidated financial statements.)

Chairman: Steve Chu

President: Reaforl Hung

Accounting Supervisor: Amber Lee

CASwell, Inc. and its subsidiaries
Consolidated Statements of Cash Flows
From January 1 to December 31, 2024 and 2023

Unit: NT\$ thousand

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Net Income before income tax	\$ 417,572	409,652
Adjustments:		
Adjustments to reconcile profit (loss)		
Depreciation expense	83,859	81,310
Amortization expense	12,409	9,995
Reversal of expected credit loss	(1,445)	(1,119)
Net loss (gain) on financial assets /liabilities at fair value through profit or loss	(4,228)	6,454
Interest expense	22,007	14,396
Interest income	(12,163)	(6,640)
Dividend income	-	(303)
Loss on disposal of property, plant and equipment	2,517	3
Gain on lease modification	(4)	(43)
Total adjustments to reconcile profit (loss)	<u>102,952</u>	<u>104,053</u>
Changes in operating assets/liabilities:		
Changes in operating assets:		
Decrease (Increase) in notes and accounts receivable -including related parties	(88,132)	29,248
Decrease (Increase) in other payables -including related parties	(22,747)	58,577
Decrease (Increase) in inventories	(316,131)	975,425
Decrease (Increase) in other current assets	(20,839)	42,711
Total changes in operating assets	<u>(447,849)</u>	<u>1,105,961</u>
Changes in operating liabilities:		
Increase (Decrease) in accounts payable -including related parties	104,960	(322,985)
Increase (Decrease) in other payables -including related parties	8,301	(55,635)
Increase in warranty provisions	4,738	1,215
Decrease in other current liabilities	(20,257)	(57,086)
Total changes in operating liabilities	<u>97,742</u>	<u>(434,491)</u>
Total changes in operating assets and liabilities	<u>(350,107)</u>	<u>671,470</u>
Total adjustments	<u>(247,155)</u>	<u>775,523</u>
Cash flow generated from operations	170,417	1,185,175
Interest received	12,163	6,640
Dividends received	-	303
Interest paid	(22,007)	(14,014)
Income tax paid	(110,094)	(137,138)
Net cash flow generated from operations	<u>50,479</u>	<u>1,040,966</u>
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	-	(40,000)
Proceeds from disposals of financial assets at fair value through other comprehensive income	3,268	-
Acquisition of financial assets at amortized cost	(16,909)	(40,482)
Acquisition of financial assets at fair value through profit or loss	-	(13,556)
Return of capital from investees	4,991	1,347
Acquisition of property, plant and equipment	(46,547)	(542,729)
Disposals of property, plant and equipment	285	-
Acquisition of intangible assets	(3,367)	(6,190)
Decrease in other non-current assets	4,152	840
Net cash flow used in investing activities	<u>(54,127)</u>	<u>(640,770)</u>
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	600,000	160,947
Decrease in short-term borrowings	(472,086)	(170,000)
Repayment of corporate bonds	-	(151,958)
Proceeds from long-term borrowings	-	500,000
Repayment of long-term borrowings	(51,236)	(201,307)
Repayment of lease liabilities	(50,574)	(245,582)
Decrease in other non-current liabilities	(14)	(13)
Cash dividends paid	(205,376)	(264,054)
Changes in non-controlling interests	(16,529)	(17,710)
Net cash flow used in financing activities	<u>(195,815)</u>	<u>(389,677)</u>
Effect of exchange differences on cash and cash equivalents	8,184	(9,231)
Net increase (decrease) in cash and cash equivalents	(191,279)	1,288
Cash and cash equivalents at beginning of period	678,872	677,584
Cash and cash equivalents at end of period	<u>\$ 487,593</u>	<u>678,872</u>

(The accompanying notes are an integral part of the consolidated financial statements)

Chairman: Steve Chu

President: Reaforl Hung

Accounting Supervisor: Amber Lee

CASwell, Inc. and its subsidiaries
Notes to Consolidated Financial Statements
2024 and 2023

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

1. Company History and Business Scope

CASwell, Inc. ("the Company") was established on April 19, 2007 with the approval of the Ministry of Economic Affairs. The address of its registered office and principal place of business is 12F., No. 308, Jianguo 1st Road, Xinzhuang District, New Taipei City. The businesses scope of the Company and its subsidiaries (collectively referred as "the Group") includes Electronic Components Manufacturing, Computers and Peripherals Manufacturing, Equipment Manufacturing, Wholesale of Electronic Materials and Information Services.

2. Process and Date of authorization for issue

The consolidated financial statements were approved and authorised for issue by the Board of Directors on March 5, 2025.

3. Impact on application of amendments and new standards and interpretations

(1) Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, "IFRS Accounting Standards") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The initial application of the amendments to IFRS Accounting Standards endorsed and issued into effect by the FSC did not have a material impact on the accounting policies of the Group.

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

(2) The IFRS Accounting Standards issued by International Accounting Standards Board (IASB) and endorsed by the FSC with effective date starting 2025

The Group has evaluated that the initial application of amendments to IFRS Accounting standards effective from January 2025, will not have a material impact on the accounting policies of the Group.

- Amendments to IAS 21 "Lack of Exchangeability"

(3) The IFRS Accounting standards issued by IASB, but not yet endorsed and issued into effect by the FSC

The Group expect following IFRS Accounting standards and amendments which have not yet been endorsed by FSC may be relevant to the accounting policies of the Group.

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

Amendments and New Standards	Key Topics	Effective Date announced by IASB
IFRS 18 "Presentation and Disclosure in Financial Statements"	<p>To provide financial statements users with better and more consistent information, the standard provides enhanced guidance on disaggregation and newly introduces three amendments that all entities apply including 1) classifying items of income and expenses into each of the three new categories in income statement, 2) two additional income and expenses subtotals, and 3) newly defined management performance measures to be disclosed in a single note to the financial statement.</p> <ul style="list-style-type: none"> ● More Structured Income statement: Under the current standard, companies use different formats to present their operating results, making it difficult for investors to compare financial performance across entities. The new standard adopts a more structured statement of profit or loss, introducing a newly defined "operating profit" subtotal and requiring all income and expenses to be classified into three distinct new categories based on the company's main operating activities. ● Management Performance Measures (MPM): The standard newly introduces the definition of MPM and requires companies to explain, in a single note to the financial statements, why each measure provides useful information, how it is calculated, and how it is reconciled to amounts recognized under IFRS Accounting Standards. ● More Disaggregated Information: The new standard includes guidance on how companies should enhance the disaggregation of information in financial statements. This includes directions on whether information should be presented in the primary financial statements or further disaggregated in the notes. 	January 1, 2027

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

As of the date the consolidated financial statements were authorized for issue, the Group continues in evaluating the impact on its financial position and financial performance from the initial adoption of the aforementioned standards or interpretations and related applicable period. The related impact will be disclosed when the Group completes its evaluation.

The Group does not expect following IFRS Accounting standards and amendments which have not yet been endorsed will have a material impact on the accounting policies of the Group.

- 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
- IFRS 19 "Subsidiaries without Public Accountability: Disclosures"
- Amendments to IFRS9 and IFRS7 "the Classification and Measurement of Financial Instruments"
- Annual Improvements to IFRS Accounting Standards
- Amendments to IFRS 9 and IFRS 7 "Contracts Referencing Nature-dependent Electricity"

4. Summary of Material Accounting Policies

The material accounting policies adopted in the consolidated financial statements are summarized as follows which have been consistently applied to all reporting periods of the consolidated financial statements except for Note 3.

(1) Statement of Compliance

The consolidated financial statements have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and IFRS Accounting Standards endorsed by FSC with effective dates.

(2) Basis of preparation

a. Basis of measurement

The consolidated financial statements have been prepared on historical cost basis except for the following financial instruments which are measured at fair value:

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

b. Functional currency and presentation currency

The functional currency of each individual entity of the Group is the currency reflecting the primary economic environment in which the entity operates. The presentation currency of the consolidated financial statements is New Taiwan Dollars (NTD) which is the functional currency of the Company. All financial information of each consolidated entity are translated into NTD then expressed in thousands of NTD (NT\$ Thousand).

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

(3) Basis for consolidation

a. Principles for the Presentation and Preparation of the Consolidated Financial Statements

The consolidated financial statements include the financial statements of the Company and entities controlled by the Company (its subsidiaries).

Consolidation of an investee shall begin from the date the investor obtains control of the investee and cease when the investor loses control of the investee. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. Total comprehensive income of subsidiaries is attributed to the shareholders of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Adjustments are made to the financial statements of subsidiaries to apply uniform accounting policies which used by the Group for like transactions and events in similar circumstances.

Changes in the Company's ownership interests in a subsidiary that do not result in the Company losing control of the subsidiaries are accounted for as equity transactions. The carrying amounts of the Company's and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries when the proportion of the equity held by non-controlling interests changes. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to shareholders of the Company.

b. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Main Business activity	Ownership %	
			2024.12.31	2023.12.31
The Company	CASO, Inc. ("CASO")	Import and sales of network appliances and computer peripherals	99%	99%
The Company	CASWELL INTERNATIONAL INVESTMENT CO., LTD.	Investment activities	100%	100%
The Company	CASWELL AMERICAS, INC. ("CAI")	Sales of network appliances	100%	100%
CASWELL INTERNATIONAL INVESTMENT CO., LTD.	BEIJING CASWELL LTD. ("BCW")	Manufacturing and sales of network appliances	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 appliances	60.64%	60.64%

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

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

(4) Foreign currency

a. Transactions in foreign currencies

A foreign currency transaction shall be recorded, on initial recognition in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. Foreign currency monetary items shall be translated using the closing rate at the end of each reporting period ("reporting date").

Non-monetary items that are measured at fair value in a foreign currency shall be translated using the exchange rates at the date when the fair value was measured, and non-monetary items that are measured in terms of historical cost in a foreign currency shall be translated using the exchange rate at the date of the transaction.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements shall be recognized in profit or loss in the period in which they arise, except for

- (a) An equity instrument that the Company made an irrevocable election to present subsequent changes in the fair value of equity instruments including any related foreign exchange component in other comprehensive income.
- (b) The effective portion of gain or loss on the hedging instrument from hedge of net investments in foreign operations shall be recognized in other comprehensive income.
- (c) The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge shall be recognized in other comprehensive income.

b. Foreign operation

Assets and liabilities of the foreign operation including any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign operation shall be expressed in the functional currency of the foreign operation then translated into NTD using the closing rate at the reporting date. Income and expenses for each statement presenting profit or loss and other comprehensive income (i.e., including comparatives) shall be translated at average exchange rate for the reporting period and all resulting exchange differences shall be recognized in other comprehensive income.

When the disposal involves the loss of control, joint control or significant influence of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, shall be reclassified from equity to profit or loss (as a reclassification adjustment) when the gain or loss on disposal is recognized. On the

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

partial disposal of a subsidiary that includes a foreign operation, the entity shall re-attribute the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income to the non-controlling interests in that foreign operation. In any other partial disposal of a foreign operation (Investments in Joint Ventures or Associates), the entity shall reclassify to profit or loss only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income.

An entity may have a monetary item that is receivable from or payable to a foreign operation. An item for which settlement is neither planned nor likely to occur in the foreseeable future is a part of the entity's net investment in that foreign operation. Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation shall be recognized initially in other comprehensive income in the financial statements that include the foreign operation and the reporting entity (e.g. consolidated financial statements when the foreign operation is a subsidiary)

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

The Company shall classify an asset as current when

- a. it expects to realize the asset, or intends to sell or consume it, in its normal operating cycle
- b. it holds the asset primarily for the purpose of trading
- c. it expects to realize the asset within twelve months after the reporting period
- d. the asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets shall classify as non-current.

The Company shall classify a liability as current when

- a. it expects to settle the liability in its normal operating cycle;
- b. it holds the liability primarily for the purpose of trading;
- c. the liability is due to be settled within twelve months after the reporting period; or
- d. it does not have the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period.

All other liabilities shall classify as non-current.

(6) Cash and Cash Equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are 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. Fixed deposits meet one of the criteria in paragraph 6 of IAS 7 to qualify as cash equivalents as they are instruments that are held for

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

the purpose of meeting short-term cash commitments rather than for investment or other purposes.

(7) Financial Instruments

Except for accounts receivable within the scope of IFRS9 paragraph 5.1.3, at initial recognition, the Group shall measure a financial asset or financial liability at its fair value. The Group shall recognize all the other financial assets or financial liabilities in its consolidated financial statements when one of the entities become party to the contractual provisions of the instrument. Except for accounts receivable shall be measured at their transaction price at initial recognition if the accounts receivable do not contain a significant financing component. The Group shall measure a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

a. Financial Assets

A regular way purchase or sale of financial assets shall be recognized and derecognized using either trade date accounting or settlement date accounting. The Group shall apply the same method consistently for all purchases and sales of financial assets that are classified in the same way.

At initial recognition, the Group shall classify its financial assets as subsequently measured at amortized cost, equity investments measured at fair value through other comprehensive income (FVOCI), and financial assets measured at fair value through profit or loss (FVTPL). When, and only when, the Group changes its business model for managing financial assets it shall reclassify all affected financial assets at the beginning of the next reporting period.

(a) Financial assets at amortized cost

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

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

The amount at which the financial asset is measured at initial recognition plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance. A gain or loss on a financial asset that is measured at amortized cost shall be recognized in profit or loss when the financial asset is through the amortization process or in order to recognize impairment gains

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

or losses. Exchange differences on the amortized cost are recognized in profit or loss. A gain or loss on a financial asset that is measured at amortized cost shall be recognized in profit or loss when the financial asset is derecognized.

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

At initial recognition, the Group may make an irrevocable election to present subsequent fair value changes of an investment in an equity instrument that is not held for trading in other comprehensive income.

This election is made on an instrument-by-instrument basis.

If the Group makes the election, it shall recognize dividends from that investment in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. All the other amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss.

Dividends are recognized in profit or loss when the Group's right to receive payment of the dividend is established. (typically the ex-dividend date).

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

Financial assets shall be measured at fair value through profit or loss unless it is measured at amortized cost or at fair value through other comprehensive income, including Derivatives. The Group may, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as an 'accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

A gain or loss on a financial asset that is measured at fair value shall be recognized in profit or loss including dividends and interest income.

(d) Impairment of financial assets

The Group shall recognize a loss allowance for expected credit losses(ECL) on financial assets that is measured at amortized cost (including cash and cash equivalents, financial assets at amortized cost, notes and accounts receivable, other receivables, deposits and other financial assets).

The loss allowance for a financial instrument is measured at an amount equal to either the 12-month expected credit losses (12-month ECL) or the lifetime expected credit losses (lifetime ECL), depending on the credit risk of the financial instrument whether has increased significantly since initial recognition.

- The Group may assume that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. And

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

- when the credit risk on other debt securities and bank deposits has not significantly increased (that is by comparing the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition).

The Group shall always measure the loss allowance at an amount equal to lifetime ECL for accounts receivable.

When making the assessment whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group should consider reasonable and supportable information, including the qualitative and non-statistical quantitative information that is available without undue cost or effort and analysis based on historical credit loss experience, measurement of ECL and forward-looking information.

Fixed deposits held by the Group which are issued by those financial Institutions with external rating of 'Investment grade' and therefore be considered as having low credit risk at reporting date.

The Group assume that the credit risk on a financial instrument has increased significantly since initial recognition when contractual payments are more than 120 days past due.

The Group consider a financial asset as a breach of contract, such as when contractual payments are more than 180 days past due, or when it's unlikely that the borrower's ability to meet its debt obligations.

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

12-month ECL are a portion of the lifetime ECL and represent the lifetime cash shortfalls that will result if a default occurs in the 12 months after the reporting date (or a shorter period if the expected life of a financial instrument is less than 12 months), weighted by the probability of that default occurring.

The maximum period over which ECL shall be measured is the maximum contractual period over which the Group is exposed to credit risk.

ECL are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive. The Group shall measure the ECL as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

At each reporting date, the Group shall measure the loss allowance for a financial instrument measured at amortized cost. A financial asset is credit-impaired when

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

one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or more than 180 days past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for that financial asset because of financial difficulties.

The allowance for ECL on financial assets measured at amortized cost shall be deducted from the gross carrying amount of the financial assets.

The Group shall directly reduce the gross carrying amount of a financial asset when the entity has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group perform the assessment of ECL on an individual basis to determine the timing and carrying amount of a financial asset should be written off. The Group does not significantly reverse ECL after write-off. A write-off in accordance with IFRS 9 does not necessarily mean that an entity relinquishes its legal right to recover amounts due. The Group may continue recovery efforts after a write-off to meet the Group's internal guidance.

(e) Derecognition of financial assets

The Group shall derecognize a financial asset when, and only when:

- the contractual rights to the cash flows from the financial asset expire, or
- The Group transfers substantially all the risks and rewards of ownership of the financial asset to another entity.
- The Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial assets and it has not retained control of the financial asset.

When the Group transfers a financial asset and retains substantially all the risks and rewards of ownership of the financial asset, the Group shall continue to recognize the financial asset.

b. Financial Liabilities and Equity Instruments

(a) Classification of liabilities or equity

A financial instrument issued by the Group shall classify the instrument, or its component parts, on initial recognition as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument.

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

(b) Equity transactions

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The proceeds of the equity instruments issued by the Group shall be recognized in equity after deducting the transaction costs that directly attributable to the issue of equity instrument.

(c) Compound financial instruments

Compound financial instruments issued by the Group is a bond convertible by the holder into a fixed number of ordinary shares of the Group. The conversion ratio shall be not impact by the changes in the fair value of an equity instrument.

The issuer of a bond convertible into ordinary shares first determines the carrying amount of the liability component by measuring the fair value of a similar liability (including any embedded non-equity derivative features) that does not have an associated equity component. The carrying amount of the equity instrument represented by the option to convert the instrument into ordinary shares is then determined by deducting the fair value of the financial liability from the fair value of the compound financial instrument as a whole. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components of the instrument in proportion to the allocation of proceeds.

The liability component of the compound financial instruments are subsequently measured at amortized cost using the effective interest method after initial recognition. The equity component of a compound financial instrument is not subsequently re-measured after initial recognition.

Interest relating to a component that is a financial liability shall be recognized as expense in profit or loss. On conversion of a convertible instrument at maturity, the Group derecognizes the liability component and recognizes it as equity. The original equity component remains as equity although it may be transferred from one line item within equity to another. There is no gain or loss on conversion at maturity.

(d) Financial liabilities

The Group shall classify all financial liabilities as measured at amortized cost or at fair value through profit or loss. The Group shall measure a financial liability at fair value through profit or loss when it is meets one of the following conditions:

- held for trading (which includes derivatives unless they are designated as effective hedging instruments) or
- upon initial recognition it is designated by the entity as at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are subsequently measured at fair value through profit or loss. A gain or loss on a financial liability (including

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

any interest expense) that is measured at fair value shall be recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. A gain or loss on a financial liability that is measured at amortized cost, such as interest expense shall be recognized in profit or loss when the financial liability is derecognized and through the amortization process. Any exchange differences on financial liabilities that are denominated in a foreign currency to be recognized in profit or loss.

(e) Derecognition of financial liabilities

The Group shall remove a financial liability (or a part of a financial liability) from its consolidated financial statement when, and only when, it is extinguished—i.e., when the obligation specified in the contract is discharged or canceled or expires. A substantial modification of the terms of an existing financial liability or a part of it shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, shall be recognized in profit or loss.

(f) Offsetting of financial assets and liabilities

Financial assets and financial liabilities shall be offset and the net amount presented in the consolidated financial statement when, and only when, the Group: (a) currently has a legally enforceable right to set off the recognized amounts; and (b) intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

(8) Inventories

Inventories shall be measured at the lower of cost and net realizable value. The standard cost method is used for the measurement of the cost of inventories. Standard costs are regularly reviewed and, if necessary, revised in the light of current conditions. The cost of inventories shall be assigned by using weighted average cost formula. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(9) Property, plant and equipment

a. Recognition and measurement

An item of property, plant and equipment shall be carried at its cost (including borrowing costs eligible for capitalization) less any accumulated depreciation and any accumulated impairment losses.

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

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item having different useful life shall be depreciated separately.

The gain or loss arising from the derecognition of an item of property, plant and equipment shall be included in profit or loss when the item is derecognized

b. Subsequent cost

A subsequent cost of the property, plant and equipment shall be recognized as an asset when and only when it is probable that future economic benefits associated with the item will flow to the Group.

c. Depreciation

Depreciable amount is the cost of an asset, or other amount substituted for cost, less its residual value. Straight-line method is used to allocate the depreciable amount of each significant part of an asset on a systematic basis over its estimated useful life. The depreciation charge for each period shall be recognized in profit or loss.

The useful life of an asset is defined in terms of the asset's expected utility to the Group. The estimation of the useful life by asset categories during reporting period are summarized as follows:

- Buildings and structures: 10 to 50 years
- Machinery and equipment: 3 to 8 years
- Research and development (R&D) equipment: 3 to 5 years
- Other equipment: 2 to 10 years

The residual value and the useful life of an asset shall be reviewed at each reporting date and, if expectations differ from previous estimates, the change(s) shall be accounted for as a change in an accounting estimate.

(10) Lease

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

At the commencement date, the Group as a lessee shall recognize a right-of-use asset and a lease liability and measure the right-of-use asset at cost.

The cost of the right-of-use asset shall comprise:

- a. the amount of the initial measurement of the lease liability
- b. any lease payments made at or before the commencement date, less any lease incentives received;
- c. any initial direct costs incurred by the lessee; and
- d. an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

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

The lessee shall depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. A lessee shall apply IAS 36 Impairment of Assets to determine whether the right-of-use asset is impaired and to account for any impairment loss identified. A lessee shall recognize the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset.

At the commencement date, a lessee shall measure the lease liability at the present value of the lease payments that are not paid at that date. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate.

In general, the Group uses the incremental borrowing rate as the discount rate for the lease payments. The lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- a. fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- b. variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- c. amounts expected to be payable by the lessee under residual value guarantees;
- d. the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, a lessee shall re-measure the lease liability by discounting the revised lease payments, if there is a change in:

- a. future lease payments resulting from a change in an index or a rate used to determine those payments;
- b. the amounts expected to be payable under a residual value guarantee;
- c. the assessment of an option to purchase the underlying asset;
- d. determining the lease term if the contract contains options to extend or terminate the lease;
- e. the modification increases the scope of the lease by adding the right to use one or more underlying assets.

In applying any condition abovementioned to re-measure the lease liability to reflect changes to the lease payments, the Group shall recognize the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Group shall recognize any remaining amount of the re-measurement in profit or loss.

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

The Group accounts for the re-measurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that Modifications the scope of the lease. The Group recognizes in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group elects not to apply the recognition and measurement requirement of a right-of-use asset and a lease liability to:

- a. short-term leases of machinery and other equipment; and
- b. leases of machinery and other equipment for which the underlying asset is of low value.

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

(11) Intangible Assets

a. Recognition and measurement

Goodwill acquired in a business combination shall be recognized then test it for impairment annually if there is an indication that it may be impaired.

After initial recognition, any other intangible assets with finite useful life acquired by the Group shall be carried at its cost less any accumulated amortization and any accumulated impairment losses.

b. Amortization period and amortization method

Except for goodwill, the amortization amount of an intangible asset with a finite useful life is determined after deducting its residual value and shall begin when the asset is available for use. The Group adopts straight-line amortization method and the amortization charge for each period shall be recognized in profit or loss.

The useful life of an asset is defined in terms of the asset's expected utility to the Group. The estimation of the useful life by asset categories during reporting period are summarized as follows:

- Computer software: 1 to 5 years
- Other intangible assets: 5 years

The amortization period and the amortization method for an intangible asset with a finite useful life shall be reviewed at each reporting date. If the expected useful life of the asset is different from previous estimates, the amortization period shall be changed accordingly. If there has been a change in the expected pattern of consumption of the future economic benefits embodied in the asset, the amortization method shall be changed to reflect the changed pattern. Such changes shall be accounted for as changes in accounting estimates in accordance with IAS 8.

(12) Impairments of non-financial assets

The Group assesses whether there is any indication that assets other than inventories and deferred tax assets may be impaired at each reporting date. If any such indication exists, the

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

Group shall estimate the recoverable amount of the asset. Irrespective of whether there is any indication of impairment, the Group tests goodwill acquired in a business combination for impairment annually.

For the purpose of impairment testing, an entity shall determine the recoverable amount of the cash-generating unit to which the asset belongs (that is, the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.)

Goodwill acquired in a business combination shall, from the acquisition date, be allocated to each of the acquirer's cash-generating units, or groups of cash-generating units, that is expected to benefit from the synergies of the combination.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs of disposal and its value in use.

The discount rate shall be a pre-tax rate that reflect(s) current market assessments of: (a) the time value of money; and (b) the risks specific to the asset for which the future cash flow estimates have not been adjusted. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss shall be recognized in profit or loss for a cash-generating unit if, and only if, the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss shall be allocated to reduce the carrying amount of the assets of the unit in the following order: (a) first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit; and (b) then, to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

An impairment loss recognized for goodwill shall not be reversed in a subsequent period. The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior years.

(13) Provisions

A provision shall be recognized when:

- (a) an entity has a present obligation (legal or constructive) as a result of a past event;
- (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- (c) a reliable estimate can be made of the amount of the obligation.

The discount rate shall be a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognized as borrowing cost.

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

Product warranty obligation is estimated by weighting all possible outcomes by their associated probabilities and recognized at the time of sale of goods or services.

(14) Revenue Recognition

Revenue from contracts with customers

The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties (for example, some sales taxes). When a performance obligation is satisfied, The Group shall recognize as revenue the amount of the transaction price that is allocated to that performance obligation.

Disaggregated revenue of the Group are categorized as follows:

a. Revenue from sale of goods

The Group mainly manufactures and sells network appliances to our customers. The Group recognizes revenue when it satisfies a performance obligation by transferring control of the products. This occurs at the point where physical possession of the products is transferred to the customer, indicating the customer has the ability to direct their use (such as having full discretion over the channels and prices to sell them) and there are no unfulfilled obligations that could affect the customer's acceptance of the products.

Delivery occurs when the products have been shipped to a specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

The Group grants its main customers the right to return a defective product and receive a full or partial refund of any consideration paid within certain period. At the reporting date, the Group shall recognize a refund liability to account for the transfer of products with a right of return.

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

b. Significant financing component

The Group expect all contracts at inception, that the period between the transfer of the promised goods or services to the customer and payment by the customer will be one year or less. As a consequence, the Group need not adjust the promised amount of consideration for the effects of the time value of money.

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

(15) Employee benefits

a. Defined contribution plan

When an employee has rendered service to the Group during a period, the Group shall recognize the contribution payable to a defined contribution plan in exchange for that service as an expense.

b. Short-term employee benefits

When an employee has rendered service to the Group during an accounting period, the Group shall recognize the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service as an expense and also recognize as a liability when (a) the Group has a present legal or constructive obligation to make such payments as a result of past events; and (b) a reliable estimate of the obligation can be made.

(16) Income tax

Income tax is composed of current tax and deferred tax. Current and deferred tax shall be recognized as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from: (a) a transaction or event which is recognized, in the same or a different period, outside profit or loss, either in other comprehensive income or directly in equity; or (b) a business combination.

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (tax loss) for a period and any adjustments recognized in the period for current tax of prior periods. Current tax liabilities (assets) for the current and prior periods shall be the best estimate measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

A deferred tax shall be recognized for all taxable temporary differences between the carrying amount of an asset or liability in the statement of financial position and its tax base, except to the extent that the deferred tax liability arises from:

- a. the initial recognition of an asset or liability in a transaction which: (a) is not a business combination; (b) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss);
- b. the taxable temporary differences associated with investments in subsidiaries when both of following conditions are satisfied: (a) the Group is able to control the timing of the reversal of the temporary difference; (b) it is probable that the temporary difference will not reverse in the foreseeable future; and
- c. the initial recognition of goodwill.

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax

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

laws) that have been enacted or substantively enacted by the end of the reporting period.

The Group shall offset deferred tax assets and deferred tax liabilities if, and only if:

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

A deferred tax asset shall be recognized for all (a) deductible temporary differences;(b) the carryforward of unused tax losses; and (c) the carryforward of unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized.

The carrying amount of a deferred tax asset shall be reviewed at each reporting date. An entity shall reduce the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized. Any such reduction shall be reversed to the extent that it becomes probable that sufficient taxable profit will be available.

(17) Business Combinations

The Group accounts for each business combination by applying the acquisition method. The acquirer shall recognize goodwill as of the acquisition date measured as the aggregate of acquisition-date fair value and the amount of any non-controlling interest in the acquiree deducting the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. Occasionally, an acquirer will make a bargain purchase, which is a business combination in which the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed exceeds the aggregate of acquisition-date fair value and the amount of any non-controlling interest in the acquiree. If that excess remains after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed, the acquirer shall recognize the resulting gain in profit or loss on the acquisition date. The gain shall be attributed to the acquirer.

The acquirer shall account for acquisition-related costs as expenses in the periods in which the costs are incurred and the services are received except for the costs relating to issue debt or equity securities.

For each business combination, the acquirer shall measure at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle

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

their holders to a proportionate share of the Group's net assets in the event of liquidation at either: (a) fair value; or (b) the present ownership instruments' proportionate share in the recognized amounts of the acquiree's identifiable net assets. All other components of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by IFRS Accounting Standards endorsed by FSC.

(18) Earnings per share

The Group shall present basic and diluted earnings per share amounts for profit or loss attributable to ordinary equity holders of the Company. Basic earnings per share shall be calculated by dividing profit or loss attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the period. The Company shall adjust profit or loss attributable to ordinary equity holders of the Company, and the weighted average number of shares outstanding, for the effects of all dilutive potential ordinary shares. Dilutive potential ordinary shares of the Group include convertible instruments and employee share options.

(19) Segment information

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses. The operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance.

5. Major sources of estimation uncertainty, assumptions and significant judgements

In the process of applying the Group's accounting policies, the management shall make judgements, assumptions and estimation about the future (including Climate-related risks and opportunities) at the reporting date, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets, liabilities, income and expenses within the next financial year. Actual results may differ from these estimates.

Management continually reviews estimates and underlying assumptions, which are consistent with the Group's risk management and climate-related commitments. Changes in accounting estimates are recognized prospectively in the period of the change and future periods affected.

Judgements that management has made in the process of applying the Group's accounting policies did not have a significant effect on the amounts recognized in the consolidated financial statements. Assumptions and other estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are summarized as follows:

(1) Measurement of inventories

Inventories shall be measured at the lower of cost and net realizable value. The Group writes down the cost of inventories to net realizable value at the reporting date after evaluating whether the cost of inventories may not be recoverable due to damage, full or partial

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

obsolescence, or a lack of available selling prices. The valuation of these inventories is primarily based on estimates of product demand for a specific future period and may therefore be subject to significant changes due to rapid industry developments.

(2) Measurement of impairment losses for goodwill

The assessment process for goodwill impairment relies on the subjective judgment of the Group. A cash-generating unit to which goodwill has been allocated shall be tested for impairment by comparing the carrying amount of the unit, including the goodwill, with the recoverable amount of the unit. If a cash-generating unit's recoverable amount is based on value in use, the management shall estimate the value in use by following steps: (a) estimating the future cash flow projections for the period covered by the most recent budgets; and (b) applying the appropriate discount rate to those future cash flows. If the actual cash flows are lower than expected, this may result in a material impairment loss.

6. Details of Significant Accounts

(1) Cash and Cash Equivalents

	<u>2024.12.31</u>	<u>2023.12.31</u>
Cash on hand	\$ 821	808
Cash in bank accounts	432,022	655,936
Short term certificate of deposit	<u>54,750</u>	<u>22,128</u>
Cash and cash equivalents at end of year in consolidated statements of cash flows	<u>\$ 487,593</u>	<u>678,872</u>

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

(2) Notes and accounts receivable, net (including accounts receivable from related-parties)

	<u>2024.12.31</u>	<u>2023.12.31</u>
Notes receivable from operating activities	\$ 983	63,013
Accounts receivable-measured as amortized cost	862,733	716,754
Less: loss allowance	<u>(6,987)</u>	<u>(8,356)</u>
	<u>\$ 856,729</u>	<u>771,411</u>

The Group adopts simplified approach to measure the loss allowance at an amount equal to lifetime ECL for all notes and accounts receivable. The lifetime ECL are recognized on a collective basis considering forward-looking information, including macroeconomic information related to the industry in which the entity operates. For the purpose of determining significant increases in credit risk and recognizing a loss allowance on a collective basis, the Group groups notes and accounts receivable on the basis of shared credit risk characteristics which align with customers' ability to meet contractual cash flows. The ECL analysis for notes and accounts receivable of the Group is as follows:

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

	2024.12.31		
	Carrying amount of notes receivable and accounts receivable	Probability- weighted ECL rate	Allowance for lifetime ECL
Not Past Due	\$ 784,545	0.11%	847
Past Due ≤ 30 Days	55,213	1.69%	934
Past Due 31–120 Days	12,804	5.06%	648
Past Due 121–365 Days	11,082	40.48%	4,486
Past Due ≥ 366 Days	<u>72</u>	100.00%	<u>72</u>
	<u>\$ 863,716</u>		<u>6,987</u>
	2023.12.31		
	Carrying amount of notes receivable and accounts receivable	Probability- weighted ECL rate	Allowance for lifetime ECL
Not Past Due	\$ 737,534	0.10%	770
Past Due ≤ 30 Days	14,310	0.27%	39
Past Due 31–120 Days	10,138	18.19%	1,844
Past Due 121–365 Days	17,717	31.81%	5,635
Past Due ≥ 366 Days	<u>68</u>	100.00%	<u>68</u>
	<u>\$ 779,767</u>		<u>8,356</u>

Reconciliation of loss allowance for notes and accounts receivable of the Group is as follows:

	2024	2023
Opening balance of loss allowance	\$ 8,356	9,410
New ECL provisions	1,664	6,621
Recoveries of previously written-off receivables	(3,109)	(7,740)
Foreign exchange differences	<u>76</u>	<u>65</u>
Closing balance of loss allowance	<u>\$ 6,987</u>	<u>8,356</u>

Financial assets mentioned above are neither pledged as collateral for borrowings nor for financing facilities. See Note 6(18) for details on the other credit risk.

The Group has entered into a non-recourse accounts receivable factoring agreement with a financial institution. Under the agreement, except for commercial disputes (such as sales returns and allowances), the financial institution shall pay the Group the net amount of the factored receivables for any outstanding amounts not collected after their due date. Detailed information on accounts receivable factoring agreement at the reporting date is as follows:

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

2024.12.31

Factoring institution	Total amount of receivables derecognition during the reporting period	Factoring limit	Factoring advance	Factoring discount rate range	Collateral
China Merchants Bank	\$ 66,753	-	65,723	1.53%-1.59%	None
Ping An Bank Co., Ltd.	\$ 17,033	-	16,774	1.52%	None

(3) Inventories

	2024.12.31	2023.12.31
Raw materials and spare parts	\$ 1,101,520	1,241,390
Work in Process (WIP)	302,760	164,248
Finished goods	700,597	382,507
	<u>\$ 2,104,877</u>	<u>1,788,145</u>

Cost of sales consists of the following items:

	2024	2023
Cost of goods sold (COGS) for inventory	\$ 3,144,375	3,013,697
Inventory write-down (reversal) loss	(1,306)	1,259
Inventory obsolescence (write-off) loss	12,844	8,295
Other inventory adjustments	84,030	65,672
	<u>\$ 3,239,943</u>	<u>3,088,923</u>

All inventories mentioned above are neither pledged as collateral for borrowings nor for financing facilities.

(4) Property, plant and equipment (PP&E)

Reconciliation of the carrying amount of the Group's PP&E by class of underlying asset is as follows:

	Land	Buildings and structures	Machinery and equipment	R&D equipment	Other equipment	Total
Gross carrying amount - Cost						
Balance on January 1, 2024	\$ 366,191	361,126	18,521	16,177	65,485	827,500
Additions	-	381	9,899	4,740	31,527	46,547
Disposals	-	-	(4,404)	(3,549)	(10,433)	(18,386)
Reclassification	-	-	-	-	1,702	1,702
Exchange differences	-	-	9	67	141	217
Balance on December 31, 2024	<u>\$ 366,191</u>	<u>361,507</u>	<u>24,025</u>	<u>17,435</u>	<u>88,422</u>	<u>857,580</u>
Balance on January 1, 2023	\$ 22,048	25,098	23,041	18,253	52,379	140,819
Additions	260,563	260,888	1,642	1,055	18,581	542,729
Disposals	-	-	(6,487)	(3,095)	(5,514)	(15,096)
Reclassification	83,580	75,140	343	-	-	159,063
Exchange differences	-	-	(18)	(36)	39	(15)
Balance on December 31, 2023	<u>\$ 366,191</u>	<u>361,126</u>	<u>18,521</u>	<u>16,177</u>	<u>65,485</u>	<u>827,500</u>

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

	<u>Land</u>	<u>Buildings and structures</u>	<u>Machinery and equipment</u>	<u>R&D equipment</u>	<u>Other equipment</u>	<u>Total</u>
Accumulated depreciation and impairment losses						
Balance on January 1, 2024	\$ -	8,275	10,834	10,953	29,720	59,782
Depreciation	-	9,363	4,440	3,064	11,450	28,317
Disposals	-	-	(4,404)	(3,549)	(7,631)	(15,584)
Exchange differences	-	-	32	63	203	298
Balance on December 31, 2024	<u>\$ -</u>	<u>17,638</u>	<u>10,902</u>	<u>10,531</u>	<u>33,742</u>	<u>72,813</u>
Balance on January 1, 2023	\$ -	3,948	12,839	11,036	26,918	54,741
Depreciation	-	4,327	4,498	3,046	8,137	20,008
Disposals	-	-	(6,487)	(3,095)	(5,511)	(15,093)
Exchange differences	-	-	(16)	(34)	176	126
Balance on December 31, 2023	<u>\$ -</u>	<u>8,275</u>	<u>10,834</u>	<u>10,953</u>	<u>29,720</u>	<u>59,782</u>
Carrying amount, net						
December 31, 2024	<u>\$ 366,191</u>	<u>343,869</u>	<u>13,123</u>	<u>6,904</u>	<u>54,680</u>	<u>784,767</u>
December 31, 2023	<u>\$ 366,191</u>	<u>352,851</u>	<u>7,687</u>	<u>5,224</u>	<u>35,765</u>	<u>767,718</u>

See Note 8 for details on PP&E pledged as collateral for long-term borrowings and financing facilities.

(5) Right-of-use assets

Reconciliation of the carrying amount of the Group's right-of-use assets by class of underlying asset is as follows:

	<u>Land</u>	<u>Buildings and structures</u>	<u>Machinery and equipment</u>	<u>Transportation equipment</u>	<u>Total</u>
Gross carrying amount -					
Cost					
Balance on January 1, 2024	\$ 337,533	494,750	114	7,765	840,162
Additions	-	51,503	144	569	52,216
Modifications	-	(124,423)	(116)	(998)	(125,537)
Exchange differences	-	1,932	(1)	37	1,968
Balance on December 31, 2024	<u>\$ 337,533</u>	<u>423,762</u>	<u>141</u>	<u>7,373</u>	<u>768,809</u>
Balance on January 1, 2023	\$ -	177,448	99	7,619	185,166
Addition (Note)	337,533	355,605	113	-	693,251
Modifications	-	(36,866)	(102)	-	(36,968)
Exchange differences	-	(1,437)	4	146	(1,287)
Balance on December 31, 2023	<u>\$ 337,533</u>	<u>494,750</u>	<u>114</u>	<u>7,765</u>	<u>840,162</u>
Accumulated depreciation					
Balance on January 1, 2024	\$ -	118,551	28	4,252	122,831
Depreciation	-	53,466	124	1,952	55,542

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

	<u>Land</u>	<u>Buildings and structures</u>	<u>Machinery and equipment</u>	<u>Transportation equipment</u>	<u>Total</u>
Modifications	-	(124,423)	(117)	(918)	(125,458)
Exchange differences	-	1,369	-	18	1,387
Balance on December 31, 2024	<u>\$ -</u>	<u>48,963</u>	<u>35</u>	<u>5,304</u>	<u>54,302</u>
Balance on January 1, 2023	\$ -	92,112	25	2,142	94,279
Depreciation	-	59,153	105	2,044	61,302
Modifications	-	(32,045)	(102)	-	(32,147)
Exchange differences	-	(669)	-	66	(603)
Balance on December 31, 2023	<u>\$ -</u>	<u>118,551</u>	<u>28</u>	<u>4,252</u>	<u>122,831</u>
Carrying amount, net					
December 31, 2024	<u>\$ 337,533</u>	<u>374,799</u>	<u>106</u>	<u>2,069</u>	<u>714,507</u>
December 31, 2023	<u>\$ 337,533</u>	<u>376,199</u>	<u>86</u>	<u>3,513</u>	<u>717,331</u>

Note: The Group has agreed with Huaku Development Co., Ltd. to complete the property transfer in the year 2027 and obtain the right-of-use through a lease arrangement before the formal signing and handover.

(6) Intangible assets

Reconciliation of the carrying amount of the Group's intangible assets is as follows:

	<u>Goodwill</u>	<u>Computer software and other intangible assets</u>	<u>Total</u>
Gross carrying amount - Cost			
Balance on January 1, 2024	\$ 331,209	48,401	379,610
Additions	-	3,367	3,367
Disposals	-	(1,048)	(1,048)
Exchange differences	117	(70)	47
Balance on December 31, 2024	<u>\$ 331,326</u>	<u>50,650</u>	<u>381,976</u>
Balance on January 1, 2023	\$ 330,287	44,181	374,468
Additions	-	6,190	6,190
Disposals	-	(1,861)	(1,861)
Exchange differences	922	(109)	813
Balance on December 31, 2023	<u>\$ 331,209</u>	<u>48,401</u>	<u>379,610</u>
Accumulated amortization and impairment losses			
Balance on January 1, 2024	\$ 812	31,801	32,613
Amortization recognized during the reporting period	-	12,409	12,409
Disposals	-	(1,048)	(1,048)
Exchange differences	-	(24)	(24)

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

	Goodwill	Computer software and other intangible assets	Total
Balance on December 31, 2024	<u>\$ 812</u>	<u>43,138</u>	<u>43,950</u>
Balance on January 1, 2023	\$ 812	23,656	24,468
Amortization recognized during the reporting period	-	9,995	9,995
Disposals	-	(1,861)	(1,861)
Exchange differences	-	11	11
Balance on December 31, 2023	<u>\$ 812</u>	<u>31,801</u>	<u>32,613</u>
Carrying amount, net			
December 31, 2024	<u>\$ 330,514</u>	<u>7,512</u>	<u>338,026</u>
December 31, 2023	<u>\$ 330,397</u>	<u>16,600</u>	<u>346,997</u>

(7) Short-term borrowings

Details of short-term borrowings are as follows:

	<u>2024.12.31</u>	<u>2023.12.31</u>
Unsecured bank borrowings	<u>\$ 158,749</u>	<u>30,835</u>
Stand-by credit facility	<u>\$ 2,094,283</u>	<u>2,029,095</u>
Interest rate range	<u>1.91%-9.69%</u>	<u>0.7%-9.35%</u>

The Group has not pledged any assets as collateral for short-term bank borrowings.

(8) Long-term borrowings

Details, terms and conditions of long-term borrowings are as follows:

	<u>2024.12.31</u>			<u>Amounts outstanding</u>
	<u>Currency</u>	<u>Interest rate range</u>	<u>Maturity</u>	
Secured bank borrowings	NTD	2.118%-2.122%	2038.05.09-2043.03.20	\$ 271,308
Current portion of long-term borrowings				<u>(1,388)</u>
Non-current portion of long-term borrowings				<u>\$ 269,920</u>
Unused Credit Facility				<u>\$ -</u>
	<u>2023.12.31</u>			<u>Amounts outstanding</u>
	<u>Currency</u>	<u>Interest rate range</u>	<u>Maturity</u>	
Secured bank borrowings	NTD	1.9%-2.24%	2038.05.09-2043.03.20	\$ 322,544
Current portion of long-term borrowings				<u>(1,427)</u>
Non-current portion of long-term borrowings				<u>\$ 321,117</u>
Unused Credit Facility				<u>\$ -</u>

The Group has pledged assets as collateral for long-term bank borrowings. See Note 8 for details.

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

(9) Corporate bonds payable

Details of corporate bonds payable are as follows:

	<u>2023.12.31</u>
Original issuance amount of convertible corporate bonds	\$ 710,553
Accumulated converted amounts	(558,595)
Less: Exercised redemption rights	<u>(151,958)</u>
Ending balance of corporate bonds payable	<u>\$ -</u>
Embedded derivative – redemption right (measured at fair value through profit or Loss – FVTPL)	<u>\$ -</u>
Equity component – conversion Right (recorded under capital surplus – stock options)	<u>\$ -</u>
	<u>2023</u>
Interest expense on convertible corporate bonds	<u>\$ 194</u>

<u>Item</u>	<u>First domestic unsecured convertible bonds</u>
1. Total amount of issue	NT\$700,000 thousand
2. Nominal amount of issue	NT\$100 thousand
3. Issuance period	2020.2.10-2023.2.10
4. Bond term	3 years
5. Coupon rate	0%
6. Repayment upon maturity	At maturity of the convertible bonds, the Company will make a lump sum payment in cash on the face value of the bonds plus interest (101.5075% of the face value with actual ROI of 0.5%).
7. Redemption method	<p>(1) During the period from the date following three months of the bonds issue to 40 days before the maturity date, when the closing price of the Company's ordinary shares at the business premises of a securities firm exceeds the conversion price by more than 30 (inclusive) percent for 30 consecutive business days, the Company may redeem all convertible bonds outstanding at a price equivalent to their face value in cash in 30 business days thereafter.</p> <p>(2) During the period from the date following three months of the bonds issue to 40 days before the maturity date, when the amount of the convertible bonds outstanding</p>

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

<u>Item</u>	<u>First domestic unsecured convertible bonds</u>
	<p>is lower than 10% of total value of bonds issued, the Company may redeem all convertible bonds outstanding at a price equivalent to their face value in cash at any time thereafter.</p> <p>(3) Where a bondholder fails to respond to the Company's stock affairs agency in writing before the base date stated in the "bond recalling notice," the Company shall redeem the convertible bonds held by the bondholder in cash at the price equivalent to their par value within five business days after the base date of recalling the bonds.</p>
8. Conversion period	<p>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.</p>
9. Conversion price and adjustment	<p>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.</p>

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

(10) Lease Liabilities

Lease liabilities are classified as follows:

	<u>2024.12.31</u>	<u>2023.12.31</u>
Current portion	<u>\$ 38,402</u>	<u>45,158</u>
Non-current portion	<u>\$ 499,314</u>	<u>490,423</u>

See Note 6(18) for details on maturity analysis.

Lease-related expenses recognized in profit or loss, including:

	<u>2024</u>	<u>2023</u>
Interest expenses on lease liabilities	<u>\$ 11,310</u>	<u>4,639</u>
Expense relating to short-term leases	<u>\$ 9,330</u>	<u>4,052</u>
Expense relating to leases of low-value assets	<u>\$ 100</u>	<u>97</u>
Gain on lease modification	<u>\$ 4</u>	<u>43</u>

Lease-related cash flow recognized in statements of cash flows, including:

	<u>2024</u>	<u>2023</u>
Total cash outflow of leases	<u>\$ 71,314</u>	<u>254,370</u>

a. Lease of buildings and structures

The Group leases buildings and structures to be used as its operating premises. Lease terms typically range from one to six years. Some leases include extension options upon expiration, for periods identical to the original lease term.

Payments for certain leases depend on changes in a local price index. Additionally, some lease contracts require the Group to pay taxes and insurance related to the leased properties on behalf of the lessor. These payments generally occur on a monthly basis. Certain lease contracts for equipment contain options to extend or terminate the leases. These contracts are managed locally, resulting in differing terms and conditions across the Group. These options are exercisable exclusively by the Group, with no enforceable rights given to the lessors. When it is not reasonably certain that the Group will exercise extension options, lease payments associated with the option periods are not included in lease liabilities.

b. Other leases

The Group leases machinery and transportation equipment with lease terms ranging from one to five years. Some leases include purchase options at the end of the lease term. Other leases include arrangements whereby the Group provides residual value guarantees for the leased assets upon lease expiration.

In addition, the Group leases certain machinery and equipment for one to five years that qualify as leases of low-value assets. For these leases, the Group has elected to apply the recognition exemption, choosing not to recognize right-of-use assets or lease liabilities.

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

(11) Employee benefits

The Group's defined contribution plan is established in accordance with the Labor Pension Act, under which the Group contributes 6% of employees' monthly salaries to individual pension accounts maintained by the Bureau of Labor Insurance. Under this plan, once the Group makes fixed contributions to the Bureau of Labor Insurance, it has no further legal or constructive obligations to make additional payments.

For the years ended 2024 and 2023, the pension expenses of the Company under the defined contribution plan were NT\$9,518 thousand and NT\$8,899 thousand, respectively. The pension expenses of the subsidiary, HAWKEYE under the defined contribution plan were NT\$3,776 thousand and NT\$3,641 thousand for the years ended 2024 and 2023, respectively. All amounts have been contributed to the Bureau of Labor Insurance.

The subsidiary, CASO, established on August 1, 2014, recorded pension expenses of NT\$547 thousand and NT\$798 thousand for the years ended 2024 and 2023, respectively.

According to social insurance law of the People's Republic of China and relevant regulations, the subsidiary, BCW contributes a fixed percentage of total employee salaries to the employee pension fund on a monthly basis. For the years ended 2024 and 2023, the pension contributions were NT\$5,280 thousand and NT\$5,813 thousand, respectively, which have been remitted to the relevant regulatory authorities.

The subsidiary, CAI, established on January 10, 2017, has not yet incurred any pension expenses.

The subsidiary, APLIGO, acquired on April 1, 2019, has not yet incurred any pension expenses.

(12) Income tax

a. Income tax expense

The details of the income tax expense of the Group are as follows:

	<u>2024</u>	<u>2023</u>
Current income tax expenses		
Current tax on profits for the year	\$ 97,434	105,567
Adjustments for current tax of prior periods	<u>(5,663)</u>	<u>(6,886)</u>
	<u>91,771</u>	<u>98,681</u>
Deferred income tax benefit	<u>(5,164)</u>	<u>(10,307)</u>
Total income tax expense	<u><u>\$ 86,607</u></u>	<u><u>88,374</u></u>

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

Reconciliation between tax expense and profit before tax of the Group is as follows:

	<u>2024</u>	<u>2023</u>
Net income before income tax	<u>\$ 417,572</u>	<u>409,652</u>
Tax at domestic statutory rate	\$ 83,514	81,930
Effect of different tax rates in foreign jurisdictions	17,392	18,765
Non-deductible expenses	(6,261)	(5,750)
Tax and accounting differences (temporary and permanent differences)	(7,008)	(1,845)
Adjustments for tax assessments (prior year adjustments)	1,345	(3,021)
Additional 5% surtax on undistributed earnings	333	1,139
Impact of R&D tax credits and incentives	<u>(2,708)</u>	<u>(2,844)</u>
Income tax expense recognized in profit or loss	<u>\$ 86,607</u>	<u>88,374</u>

b. Deferred tax assets and liabilities

The movement in deferred tax assets and liabilities is as follows

Deferred tax liabilities:

	<u>Unrealized foreign exchange gains (losses)</u>	<u>Others</u>	<u>Total</u>
Balance on January 1, 2024	\$ (86)	(28,930)	(29,016)
Credited (charged) to profit or loss	(1,352)	4,669	3,317
Exchange differences on translation of foreign operations	-	(28)	(28)
Balance on December 31, 2024	<u>\$ (1,438)</u>	<u>(24,289)</u>	<u>(25,727)</u>
Balance on January 1, 2023	\$ (767)	(30,574)	(31,341)
Credited (charged) to profit or loss	681	1,644	2,325
Balance on December 31, 2023	<u>\$ (86)</u>	<u>(28,930)</u>	<u>(29,016)</u>

Deferred tax assets:

	<u>Unrealized profit and loss from exchange</u>	<u>Others</u>	<u>Total</u>
Balance on January 1, 2024	\$ 3,650	8,460	12,110
Credited (charged) to profit or loss	(3,533)	5,380	1,847
Exchange differences on translation of foreign operations	-	96	96
Balance on December 31, 2024	<u>\$ 117</u>	<u>13,936</u>	<u>14,053</u>
Balance on January 1, 2023	\$ -	4,128	4,128
Credited (charged) to profit or loss	3,650	4,332	7,982
Balance on December 31, 2023	<u>\$ 3,650</u>	<u>8,460</u>	<u>12,110</u>

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

c. Tax Return Filing

As of December 31, 2024, the most recent tax year assessed for the Company and its subsidiary, HAWKEYE, was 2022, and no significant adjustments were required.

(13) Capital and other equity

As of December 31, 2024 and 2023, the Company's authorized share capital totaled NT\$1,000,000 thousand, with a par value of NT\$10 per share, representing 100,000 thousand ordinary shares. The entire authorized share capital consists of common shares. The number of issued shares amounts to 73,348 thousand shares, and all issued shares have been fully paid.

Reconciliation of the number of shares outstanding held by the Company during the year

(Shares in Thousands)	Ordinary shares	
	2024	2023
Opening balance	73,348	73,189
Convertible bonds conversion	-	159
Closing balance	<u>73,348</u>	<u>73,348</u>

a. Issuance of ordinary shares

During 2023, the Company issued 159 thousand ordinary shares through the exercise of conversion rights by holders of convertible bonds. The shares were issued at par value, with a total issuance amount of NT\$1,596 thousand, and the statutory registration process has been duly completed.

b. Capital surplus

The component of the Company's capital surplus consists of the following:

	2024.12.31	2023.12.31
Share premium	\$ 1,418,377	1,418,377
Treasury share transactions	22,792	22,792
Expired stock options	4,027	4,027
	<u>\$ 1,445,196</u>	<u>1,445,196</u>

The Company may distribute its realized capital surplus, including share premium and donated capital, as stock dividends or cash after offsetting any accumulated deficits, in accordance with the Company Act." Pursuant to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the capital surplus that may be capitalized each year shall not exceed 10% of the paid-in capital.

c. Earnings distribution and reserves

In accordance with the Company's Articles of Incorporation, if there is net income after tax for the fiscal year, it shall first be used to offset accumulated deficits. Subsequently, 10% shall be appropriated to the legal reserve in accordance with regulations, unless the accumulated legal reserve has reached the total paid-in capital of the Company, in which case further allocations are not required. The Company shall then appropriate or reverse

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

special reserves in accordance with laws or regulatory requirements. Any remaining earnings, along with undistributed earnings at the beginning of the period, shall be proposed by the Board of Directors as an earnings distribution plan for resolution at the shareholders' meeting.

When distributing dividends and bonuses, or when distributing the legal reserve and capital surplus under Article 241, Paragraph 1 of the Company Act, if such distributions are in cash, they must be approved by at least two-thirds of the Board members present, and a majority vote of attending directors, in accordance with Article 240, Paragraph 5 of the Company Act, and subsequently reported to the shareholders' meeting.

The Company's dividends may be distributed in cash or stock. The distribution amount shall be no less than 10% of the current year's net income after tax, and the cash dividend portion shall be no less than 10% of total dividends. Since the Company is in its growth phase, the type and ratio of dividend distributions shall be determined by the Board of Directors based on operational conditions, future capital needs, and long-term strategic planning. The Board will propose a distribution plan that balances shareholder interests, dividend policy, and capital planning, subject to approval at the shareholders' meeting.

(a) Legal reserve

If the company has no accumulated deficits, the portion of the legal reserve exceeding 25% of the paid-in capital may be distributed to shareholders, in the form of new shares or cash, upon a resolution of the shareholders' meeting.

(b) Special earnings reserve

In accordance with the regulations of the FSC, if a debit balance arises in other equity items in the current year, the Company shall first appropriate special earnings reserve before any earnings distribution. For debit balances in other equity items accumulated from prior periods, the Company shall appropriate special earnings reserve from prior period undistributed earnings, which shall not be available for distribution. If the debit balance in other equity items is subsequently reversed, the reversed amount may be included in distributable earnings.

(c) Dividend Distribution

On March 13, 2024, and March 9, 2023, the Board of Directors approved the cash dividend distribution plans for fiscal years 2023 and 2022, respectively. The approved cash dividends distributed to common shareholders are as follows:

	2023		2022	
	Dividend per share (NT\$)	Cash dividends to shareholders	Dividend per share (NT\$)	Cash dividends to shareholders
Dividends distributed to common shareholders				
Cash	\$ 2.80	205,376	3.60	264,054

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

d. Other components of equity (net of tax) and non-controlling interests

Reconciliation of other components of equity and non-controlling interests are as follows:

	Foreign currency translation reserve	FVOCI reserve for financial assets	Non- controlling interests	Total
January 1, 2024	\$ (38,510)	(14,475)	185,047	132,062
Net income attributable to non-controlling interests	-	-	883	883
Fair value changes in financial assets at FVOCI	-	(17,156)	(11,135)	(28,291)
Exchange differences on translation of foreign operations	7,236	-	1,466	8,702
Disposal of FVOCI financial assets	-	1,678	-	1,678
Cash dividends distributed by subsidiary	-	-	(16,529)	(16,529)
December 31, 2024	<u>\$ (31,274)</u>	<u>(29,953)</u>	<u>159,732</u>	<u>98,505</u>

	Foreign currency translation reserve	FVOCI reserve for financial assets	Non- controlling interests	Total
January 1, 2023	\$ (29,780)	(10,450)	204,857	164,627
Net income attributable to non-controlling interests	-	-	(1,429)	(1,429)
Fair value changes in financial assets at FVOCI	-	(4,025)	(545)	(4,570)
Exchange differences on translation of foreign operations	(8,730)	-	(126)	(8,856)
Cash dividends distributed by subsidiary	-	-	(17,710)	(17,710)
December 31, 2023	<u>\$ (38,510)</u>	<u>(14,475)</u>	<u>185,047</u>	<u>132,062</u>

(14) Earnings per Share

The calculation of basic and diluted earnings per share is as follows:

	2024	2023
Basic earnings per share:		
Net income attributable to ordinary equity holders of the Company	<u>\$ 330,082</u>	<u>322,707</u>
Weighted-average number of ordinary shares outstanding (in Thousands)	<u>73,348</u>	<u>73,331</u>
Basic earnings per share (NTD)	<u>\$ 4.50</u>	<u>4.40</u>
Diluted earnings per share:		
Net income attributable to ordinary equity holders of the Company	\$ 330,082	322,707
Effect of dilutive potential ordinary shares – Convertible bonds	-	155
Net income attributable to ordinary equity holders of the Company (diluted)	<u>\$ 330,082</u>	<u>322,862</u>
Weighted-average number of ordinary shares outstanding (basic) (in Thousands)	73,348	73,331
Effect of dilutive potential ordinary shares (in Thousands):		
Employee share-based compensation	145	154
Convertible bonds	-	191
Weighted-average number of ordinary shares outstanding (diluted) (in Thousands)	<u>73,493</u>	<u>73,676</u>
Diluted earnings per share (NTD)	<u>\$ 4.49</u>	<u>4.38</u>

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

(15) Revenue from contracts with customers

a. Disaggregation of Revenue from Contracts with Customers

2024				
	Taiwan Segments	PRC Segments	Others	Total
Disaggregation of revenue by geographical region				
Taiwan	\$ 497,922	-	-	497,922
Asia	1,466,016	160,796	346,347	1,973,159
America	936,438	-	200,778	1,137,216
Europe	579,230	-	56,241	635,471
Australia	9,009	-	94	9,103
Africa	-	-	798	798
	\$ 3,488,615	160,796	604,258	4,253,669
Disaggregation of revenue by major product lines				
Network appliances	\$ 2,609,868	123,890	425,111	3,158,869
Network motherboard	100,854	732	3,335	104,921
Network others	777,893	36,174	175,812	989,879
	\$ 3,488,615	160,796	604,258	4,253,669
2023				
	Taiwan Segments	PRC Segments	Others	Total
Disaggregation of revenue by geographical region				
Taiwan	\$ 425,343	-	-	425,343
Asia	1,371,048	221,758	317,987	1,910,793
America	868,679	-	292,713	1,161,392
Europe	532,573	-	52,016	584,589
Australia	-	-	158	158
Africa	-	-	162	162
	\$ 3,197,643	221,758	663,036	4,082,437
Disaggregation of revenue by major product lines				
Network appliances	\$ 2,471,519	178,334	452,903	3,102,756
Network motherboard	114,045	1,699	4,243	119,987
Network others	612,079	41,725	205,890	859,694
	\$ 3,197,643	221,758	663,036	4,082,437

b. Contract balances

	2024.12.31	2023.12.31	2023.1.1
Notes and accounts receivable	\$ 863,716	779,767	869,353
Less: Loss allowance	(6,987)	(8,356)	(9,410)
Notes and accounts receivable, net	\$ 856,729	771,411	859,943

See Note 6(2) for accounts receivable and ECL analysis.

(16) Employee and director remuneration

In accordance with the Company's Articles of Incorporation, if the Company has earnings for the fiscal year—defined as net income before tax and before deducting employee and director remuneration—no less than 2% and up to 15% of such profit shall be appropriated as

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

employee remuneration, and no more than 2% shall be appropriated as director remuneration. If the Company still has accumulated deficits, such deficits shall be offset prior to the appropriation. Employee remuneration may be distributed in the form of shares or cash, and may also be allocated to qualified employees of subsidiaries. Director remuneration shall be distributed in cash only.

The employee and director remuneration is estimated based on the net income before tax (before deduction of such remuneration), multiplied by the respective percentages prescribed in the Articles of Incorporation. The estimated amounts are recognized as operating costs or operating expenses during the respective periods. Related information is available on the Market Observation Post System (MOPS). If there is any difference between the actual amounts approved in the following year and the previously estimated amounts, such difference is accounted for as a change in accounting estimate and recognized in the following year's profit or loss.

The estimated employee and director remuneration for the years ended 2024 and 2023 were as follows:

	<u>2024</u>	<u>2023</u>
Employee remuneration	\$ 13,800	12,500
Director remuneration	5,280	4,400
	<u>\$ 19,080</u>	<u>16,900</u>

The director remuneration for the year 2023 was approved by the Board of Directors on March 13, 2024, in the amount of NT\$4,800 thousand. Any difference between the approved and previously estimated amounts has been adjusted in the 2024 accounts accordingly. For further information on the employee and director remuneration, please refer to the Market Observation Post System (MOPS).

(17) Non-operating income and expenses

a. Interest income

Interest income consists of the following items:

	<u>2024</u>	<u>2023</u>
Interest income from bank deposits	\$ 9,257	5,630
Interest income from financial assets measured at amortized cost	2,837	949
Other interest income	69	61
Total interest income	<u>\$ 12,163</u>	<u>6,640</u>

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

b. Other income

Other income consists of the following items:

	<u>2024</u>	<u>2023</u>
Dividend income	\$ -	303
Non-recurring engineering, freight and insurance income	28,950	32,339
Government grants for R&D activities	11,225	-
Other income-others	<u>24,777</u>	<u>19,133</u>
Total other income	<u>\$ 64,952</u>	<u>51,775</u>

c. Other gain and loss

Other gains and losses consists of the following items:

	<u>2024</u>	<u>2023</u>
Loss on disposal of PP&E	\$ (2,517)	(3)
Gain on lease modification	4	43
Exchange differences	26,505	(5,831)
Gains (losses) on FVTPL financial assets/liabilities	4,228	(6,454)
Other losses	<u>(78)</u>	<u>(30)</u>
Net other gains and losses	<u>\$ 28,142</u>	<u>(12,275)</u>

d. Finance costs

Financial costs consist of the following items:

	<u>2024</u>	<u>2023</u>
Interest expense from bank borrowings	\$ (10,697)	(9,563)
Interest on corporate bonds	-	(194)
Interest on lease liabilities	<u>(11,310)</u>	<u>(4,639)</u>
Total financial costs	<u>\$ (22,007)</u>	<u>(14,396)</u>

(18) Financial Instruments

a. Credit risks

(a) Maximum exposure to credit risk

The maximum exposure to credit risk represents the carrying amount of financial assets in the consolidated balance sheet.

(b) Concentration of credit risks

The Group's credit risk primarily arises from notes and accounts receivable derived from sales to customers. To mitigate credit risk, the Group continuously assesses the financial position of customers and, when necessary, requests guarantees or collateral. The Group continues to assess the recoverability of accounts receivable on a regular basis and recognizes an allowance for ECL accordingly. The impairment losses recognized to date have remained within management's

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

expectations. As of December 31, 2024 and 2023, 67.21% and 52.43% of the Group's accounts receivable were attributable to three major customers, respectively, indicating a significant concentration of credit risk.

(c) Credit risk of accounts receivable

See Note 6(2) for credit risk exposure related to notes and accounts receivable. Other financial assets measured at amortized cost include other receivables and long term certificate of deposit. The above financial assets are considered to have low credit risk. Accordingly, the loss allowance for the period was measured at an amount equal to 12-month ECL. See Note 4(7) for the Group's policy on determining low credit risk. No loss allowance was recognized on other receivables for the years ended December 31, 2024 and 2023.

b. Liquidity risk

The table below shows the contractual maturities of the Group's financial liabilities, including the estimated interest payments.

	Carrying amount	Total contractual cash flows	Less than 6 months	6 - 12 months	1-2 years	2-5 years	Over 5 years
December 31, 2024							
Non-derivative financial liabilities							
Bank borrowings	\$ 430,057	489,855	160,864	5,586	18,192	58,325	246,888
Accounts payable							
(including related parties)	655,506	655,506	655,506	-	-	-	-
Other payables (including related parties)	143,473	143,473	143,473	-	-	-	-
Lease liabilities	537,716	567,483	26,016	22,827	37,530	481,110	-
Total	\$ 1,766,752	1,856,317	985,859	28,413	55,722	539,435	246,888
December 31, 2023							
Non-derivative financial liabilities							
Bank borrowings	\$ 353,379	426,465	29,260	11,236	7,829	64,117	314,023
Accounts payable							
(including related parties)	550,546	550,546	550,546	-	-	-	-
Other payables (including related parties)	135,172	135,172	135,172	-	-	-	-
Lease liabilities	535,581	574,638	34,469	21,375	37,918	480,876	-
Total	\$ 1,574,678	1,686,821	749,447	32,611	45,747	544,993	314,023

The Group does not expect the timing of the cash flows included in the maturity analysis to occur significantly earlier, nor the actual cash outflows to differ significantly in amount.

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

c. Currency risk

(a) Exposure to currency risk

The Group is exposed to significant currency risk arising from financial assets and liabilities denominated in foreign currencies. The details as of December 31, 2024, are as follows:

		2024.12.31		
		Foreign currency	Exchange rate	NTD
<u>Financial Assets</u>				
<u>Monetary items</u>				
USD	\$	25,052	USD/NTD=	32.785
				821,330
JPY		788	JPY/NTD=	0.2099
				165
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD		13,957	USD/NTD=	32.785
				457,580
		2023.12.31		
		Foreign currency	Exchange rate	NTD
<u>Financial Assets</u>				
<u>Monetary items</u>				
USD	\$	29,354	USD/NTD=	30.705
				901,315
JPY		789	JPY/NTD=	0.2172
				171
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD		10,072	USD/NTD=	30.705
				309,261

(b) Foreign exchange risk sensitivity analysis

The Group's currency risk primarily arises from cash and cash equivalents, accounts receivable, other receivables, accounts payable, and other payables denominated in foreign currencies, which may result in exchange differences upon translation. As of December 31, 2024 and 2023, if the New Taiwan dollar had depreciated or appreciated by 10% against the USD and JPY, with all other variables held constant, the Group's net income after tax for the years ended December 31, 2024 and 2023 would have increased or decreased by NT\$29,113 thousand and NT\$47,378 thousand, respectively. The same basis of analysis was applied for both reporting periods.

(c) Exchange differences on foreign currency monetary items

Due to the variety of functional currencies used within the Group, information on exchange differences arising from monetary items is disclosed on an aggregated basis. The exchange differences on foreign currency monetary items (including both realized and unrealized amounts) amounted to NT\$26,505 thousand and

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

NT\$(5,831) thousand for the years ended December 31, 2024 and 2023, respectively.

(d) Interest rate risk sensitivity analysis

The Group's exposure to interest rate risk on financial assets and liabilities is described in the liquidity risk section of this note.

The following sensitivity analysis is based on the Group's exposure to interest rate risk from both derivative and non-derivative financial instruments as of the reporting date. For floating rate liabilities, the analysis assumes that the amount of liability outstanding at the reporting date remained constant throughout the year. The sensitivity analysis is based on a reasonably possible change in interest rates, as estimated by management, using a rate fluctuation of $\pm 1\%$, which reflects the rate used in internal reporting to key management.

Assuming a 1% increase or decrease in interest rates, with all other variables held constant, the Group's net income after tax for the years ended December 31, 2024 and 2023 would have decreased or increased by NT\$3,440 thousand and NT\$2,827 thousand, respectively.

d. Other price risk sensitivity analysis

The Group is exposed to equity price risk arising from equity instruments measured at fair value through profit or loss and other comprehensive income. A 1% increase or decrease in the price of these investments as of the reporting date, with all other variables held constant, would have the following impact:

Equity price at the reporting date	2024		2023	
	OCI after tax	net income after tax	OCI after tax	net income after tax
Increase by 1%	\$ 794	474	1,068	481
Decrease by 1%	\$ (794)	(474)	(1,068)	(481)

e. Fair value

(a) Categories of financial instruments and fair value

The Group measures financial assets and liabilities at FVTPL and financial assets at FVOCI on a recurring basis using fair value measurement techniques. The carrying amounts and fair values of each category of financial assets and financial liabilities (including fair value hierarchy information) are presented below. For financial instruments not measured at fair value whose carrying amounts approximate their fair values, and for lease liabilities where disclosure of fair value is not required, fair value information is not disclosed.

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

(b) Valuation techniques for financial instruments not measured at fair value

The Group uses the following methods and assumptions to estimate the fair value of financial instruments that are not measured at fair value:

For financial assets and liabilities measured at amortized cost, if quoted prices from recent transactions or market makers are available, those prices are used as the basis for fair value measurement. If no observable market data is available, valuation techniques are applied. Such techniques typically involve estimating the present value of future cash flows using appropriate assumptions.

(c) Valuation techniques for financial instruments measured at fair value

The fair value of financial instruments is determined using valuation techniques or by reference to counterparty quotes. Fair value determined using valuation techniques may be based on the current fair value of financial instruments with similar terms and characteristics, the discounted cash flow method, or other valuation techniques, including the use of valuation models incorporating observable market data available as of the reporting date.

(d) Transfers Between Level 1 and Level 3

Shares of VEEA INC. held by the Company's subsidiary, HAWKEYE, were classified as financial assets measured at FVOCI. As of December 31, 2024 and 2023, the fair values of these shares were NT\$31,578 thousand and NT\$58,957 thousand, respectively. As of December 31, 2023, due to the absence of a quoted market price and the use of significant unobservable inputs in the valuation, the shares were classified within Level 3 of the fair value hierarchy. In September 2024, the shares of VEEA INC. became publicly traded, with an active market quotation. Accordingly, as of December 31, 2024, the fair value classification was transferred from Level 3 to Level 1. There were no transfers between levels during the year ended December 31, 2023.

(e) Quantitative information on fair value measurements using significant unobservable inputs (Level 3)

The Group's financial assets measured at FVTPL that are categorized within Level 3 of the fair value hierarchy include private equity fund investment.

The Group's fair value measurements classified within Level 3 involve a single significant unobservable input. Quantitative information on such Level 3 fair value measurements is presented as follows:

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

Item	Valuation techniques	Significant unobservable input	Relationship between unobservable inputs and fair value
Financial assets at FVTPL — Private equity fund investment	Net asset value method (NAV)	Net asset value	N/A

- (f) Sensitivity analysis of Level 3 fair value measurements to reasonably possible alternative assumptions

The Group's fair value measurements for financial instruments are considered reasonable; however, the use of different valuation models or inputs may result in different fair value measurements. For financial instruments classified within Level 3, changes in valuation inputs would have the following impact on profit or loss for the reporting period:

	Valuation inputs	Range of inputs	Impact on fair value measurement	
			Favorable impact	Unfavorable impact
December 31, 2024				
Financial assets at FVTPL				
Private equity fund investment	\$ 47,364	1%	474	(474)
December 31, 2023				
Financial assets at FVTPL				
Private equity fund investment	48,127	1%	481	(481)

(19) Financial risk management

a. Overview

The Group is exposed to the following financial risks arising from the use of financial instruments:

- (a) Credit risk
- (b) Liquidity risk
- (c) Market risk

This note discloses information about the Group's exposure to these risks, and outlines the objectives, policies, and processes for managing and measuring them. For further quantitative disclosures, refer to the relevant notes to the financial statements.

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

b. Objectives of financial risk management

The Group's financial risk management objective is to effectively manage the currency risk, interest rate risk, credit risk, and liquidity risk associated with its operating activities. To reduce the potential negative impacts of market volatility on its financial performance, the Group consistently identifies, assesses, and mitigates market uncertainties.

Key financial activities of the Group are reviewed regularly by the Board of Directors and are subject to the oversight provided by the Group's internal control system. Throughout the execution of financial plans, the Group strictly follows established procedures for overall financial risk management and clearly defined responsibilities.

c. Credit risks

Credit risk refers to the risk of financial loss to the Group arising from a counterparty's failure to meet contractual obligations. The Group's credit risk primarily arises from accounts receivable generated through operating activities. Credit risk arising from accounts receivable and credit risk arising from bank deposits and financial instruments are managed separately.

Credit risk from accounts receivable

To maintain the quality of accounts receivable, the Group has established procedures for managing credit risk associated with accounts receivable. Risk assessments for individual customers take into account factors such as the customer's financial status, external credit ratings, historical transaction records within the Group, and current economic conditions, which may influence customers' payment capability. The Group also utilizes credit enhancement tools, such as advance payments or credit insurance, at appropriate times to mitigate credit risk from specific customers.

Credit risk from bank deposits and financial instruments

Credit risk arising from bank deposits and other financial instruments is measured and monitored by the Group's finance department. Given that counterparties and obligors are reputable banks, financial institutions, corporations, and government entities with investment-grade or higher credit ratings, there is no significant concern regarding counterparty default; thus, the credit risk is considered minimal.

d. Liquidity risk

Liquidity risk refers to the risk that the Group may be unable to deliver cash or other financial assets to settle its financial liabilities and thus fail to fulfill relevant obligations. The Group manages liquidity risk by ensuring, as far as possible, that it has sufficient liquidity under both normal and stressed conditions to meet its obligations as they fall due, without incurring unacceptable losses or damaging its reputation. As of December 31, 2024, and December 31, 2023, the Group had stand-by credit facilities of NT\$2,094,283 thousand and NT\$2,029,095 thousand, respectively.

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

e. Market risks

Market risk refers to the risk that changes in market prices, such as exchange rates, interest rates, and equity prices, could affect the Group's profit or loss or the value of its financial instruments. The objective of market risk management is to control the Group's market risk exposures within acceptable limits while optimizing investment returns.

Market risk exposures are monitored closely, with guidelines set by the Group's Management and approved by the Board of Directors.

(a) Currency risk

A portion of the Group's cash inflows and outflows are denominated in foreign currencies, which provides a degree of natural hedging.

The Group manages currency risk for hedging purposes rather than profit-making objectives by regularly assessing the net positions of assets and liabilities denominated in foreign currencies and taking appropriate actions to mitigate related exposures. The Group considers factors such as hedge effectiveness, cost of hedging, and hedge horizon when selecting hedging instruments.

(b) Interest rate risks

The Group holds assets and liabilities with floating rates, thereby exposing it to cash flow interest rate risk. Details of the Group's floating rate financial liabilities are provided in the liquidity risk section under Note 18(b).

(20) Capital management

The Group's capital management strategy is based on the characteristics of its current industry operations, future business development plans, and anticipated changes in the external environment. It aims to ensure the Group has adequate working capital, funding for research and development, and dividend distributions. The objective is to sustain ongoing operations, deliver returns to shareholders, consider the interests of other shareholders, and maintain an optimal capital structure to enhance long-term shareholder value.

To maintain or adjust its capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, or repurchase its own shares. The Group monitors capital using the debt-to-equity ratio, which is calculated as net debt divided by total equity. Net debt is defined as total liabilities less cash and cash equivalents. Capital is defined as total equity as shown on the balance sheet, which is equivalent to total assets less total liabilities.

The debt-to-equity ratio at the reporting date was as follows:

	<u>2024.12.31</u>	<u>2023.12.31</u>
Total liabilities	\$ 1,990,115	1,840,018
Less: Cash and cash equivalents	<u>487,593</u>	<u>678,872</u>
Net debt	<u>\$ 1,502,522</u>	<u>1,161,146</u>
Total Equity	<u>\$ 3,675,984</u>	<u>3,586,513</u>
Debt-to-equity ratio	<u>40.87%</u>	<u>32.38%</u>

7. Related Party Transactions

(1) Ultimate controlling party

Ennoconn Corporation (hereinafter referred to as “Ennoconn”) is the parent company and the ultimate controlling party of the Group. As of the reporting date, Ennoconn directly holds 27.27% of the Company’s outstanding ordinary shares. Ennoconn prepares consolidated financial statements available for public use.

(2) Names and relationships of related parties

The following entities were identified as related parties with which the Group conducted transactions during the reporting period and/or had outstanding balances as of the reporting date:

<u>Name of related parties</u>	<u>Relationship with the Group</u>
Ennoconn Corporation	Parent company
Hon Hai Precision Industry Co., Ltd.	Entity with significant influence over the parent
Vecow Co., Ltd.	Fellow subsidiary
Victor Plus Holdings Ltd.(Victor Plus)	Fellow subsidiary
Thecus Technology Corp.	Fellow subsidiary
Dexatek Technology Co., Ltd.	Fellow subsidiary
Ennoconn (Suzhou) Technology Co., Ltd.	Fellow subsidiary
ARBOR Technology Corp.(ARBOR)	Fellow subsidiary
Renown Information Technology Corp.(Renown)	Fellow subsidiary
American Industrial Systems Inc.(AIS)	Fellow subsidiary
FORTUNE BAY TECHNOLOGY PTE. LTD.	Fellow subsidiary
Key Management Personnel	

(3) Transactions with related parties

a. Sales of goods/services

The sales amounts to related parties during the reporting periods are as follows:

	<u>2024</u>	<u>2023</u>
Parent company	\$ 20	-
Entity with significant influence over the parent	9,696	2,148
Fellow subsidiary	<u>107,153</u>	<u>91,686</u>
	<u>\$ 116,869</u>	<u>93,834</u>

Sales terms to related parties are generally consistent with those offered to third parties. Credit terms typically range from 60 to 100 days or are settled monthly within 30–90 days. Related parties are not required to provide collateral. No ECL allowance has been recognized after assessment.

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

b. Purchases of goods/services

The purchase amounts from related parties are as follows

	<u>2024</u>	<u>2023</u>
Fellow subsidiary	<u>\$ 142,300</u>	<u>100,391</u>

Purchase prices and terms from related parties are generally consistent with those from third-party suppliers. Payment terms are O/A 60–90 days or monthly settlement within 30–90 days.

c. Receivables from related parties

The receivables amount from related parties are as follows:

<u>Account name</u>	<u>Relationship and name of related parties</u>	<u>2024.12.31</u>	<u>2023.12.31</u>
Accounts receivable	Fellow subsidiary -AIS.	\$ 12,634	18,253
	Fellow subsidiary –ARBOR	61	-
	Entity with significant influence over the parent	535	78
Other receivables	Entity with significant influence over the parent	5	-
	Fellow subsidiary	-	10
	Parent company	32	-
		<u>\$ 13,267</u>	<u>19,051</u>

d. Other related party transactions

<u>Account name</u>	<u>Relationship of related parties</u>	<u>2024</u>	<u>2023</u>
Cost of sales	Fellow subsidiary	\$ -	2,566
Selling and marketing expenses	Fellow subsidiary	1,740	1,080
General and administrative expenses	Parent company	224	-
R&D expenses	Fellow subsidiary	64	-
		<u>\$ 2,028</u>	<u>3,646</u>

<u>Account name</u>	<u>Relationship of related parties</u>	<u>2024.12.31</u>	<u>2023.12.31</u>
Other current liabilities	Parent company	<u>\$ 30</u>	<u>-</u>

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

e. Payables to related parties

The payables amount to related parties are as follows:

<u>Account name</u>	<u>Relationship and name of related parties</u>	<u>2024.12.31</u>	<u>2023.12.31</u>
Accounts payable	Fellow subsidiary - Victor Plus	\$ 4,858	21,002
Accounts payable	Fellow subsidiary - others	31,949	28,628
Other payables	Fellow subsidiary - Victor Plus	71	138
Other payables	Fellow subsidiary - others	-	206
		<u>\$ 36,878</u>	<u>49,974</u>

(4) Transactions with key management personnel

a. Key management personnel compensation

Key management personnel compensation comprises the following:

	<u>2024</u>	<u>2023</u>
Short-term employee benefits	\$ 57,855	56,593
Post-employment benefits	934	914
	<u>\$ 58,789</u>	<u>57,507</u>

During 2024 and 2023, the Group provided vehicles for use by key management personnel. The breakdown of the related costs and depreciation expenses recognized is as follows:

	<u>2024</u>	<u>2023</u>
Original acquisition cost	<u>\$ 6,982</u>	<u>6,982</u>
Depreciation expense	<u>\$ 1,039</u>	<u>1,099</u>

8. Pledged Assets

The carrying amounts of assets pledged as collateral are as follows:

<u>Account name</u>	<u>As collateral for</u>	<u>2024.12.31</u>	<u>2023.12.31</u>
Other current assets (pledged time deposits)	Customs clearance guarantees	\$ 1,000	1,000
Property, plant and equipment	Long-term borrowings	678,156	684,645
		<u>\$ 679,156</u>	<u>685,645</u>

9. Significant Contingent Liabilities and Unrecognized Commitments: None.

10. Significant loss from disasters: None.

11. Significant Events after the Balance Sheet Date: None.

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

12. Others

The nature of employee benefits, depreciation and amortization expenses categorized by function are as follows:

By functions By nature	2024			2023		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salary	93,316	313,197	406,513	90,876	288,682	379,558
Health and labor insurance	10,527	38,151	48,678	10,589	38,083	48,672
Pension	5,722	13,399	19,121	5,774	13,377	19,151
Remuneration to directors	-	9,675	9,675	-	8,300	8,300
Others	7,066	14,709	21,775	5,974	12,263	18,237
Depreciation	38,617	45,242	83,859	36,958	44,352	81,310
Amortization	12	12,397	12,409	-	9,995	9,995

13. Supplementary Disclosures

(1) Information on significant transactions:

In accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the Group shall disclose the following information concerning significant transactions in 2024:

a. Loans to others:

Unit: NTD/USD thousand

No.	Lender	Borrower	Account name	Related party	Maximum amount of the period	Ending balance	Actual amount drawn	Interest rate range	Nature of loan (Note 1)	Business transaction amount	Reason for short-term financing	Amount of ECL allowance	Collateral		Ceiling on loans granted to a single entity (Note 2)	Ceiling on total loan (Note 3)
													Name	Value		
0	The Company	APLIGO	Other receivables - related parties	Yes	62,292 (USD1,900)	62,292 (USD1,900)	62,292 (USD1,900)	2.45% - 5.65%	2	-	Working capital for operation	-	-	-	351,625	703,250

Note 1: 1. The borrower has business transactions with the lender.

2. The borrower has short-term financing necessities.

Note 2: 1. The amount of loans to a single entity shall not exceed the total amount of business transactions with the entity in the most recent year.

2. The amount of loans to a single entity shall not exceed 10% of the net worth of the Group as stated in the latest financial statements audited or reviewed by independent auditors.

Note 3: Total amount of loans shall not be more than 20% of the Group's net worth as stated in the latest financial statement audited or reviewed by independent auditors.

Note 4: The above transactions have been fully eliminated when preparing the consolidated financial statements.

b. Endorsements/guarantees for others: None.

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

- c. Marketable securities held at the reporting date (excluding investment in subsidiaries, associates and joint ventures):

Unit: NT\$ thousand/thousand shares

Name of Held Company	Name of Securities	Relationship with Issuer of Securities	Account name	End of Period				Maximum shareholding or capital contribution during the period	Remarks
				Number of Shares	Carrying amount	Shareholding %	Fair value		
The Company	Zoyi Fund II	-	Financial assets at FVTPL- Current	-	47,364	- %	47,364	- %	-
The Company	Advanio Technology Co., Ltd.	-	Financial assets at FVOCI – Non-current	1,045	-	19.00 %	-	19.00%	-
The Company	Renown Information Technology Corp.	-	Financial assets at FVOCI – Non-current	620	7,813	12.40 %	7,813	12.40%	-
The Company	FiduciaEdge Technologies Co. Ltd.	-	Financial assets at FVOCI – Non-current	1,600	40,000	10.65 %	40,000	10.65%	-
APLIGO	Volksbank Karlsruhe	-	Financial assets at FVOCI – Non-current	-	11	- %	11	- %	-
HAWKEYE	VEEA INC	-	Financial assets at FVOCI – Non-current	247	31,578	- %	31,578	- %	-

- d. Marketable securities acquired and disposed of amounting to NT\$300 million or 20% of the paid-in capital or more: None.
- e. Acquisition of property amounting to NT\$300 million or over 20% of paid-in capital: None.
- f. Disposals of property amounting to NT\$300 million or over 20% of paid-in capital: None.
- g. Purchases from or sales to related parties amounting to NT\$100 million or over 20% of the paid-in capital or more:

Unit: NT\$ thousand

Name of company	Counterparty	Relationship	Transaction Details				Difference from Arm's Length		notes and accounts receivable (payable)		Remark
			Type	Amount	% of transactions	Credit Terms	Unit Price	Credit Terms	AR(AP) balance	% of total AR/AP	
The Company	CASO	Subsidiary	Sales	204,702	6.07%	O/A 70 days	-	Not significantly different	29,909	4.43%	(Note 1)
CASO	The Company	Parent company	Purchases	204,078	68.53 %	O/A 70 days	-	Not significantly different	(32,847)	95.72%	(Note 1)
APLIGO	AIS	Fellow subsidiary	Sales	106,444	62.71 %	O/A 30 days	-	Not significantly different	12,634	38.12%	-

Note 1: The transactions listed on the left have been fully eliminated as preparing the consolidated financial statements.

- h. Receivables from related parties amounting to NT\$100 million or over 20% of paid-up capital: None.
- i. Derivatives transactions: None.

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

j. Business relationships and significant intercompany transactions:

Unit: NT\$ thousand

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction (Note 3)			% of total revenue or assets
				Account name	Amount	Transaction terms	
0	The Company	APLIGO	1	Sales revenue	7,128	Not significantly different	0.17%
0	The Company	HAWKEYE	1	Sales revenue	12,321	Not significantly different	0.29%
0	The Company	BCW	1	Sales revenue	10,102	Not significantly different	0.24%
0	The Company	CASO	1	Sales revenue	204,702	Not significantly different	4.81%
0	The Company	CAI	1	Sales revenue	85,915	Not significantly different	2.02%
1	APLIGO	The Company	2	Sales revenue	16,490	Not significantly different	0.39%
0	The Company	HAWKEYE	1	Accounts receivable	472	Not significantly different	0.01%
0	The Company	CASO	1	Accounts receivable	29,909	Not significantly different	0.53%
0	The Company	CAI	1	Accounts receivable	23,113	Not significantly different	0.41%
0	The Company	BCW	1	Accounts receivable	3,024	Not significantly different	0.05%

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 relationships and significant transactions between the Company and its subsidiaries, only information on sales and accounts receivable will be disclosed. Corresponding purchase and accounts payable will not be repeated.

(2) Information on investees (excluding investees in mainland China):

The information on investment in 2024:

Unit: NT\$ thousand/thousand shares

Investor name	Investee name	Region	Main business activities	Initial Investment Amount		Held at the reporting date			Maximum shareholding or capital contribution during the period	Profit(loss) of investee for the period	Profit (loss) on Investment recognized	Remark
				End of the Period	End of Last Year	Number of Shares	Ratio	Carrying amount (Note 1)				
The Company	CASO	Japan	Import and sales of network appliances and computer peripherals	27,062	27,062	2	99.00%	141,013	99.00%	26,852	26,583	Subsidiary (note 2)
The Company	CASWELL INTERNATIONAL INVESTMENT CO., LTD.	Samoa	Investment activity	101,135	101,135	3,206	100.00%	142,878	100.00%	(31,841)	(31,841)	Subsidiary (note 2)
The Company	CAI	USA	Sales of network appliances	92,460	92,460	3,000	100.00%	73,241	100.00%	(7,942)	(7,942)	Subsidiary (note 2)
The Company	APLIGO	Germany	Hub and SI Service	60,275	60,275	24	66.67%	28,020	66.67%	(23,152)	(15,687)	Subsidiary (note 2)
The Company	HAWKEYE	Taiwan	Design and	602,041	602,041	9,097	60.64%	495,240	60.64%	44,931	23,782	Subsidiary

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

which have been delivered with book-entry registration at least 5 percent in total. However, the share capital recorded in the Company's financial statements and the number of shares actually delivered by the Company without physical registration may differ due to calculation basis.

- (2) If the above information is about the circumstance that the shareholders have entrusted their shares to the trust institutions, it shall be disclosed by the trustor who opened the trust account with the trustee by the individual trust account. Shareholders shall register their shareholding as insider holding more than 10% of the shares in accordance with the Securities and Exchange Act, including the shares held by themselves plus the shares they have entrusted to the trust institutions and have the right to use the trust property. Please refer to TWSE MOPS for information on insider equity registration.

14. Segment Information

- (1) General information

The Group has three segments to be reported, namely the domestic segment and the PRC segment, which mainly engage in manufacturing and selling various network appliances and peripherals.

The Group's other segments mainly specialize in selling various network appliances and peripherals. The above segments did not reach any quantitative thresholds for reporting in 2024 and 2023.

- (2) Information involving profit or loss, asset, liability, and measurement basis and adjustment of reportable segments

The pretax profits (losses) of departments listed in internal management reports and audited by main business decision makers of the Group are reckoned as basis for resource allocation and performance appraisal of the management. As tax expenses (income), extraordinary profit or loss and exchange gain or loss are recognized on the group level, the Group does not allocate tax expenses (income), extraordinary profit or loss and exchange gain or loss to the reportable segments. Thus, not every reportable segment includes material non-monetary items besides depreciation and amortization in the profit or loss. The amounts reported are aligned with the amount recorded in the report used by the business decision makers.

The accounting policies of the business segments are the same as the "Summary of Significant Accounting Policies" in Note 4.

The Group deems the inter-segment sales and transfer as transaction with third parties. And such transactions are measured at current market price.

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

Information and adjustments of the Group's segments are as follows:

2024					
	Domestic segment	PRC segment	Others	Adjustments and elimination	Total
Revenue:					
Revenue from external customers	\$ 3,488,615	160,796	604,258	-	4,253,669
Inter-segment revenue	322,368	-	17,073	(339,441)	-
Total revenue	\$ 3,810,983	160,796	621,331	(339,441)	4,253,669
Profits (losses) of reportable segments	\$ 375,014	(38,777)	(4,286)	(986)	330,965
Assets of reportable segments	\$ 5,687,260	246,856	420,417	(688,434)	5,666,099
Liabilities of reportable segments	\$ 1,858,056	60,433	199,093	(127,467)	1,990,115
2023					
	Domestic segment	PRC segment	Others	Adjustments and elimination	Total
Revenue:					
Revenue from external customers	\$ 3,197,643	221,758	663,036	-	4,082,437
Inter-segment revenue	411,896	-	8,914	(420,810)	-
Total revenue	\$ 3,609,539	221,758	671,950	(420,810)	4,082,437
Profits (losses) of reportable segments	\$ 376,781	(48,139)	(16,940)	9,576	321,278
Assets of reportable segments	\$ 5,431,281	298,485	397,018	(700,253)	5,426,531
Liabilities of reportable segments	\$ 1,691,502	80,680	172,588	(104,752)	1,840,018

(3) Product and service information

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

Products and services	2024	2023
Network appliances	\$ 3,158,868	3,102,756
Network motherboard	104,922	119,987
Others	989,879	859,694
Total	\$ 4,253,669	4,082,437

(4) Geographical information

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

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

<u>By geographical region</u>	<u>2024</u>	<u>2023</u>
Revenue from external customers:		
Taiwan	\$ 497,922	425,343
USA	1,136,450	1,160,818
Israel	1,207,881	1,162,352
PRC	161,758	235,146
United Kingdom	83,451	9,966
France	347,965	426,951
Others	<u>818,242</u>	<u>661,861</u>
	<u>\$ 4,253,669</u>	<u>4,082,437</u>
Non-current assets:		
Taiwan	\$ 1,455,826	1,433,799
PRC	27,281	6,702
Japan	6,300	15,164
USA	5,042	6,987
Others	<u>12,675</u>	<u>55,936</u>
Total	<u>\$ 1,507,124</u>	<u>1,518,588</u>

Non-current assets include property, plant and equipment, right-of-use assets, intangible assets, and other assets; however, they do not include financial instruments and deferred income tax assets.

(5) Major customers representing at least 10% of net revenue

<u>Client code</u>	<u>2024</u>	<u>2023</u>
Client A	<u>\$ 1,153,119</u>	<u>778,657</u>
Client B	<u>\$ - (Note)</u>	<u>464,299</u>

Note: Revenue less than 10% of the Group's net revenue.