

CASwell, Inc. and its subsidiaries
Consolidated Financial Statements for
the Three Months Ended March 31,
2025 and 2024 and Independent
Auditors' Review Report

Company Address: 12th Floor, No. 308, Jianguo 1st Road, Xinzhuang District,
New Taipei City

Tel: 02-7727-5788

Table of Contents

Item	Page
1. Cover	1
2. Table of Contents	2
3. Independent Auditors' Review Report	3
4. Consolidated Balance Sheets	4
5. Consolidated Statements of Comprehensive Income	5
6. Consolidated Statements of Changes in Equity	6
7. Consolidated Statements of Cash Flows	7
8. Notes to Consolidated Financial Statements	
(1) Company History and Business Scope	8
(2) Process and Date of Authorization for Issue	8
(3) Impact on Application of Amendments and New Standards and Interpretations	8-10
(4) Summary of Material Accounting Policies	10-11
(5) Major Sources of Estimation Uncertainty, Assumptions and Significant Judgements	12
(6) Details of Significant Accounts	12-34
(7) Related Party Transactions	34-37
(8) Pledged Assets	37
(9) Significant Contingent Liabilities and Unrecognized Commitments	37
(10) Significant Disaster Loss	37
(11) Significant Events after the Balance Sheet Date	37
(12) Others	37-38
(13) Supplementary Disclosures	
a. Information on Significant Transactions	38-39
b. Information on Investees - excluding mainland China	40
c. Information on Investees in mainland China	40-41
(14) Segment Information	41

Independent Auditors' Review Report

To the Board of Directors of CASwell, Inc.:

Introduction

We have reviewed the accompanying consolidated balance sheets of CASwell, Inc. and its subsidiaries (the "Group") as of March 31, 2025 and 2024, and the related consolidated statements of comprehensive income, changes in equity, and cash flows for the three-month periods then ended, as well as the notes to the consolidated financial statements, including a summary of material accounting policies. The preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard (IAS) No. 34 Interim Financial Reporting, as endorsed and issued into effect by the Financial Supervisory Commission, R.O.C.(Taiwan) (FSC), are the responsibility of management. Our responsibility is to express a conclusion on the consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with Standards on Review Engagements No. 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of the consolidated financial statements consists primarily of inquiries, primarily of personnel responsible for financial and accounting matters, and applying analytical and other review procedures. The scope of a review is substantially less than that of an audit conducted in accordance with auditing standards, and accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly prepared, in all material respects, the consolidated financial position of the Group as of March 31, 2025 and 2024, and their financial performance and cash flows for the three-month periods then ended, in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and IAS 34 "Interim Financial Reporting," as endorsed and issued into effect by the FSC.

KPMG

CPA:

Securities Authority : FSC Securities Letter No. 1040003949
Approval Reference No. FSC Securities Letter No. 1140131922
May 7, 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
March 31, 2025 and 2024; December 31, 2024

Unit: NT\$ thousand

Assets		2025.3.31		2024.12.31		2024.3.31		Liabilities and equity		2025.3.31		2024.12.31		2024.3.31	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
Current assets:								Current liabilities:							
1100	Cash and cash equivalents (Note 6(1))	\$ 689,388	12	487,593	9	928,575	16	2100	Short-term borrowings (Note 6(7))	\$ 9,247	-	158,749	3	30,419	1
1136	Financial assets at amortized cost - Current	70,327	1	69,189	1	53,803	1	2170	Accounts payable	728,730	13	618,699	11	747,873	13
1170	Notes and accounts receivable - net (Note 6(2) and (14))	656,796	12	843,499	15	537,564	9	2180	Accounts payable - related parties (Note 7)	11,659	-	36,807	-	55,008	1
1180	Accounts receivable from related parties - net (Note 6(2)(14) and 7)	9,059	-	13,230	-	22,956	-	2200	Other payables (including related parties) (Note 7)	339,564	6	143,473	3	328,614	6
1200	Other receivables (including related parties) (Note 7)	70,074	1	64,301	1	46,189	1	2230	Current income tax liabilities	66,584	2	51,503	1	87,082	1
1220	Current income tax assets	-	-	-	-	614	-	2252	Short-term warranty provisions	5,118	-	6,162	-	5,023	-
130X	Inventories (Note 6(3))	2,106,102	37	2,104,877	37	1,981,066	35	2280	Lease liabilities - current (Note 6(9))	42,897	1	38,402	1	35,793	1
1470	Other current assets (Note 8)	112,884	2	94,205	2	88,882	2	2322	Long-term borrowings due within one year (Note 6(8) and 8)	1,395	-	1,388	-	1,433	-
	Total current assets	<u>3,714,630</u>	<u>65</u>	<u>3,676,894</u>	<u>65</u>	<u>3,659,649</u>	<u>64</u>	2399	Other current liabilities - others (Note 7)	116,562	2	116,568	2	130,453	2
Non-current assets:								Total current liabilities		<u>1,321,756</u>		<u>1,171,751</u>		<u>1,421,698</u>	
1510	Financial assets at fair value through profit or loss - non-current	42,928	1	47,364	1	51,941	1	2540	Long-term borrowings (Note 6(8) and 8)	269,568	5	269,920	5	270,780	5
1517	Financial assets at fair value through other comprehensive income - non-current	59,143	1	79,402	1	109,268	2	2552	Long-term warranty provisions	24,533	-	23,389	-	20,049	-
1600	Property, plant and equipment (Note 6(4) and 8)	779,009	14	784,767	14	765,080	13	2570	Deferred Income tax liabilities	21,537	-	25,727	-	26,995	-
1755	Right-of-use assets (Note 6(5))	718,562	13	714,507	13	701,109	12	2580	Lease liabilities - non-current (Note 6(9))	499,944	9	499,314	9	484,747	9
1780	Intangible assets (Note 6(6))	338,163	6	338,026	6	346,466	7	2670	Other non-current liabilities - others	12	-	14	-	1,827	-
1840	Deferred Income tax assets	15,073	-	14,053	-	10,075	-		Total non-current liabilities	<u>815,594</u>	<u>14</u>	<u>818,364</u>	<u>14</u>	<u>804,398</u>	<u>14</u>
1900	Other non-current assets	15,063	-	11,086	-	34,707	1		Total liabilities	<u>2,137,350</u>	<u>38</u>	<u>1,990,115</u>	<u>35</u>	<u>2,226,096</u>	<u>39</u>
		1,967,941	35	1,989,205	35	2,018,646	36	Equity attributable to shareholders of the parent company (Note 6(12)):							
								3100	Share capital	733,485	13	733,485	13	733,485	13
								3200	Capital surplus	1,445,196	26	1,445,196	25	1,445,196	26
								3300	Retained earnings:						
								3310	Legal reserve	384,748	7	384,748	7	352,478	6
								3320	Special earnings reserve	52,985	1	52,985	1	40,230	1
								3350	Unappropriated earnings	827,175	14	961,065	17	744,021	13
									Total retained earnings	1,264,908	22	1,398,798	25	1,136,729	20
								3400	Other equity	(55,130)	(1)	(61,227)	(1)	(47,644)	(1)
									Equity attributable to shareholders of the parent company	3,388,459	60	3,516,252	62	3,267,766	58
								36XX	Non-controlling interests	156,762	2	159,732	3	184,433	3
									Total equity	<u>3,545,221</u>	<u>62</u>	<u>3,675,984</u>	<u>65</u>	<u>3,452,199</u>	<u>61</u>
Total assets		<u>\$ 5,682,571</u>	<u>100</u>	<u>5,666,099</u>	<u>100</u>	<u>5,678,295</u>	<u>100</u>		Total liabilities and equity	<u>\$ 5,682,571</u>	<u>100</u>	<u>5,666,099</u>	<u>100</u>	<u>5,678,295</u>	<u>100</u>

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

Chairman: Steve Chu

Manager: Reaforl Hung

Accounting Supervisor: Amber Lee

CASwell, Inc. and its subsidiaries
Consolidated Statements of Comprehensive Income
From January 1 to March 31, 2025 and 2024

Unit: NT\$ thousand

		Three-month ended March 31,			
		2025		2024	
		Amount	%	Amount	%
4000	Sales revenue- net (Note 6(14) and 7)	\$ 1,108,897	100	839,358	100
5000	Cost of sales (Note 6(3), (4), (5), (9), (10), (15), 7 and 12)	835,621	75	631,152	75
	Gross profit	<u>273,276</u>	<u>25</u>	<u>208,206</u>	<u>25</u>
	Operating expenses (Note 6(4), (5), (9), (10), (15), 7 and 12):				
6100	Selling and marketing expenses	53,331	5	32,283	3
6200	General and administrative expenses	36,166	3	56,485	7
6300	Research and development expenses	79,824	7	63,815	8
6450	Net expected credit losses (reversals) (Note 6(2))	(252)	-	1,003	-
	Total operating expenses	<u>169,069</u>	<u>15</u>	<u>153,586</u>	<u>18</u>
	Operating Income	<u>104,207</u>	<u>10</u>	<u>54,620</u>	<u>7</u>
	Non-operating income and expenses (Note 6(16)):				
7100	Interest income	2,398	-	2,270	1
7010	Other income	3,193	-	9,864	1
7020	Other Gains and losses	2,460	-	19,848	2
7050	Finance costs (Note 6(9))	(5,024)	-	(5,035)	(1)
	Total non-operating income and expenses	<u>3,027</u>	<u>-</u>	<u>26,947</u>	<u>3</u>
7900	Net Income before income tax	107,234	10	81,567	10
7950	Less : Income tax expense (Note 6(9))	<u>23,782</u>	<u>2</u>	<u>17,614</u>	<u>2</u>
	Net Income after tax	<u>83,452</u>	<u>8</u>	<u>63,953</u>	<u>8</u>
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	(16,493)	(1)	2,487	-
8349	Income tax relating to items that will not be reclassified	-	-	-	-
	Total of items that will not be reclassified to profit or loss	<u>(16,493)</u>	<u>(1)</u>	<u>2,487</u>	<u>-</u>
8360	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences arising from the translation of foreign operations	14,989	1	4,622	1
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	<u>14,989</u>	<u>1</u>	<u>4,622</u>	<u>1</u>
8300	Other comprehensive loss	<u>(1,504)</u>	<u>-</u>	<u>7,109</u>	<u>1</u>
8500	Total comprehensive income	<u>\$ 81,948</u>	<u>8</u>	<u>71,062</u>	<u>9</u>
	Net income attributable to:				
8610	Shareholders of the parent company	\$ 80,696	8	66,335	8
8620	Non-controlling interests	2,756	-	(2,382)	-
	Net Income	<u>\$ 83,452</u>	<u>8</u>	<u>63,953</u>	<u>8</u>
	Comprehensive income attributable to:				
8710	Shareholders of the parent company	\$ 84,918	8	71,676	9
8720	Non-controlling interests	(2,970)	-	(614)	-
	Total comprehensive income	<u>\$ 81,948</u>	<u>8</u>	<u>71,062</u>	<u>9</u>
	Earnings per share (Note 6(13))				
9750	Basic earnings per share (NT\$)	<u>\$ 1.10</u>		<u>0.90</u>	
9850	Diluted earnings per share (NT\$)	<u>\$ 1.10</u>		<u>0.90</u>	

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

Chairman: Steve Chu

Manager: Reaforl Hung

Accounting Supervisor: Amber Lee

CASwell, Inc. and its subsidiaries
Consolidated Statements of Changes in Equity
From January 1 to March 31, 2025 and 2024

Unit: NT\$ thousand

	Equity attributable to shareholders of parent company									
	Retained earnings					Other equity items			Non- controlling interests	Total Equity
	Share capital	Capital surplus	Legal reserve	Special earnings reserve	Undistributed earnings	Exchange differences arising from the translation of foreign operations	Unrealized gain (loss) on financial assets at fair value through other comprehensive income	Total equity attributable to shareholders of the parent company		
Balance, January 1, 2024	\$ 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	-	-	-	-	66,335	-	-	66,335	(2,382)	63,953
Other comprehensive income	-	-	-	-	-	3,833	1,508	5,341	1,768	7,109
Total comprehensive income/(loss)	-	-	-	-	66,335	3,833	1,508	71,676	(614)	71,062
Earnings distribution:										
Cash dividends to shareholders	-	-	-	-	(205,376)	-	-	(205,376)	-	(205,376)
Balance, March 31, 2024	\$ 733,485	1,445,196	352,478	40,230	744,021	(34,677)	(12,967)	3,267,766	184,433	3,452,199
Balance, January 1, 2025	\$ 733,485	1,445,196	384,748	52,985	961,065	(31,274)	(29,953)	3,516,252	159,732	3,675,984
Net Income	-	-	-	-	80,696	-	-	80,696	2,756	83,452
Other comprehensive income/(loss)	-	-	-	-	-	14,223	(10,001)	4,222	(5,726)	(1,504)
Total comprehensive income/(loss)	-	-	-	-	80,696	14,223	(10,001)	84,918	(2,970)	81,948
Earnings distribution:										
Cash dividends to shareholders	-	-	-	-	(212,711)	-	-	(212,711)	-	(212,711)
Disposals of equity investments measured at fair value through other comprehensive income	-	-	-	-	(1,875)	-	1,875	-	-	-
Balance, March 31, 2025	\$ 733,485	1,445,196	384,748	52,985	827,175	(17,051)	(38,079)	3,388,459	156,762	3,545,221

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

Chairman: Steve Chu

Manager: Reaforl Hung

Accounting Supervisor: Amber Lee

CASwell, Inc. and its subsidiaries
Consolidated Statements of Cash Flows
From January 1 to March 31, 2025 and 2024

Unit: NT\$ thousand

	Three-month ended March 31,	
	2025	2024
Cash flows from operating activities:		
Net income before income tax	\$ 107,234	81,567
Adjustments:		
Adjustments to reconcile profit (loss)		
Depreciation expenses	20,245	23,067
Amortization expenses	1,911	2,739
Net expected credit losses (reversals)	(252)	1,003
Net loss (gain) on financial assets/liabilities at fair value through profit or loss	1,624	(5,153)
Interest expenses	5,024	5,035
Interest income	(2,398)	(2,270)
Loss on disposal of property, plant and equipment	-	34
Gain on lease modification	-	(3)
Total adjustments to reconcile profit (loss)	26,154	24,452
Changes in operating assets/liabilities:		
Net changes in operating assets:		
Decrease in notes and accounts receivable - including related parties	190,864	209,778
Increase in other payables - including related parties	(5,773)	(4,635)
Increase in inventories	(795)	(192,580)
Increase in other current assets	(18,679)	(15,516)
Total net changes in operating assets	165,617	(2,953)
Net changes in operating liabilities:		
Increase in accounts payable - including related parties	84,883	252,336
Decrease in other payables - including related parties	(16,620)	(11,935)
Increase in warranty provisions	-	259
Decrease in other current liabilities	(6)	(6,372)
Total net changes in operating liabilities	68,257	234,288
Total net changes in operating assets and liabilities	233,874	231,335
Total adjustments	260,028	255,787
Cash flow generated from operations	367,262	337,354
Interest received	2,398	2,270
Interest paid	(5,024)	(5,035)
Income tax paid	(13,911)	(889)
Net cash flow generated from operations	350,725	333,700
Cash flows from (used in) investing activities:		
Proceeds from disposals of financial assets at fair value through other comprehensive income	3,766	-
Acquisition of financial assets at amortized cost	(1,138)	(1,523)
Return of capital investees through profit and loss of financial assets at fair value	2,812	1,339
Acquisition of property, plant and equipment	(1,108)	(2,474)
Disposal of property, plant and equipment	-	135
Acquisition of intangible assets	(270)	(1,896)
Increase in other non-current assets	(4,315)	(19,469)
Net cash used in investing activities	(253)	(23,888)
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	100,028	-
Decrease in short-term borrowings	(250,000)	(2,145)
Repayment of long-term borrowings	(345)	(50,330)
Repayment of lease liabilities	(11,832)	(15,218)
Increase (decrease) in other non-current liabilities	(2)	1,798
Net cash flow used in financing activities	(162,151)	(65,895)
Effect of exchange differences on cash and cash equivalents	13,474	5,786
Increase in cash and cash equivalents of current period	201,795	249,703
Cash and cash equivalents at beginning of period	487,593	678,872
Cash and cash equivalents at end of period	\$ 689,388	928,575

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

Chairman: Steve Chu

Manager: Reaforl Hung

Accounting Supervisor: Amber Lee

CASwell, Inc. and its subsidiaries
Notes to Consolidated Financial Statements
For the Three Months Ended March 31, 2025 and 2024
(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 authorized for issue by the Board of Directors on May 7, 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 from January 1, 2025, did not have a material impact on the accounting policies of the Group.

- Amendments to IAS 21 “Lack of Exchangeability”
- (2) The IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) and endorsed by the FSC with effective date starting 2026

The Group has evaluated that the initial application of amendments to IFRS Accounting standards effective from January 1, 2026, are not expected to have a material impact on the Group’s accounting policies.

- Amendments to IFRS 9 and IFRS 7 “the Classification and Measurement of Financial Instruments”—including application guidance on paragraph 4.1 of IFRS 9 and related disclosure requirements under IFRS 7.
- (3) Amendments and new standards issued by IASB, but not yet endorsed and issued into effect by the FSC

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

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

Amendments and New Standards	Key Topics	Effective Date announced by IASB
IFRS 18 “Presentation and Disclosure in Financial Statements”	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 statements.	January 1, 2027
IFRS 18 “Presentation and Disclosure in Financial Statements”	<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 (MPMs): 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 IFRS 9 and IFRS 7 — “the Classification and Measurement of Financial Instruments”—including application guidance on paragraph 3.1 and 3.3 of IFRS 9 and related disclosure requirements under IFRS 7.
- Annual Improvements to IFRS Accounting Standards
- Amendments to IFRS 9 and IFRS 7 “Contracts Referencing Nature-dependent Electricity”

4. Summary of Material Accounting Policies

(1) Statement of Compliance

Except as described below, the material accounting policies adopted in the preparation of these consolidated financial statements are consistent with those followed in the preparation of the consolidated financial statements for the year ended 31 December 2024. For details, please refer to Note 4 to the 2024 consolidated financial statements.

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34, “Interim Financial Reporting,” endorsed and issued into effect by the FSC. The consolidated financial statements do not include all the disclosures required for a complete set of annual consolidated financial statements prepared in accordance with the IFRS Accounting Standards endorsed and issued into effect.

(2) Basis for consolidation

- a. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Main Business Activity	Ownership %		
			2025.3.31	2024.12.31	2024.3.31
The Company	CASO, INC.	Import and sales of	99%	99%	99%

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

<u>Name of Investor</u>	<u>Name of Subsidiary</u>	<u>Main Business Activity</u>	<u>Ownership %</u>		
			<u>2025.3.31</u>	<u>2024.12.31</u>	<u>2024.3.31</u>
	(“CASO”)	network appliances and computer peripherals, etc.			
The Company	CASWELL INTERNATIONAL INVESTMENT CO., LTD.	Overseas investment	100%	100%	100%
The Company	CASWELL AMERICAS, INC. (“CAI”)	Sales of network communication products	100%	100%	100%
CASWELL INTERNATIONAL INVESTMENT CO., LTD.	BEIJING CASWELL LTD. (“BCW”)	Manufacturing and sales of network appliances	82%	82%	82%
The Company	APLIGO GmbH (“APLIGO”)	Hub and SI Service	66.67%	66.67%	66.67%
The Company	HAWKEYE TECH, CO., LTD. (“HAWKEYE”)	Design and manufacturing of telecommunications and network appliances	60.64%	60.64%	60.64%

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

(3) Income tax

The Group measures and discloses interim income tax expense in accordance with the requirements of paragraph B12 of IAS 34 Interim Financial Reporting.

Income tax expense is measured by applying the management’s best estimate of the annual effective tax rate to the net income before tax for the interim reporting period.

Income tax expense recognized directly in equity or in other comprehensive income is measured based on the temporary differences between the carrying amounts of the related assets and liabilities for financial reporting purposes and their tax bases, using the tax rates that are expected to apply in the period when the assets are realized, or the liabilities are settled.

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

5. Major Sources of Estimation Uncertainty, Assumptions and Significant Judgements

In the process of preparing these consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34, Interim Financial Reporting, as endorsed by the FSC, management is required to make judgments, assumptions, and estimates about the future (including climate-related risks and opportunities) that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The significant judgments made by management in applying the Group's accounting policies, and the major sources of estimation uncertainty, are consistent with those disclosed in Note 5 of the consolidated financial statements for the year ended December 31, 2024.

6. Details of Significant Accounts

Except as described below, there are no significant differences in the disclosures of significant accounts in these consolidated financial statements compared to those in the consolidated financial statements for the year ended December 31, 2024. For related information, please refer to Note 6 to the consolidated financial statements for the year ended December 31, 2024.

(1) Cash and Cash Equivalents

	<u>2025.3.31</u>	<u>2024.12.31</u>	<u>2024.3.31</u>
Cash on hand	\$ 941	821	1,080
Cash in bank accounts	453,615	432,022	521,655
Short-term certificate of deposit	234,832	54,750	405,840
Cash and cash equivalents as presented in the consolidated statements of cash flows	<u>\$ 689,388</u>	<u>487,593</u>	<u>928,575</u>

Refer to Note 6(17) for the details on interest rate risk and sensitivity analysis of financial assets of the Group.

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

	<u>2025.3.31</u>	<u>2024.12.31</u>	<u>2024.3.31</u>
Notes receivable	\$ 529	983	-
Accounts receivable	672,323	862,733	569,987
Less: Loss allowance	(6,997)	(6,987)	(9,467)
	<u>\$ 665,855</u>	<u>856,729</u>	<u>560,520</u>

The Group adopts simplified approach to measure the loss allowance at an amount equal to lifetime expected credit losses (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

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

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:

	2025.3.31		
	Carrying amount of notes and accounts receivable	Probability- weighted ECL rate	Allowance for lifetime ECL
Not Past overdue	\$ 576,922	0.10%	588
Past Due ≤ 30 Days	76,622	0.36%	277
Past Due 31–120 Days	9,045	13.59%	1,229
Past Due 121–365 Days	10,190	47.40%	4,830
Past Due ≥ 366 Days	<u>73</u>	100.00%	<u>73</u>
	<u>\$ 672,852</u>		<u>6,997</u>
	2024.12.31		
	Carrying amount of notes and accounts receivable	Probability- weighted ECL rate	Allowance for lifetime ECL
Not Past overdue	\$ 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>
	2024.3.31		
	Carrying amount of notes and accounts receivable	Probability- weighted ECL rate	Allowance for lifetime ECL
Not Past overdue	\$ 462,623	0.05%	248
Past Due ≤ 30 Days	67,089	1.87%	1,257
Past Due 31–120 Days	23,093	2.19%	505
Past Due 121–365 Days	16,136	39.73%	6,411
Past Due ≥ 366 Days	<u>1,046</u>	100.00%	<u>1,046</u>
	<u>\$ 569,987</u>		<u>9,467</u>

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

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

	Three-month ended March 31,	
	2025	2024
Opening balance of loss allowance	\$ 6,987	8,356
New ECL provisions	400	1,003
Recoveries of previously written-off receivables	(652)	-
Foreign exchange differences	<u>262</u>	<u>108</u>
Ending balance of loss allowance	<u>\$ 6,997</u>	<u>9,467</u>

Financial assets mentioned above are neither pledged as collateral for borrowings nor for financing facilities. See Note 6(17) 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:

2025.3.31					
Factoring institution	Total amount of receivables derecognition during the reporting period	Factoring limit	Factoring advance	Range of interest rate	Collateral
China Merchants Bank	<u>\$ 15,767</u>	<u>-</u>	<u>15,536</u>	<u>1.46%~1.47%</u>	None
2024.12.31					
Factoring institution	Total amount of receivables derecognition during the reporting period	Factoring limit	Factoring advance	Range of interest rate	Collateral
China Merchants Bank	<u>\$ 66,753</u>	<u>-</u>	<u>65,723</u>	<u>1.53%~1.59%</u>	None
Ping An Bank Co., Ltd.	<u>\$ 17,033</u>	<u>-</u>	<u>16,774</u>	<u>1.52%</u>	None

(3) Inventories

	<u>2025.3.31</u>	<u>2024.12.31</u>	<u>2024.3.31</u>
Raw materials and spare parts	\$ 1,105,373	1,101,520	1,242,177
Work-in-progress	314,079	302,760	288,882
Finished goods	<u>686,650</u>	<u>700,597</u>	<u>450,007</u>
	<u>\$ 2,106,102</u>	<u>2,104,877</u>	<u>1,981,066</u>

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

Cost of sales consists of the following items:

	Three-month ended March 31,	
	2025	2024
Cost of goods sold (COGS) for inventory	\$ 804,487	611,980
Inventory write-down loss	5,881	4,351
Others	25,253	14,821
	<u>\$ 835,621</u>	<u>631,152</u>

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

(4) Property, plant and equipment

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
Cost:						
Balance on January 1, 2025	\$ 366,191	361,507	24,025	17,435	88,422	857,580
Additions	-	-	110	244	754	1,108
Disposal	-	-	-	(548)	(2,030)	(2,578)
Exchange differences	-	-	94	42	1,030	1,166
Balance on March 31, 2025	<u>\$ 366,191</u>	<u>361,507</u>	<u>24,229</u>	<u>17,173</u>	<u>88,176</u>	<u>857,276</u>
Balance on January 1, 2024	\$ 366,191	361,126	18,521	16,177	65,485	827,500
Additions	-	-	-	31	2,443	2,474
Disposal	-	-	-	(649)	(308)	(957)
Reclassification	-	-	-	-	1,702	1,702
Exchange differences	-	-	17	36	207	260
Balance on March 31, 2024	<u>\$ 366,191</u>	<u>361,126</u>	<u>18,538</u>	<u>15,595</u>	<u>69,529</u>	<u>830,979</u>
Accumulated Depreciation:						
Balance on January 1, 2025	\$ -	17,638	10,902	10,531	33,742	72,813
Current depreciation	-	2,349	1,395	705	2,925	7,374
Disposal	-	-	-	(548)	(2,030)	(2,578)
Exchange differences	-	-	22	40	596	658
Balance on March 31, 2025	<u>\$ -</u>	<u>19,987</u>	<u>12,319</u>	<u>10,728</u>	<u>35,233</u>	<u>78,267</u>
Balance on January 1, 2024	\$ -	8,275	10,834	10,953	29,720	59,782
Current depreciation	-	2,337	1,011	708	2,599	6,655
Disposal	-	-	-	(649)	(139)	(788)
Exchange differences	-	-	17	34	199	250
Balance on March 31, 2024	<u>\$ -</u>	<u>10,612</u>	<u>11,862</u>	<u>11,046</u>	<u>32,379</u>	<u>65,899</u>
Carrying Amount, net						
January 1, 2025	<u>\$ 366,191</u>	<u>343,869</u>	<u>13,123</u>	<u>6,904</u>	<u>54,680</u>	<u>784,767</u>
March 31, 2025	<u>\$ 366,191</u>	<u>341,520</u>	<u>11,910</u>	<u>6,445</u>	<u>52,943</u>	<u>779,009</u>
March 31, 2024	<u>\$ 366,191</u>	<u>350,514</u>	<u>6,676</u>	<u>4,549</u>	<u>37,150</u>	<u>765,080</u>

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

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

(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, 2025	\$ 337,533	423,762	141	7,373	768,809
Additions	-	14,388	-	1,213	15,601
Modifications	-	(1,712)	-	(953)	(2,665)
Exchange differences	-	2,589	8	221	2,818
Balance on March 31, 2025	<u>\$ 337,533</u>	<u>439,027</u>	<u>149</u>	<u>7,854</u>	<u>784,563</u>
Balance on January 1, 2024	\$ 337,533	494,750	114	7,765	840,162
Modifications	-	(13,004)	-	(399)	(13,403)
Exchange differences	-	1,076	1	65	1,142
Balance on March 31, 2024	<u>\$ 337,533</u>	<u>482,822</u>	<u>115</u>	<u>7,431</u>	<u>827,901</u>
Accumulated depreciation					
Balance on January 1, 2025	\$ -	48,963	35	5,304	54,302
Depreciation	-	12,345	36	490	12,871
Modifications	-	(1,712)	-	(953)	(2,665)
Exchange differences	-	1,349	4	140	1,493
Balance on March 31, 2025	<u>\$ -</u>	<u>60,945</u>	<u>75</u>	<u>4,981</u>	<u>66,001</u>
Balance on January 1, 2024	\$ -	118,551	28	4,252	122,831
Depreciation	-	15,868	29	515	16,412
Modifications	-	(13,004)	-	(332)	(13,336)
Exchange differences	-	837	1	47	885
Balance on March 31, 2024	<u>\$ -</u>	<u>122,252</u>	<u>58</u>	<u>4,482</u>	<u>126,792</u>
Carrying Amount:					
January 1, 2025	<u>\$ 337,533</u>	<u>374,799</u>	<u>106</u>	<u>2,069</u>	<u>714,507</u>
March 31, 2025	<u>\$ 337,533</u>	<u>378,082</u>	<u>74</u>	<u>2,873</u>	<u>718,562</u>
March 31, 2024	<u>\$ 337,533</u>	<u>360,570</u>	<u>57</u>	<u>2,949</u>	<u>701,109</u>

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

(6) Intangible Assets

	<u>Goodwill</u>	<u>Computer software and other intangible assets</u>	<u>Total</u>
Carrying Amount:			
January 1, 2025	\$ 330,514	7,512	338,026
March 31, 2025	\$ 331,854	6,309	338,163
March 31, 2024	\$ 330,748	15,718	346,466

The Group had no significant additions, disposals, impairments, or reversals of impairment of intangible assets during the periods from January 1 to March 31, 2025 and 2024. For the amortization amount for the reporting period, please refer to Note 12. For other related information, please refer to Note 6(6) to the consolidated financial statements for the year ended December 31, 2024.

(7) Short-term borrowings

Details of short-term borrowings are as follows:

	<u>2025.3.31</u>	<u>2024.12.31</u>	<u>2024.3.31</u>
Unsecured bank borrowings	\$ 9,247	158,749	30,419
Unused credit facility	\$ 2,391,580	2,094,283	2,074,755
Interest rate range	1.91%~8.977%	1.91%~9.69%	9.69%

a. Issuance and repayment of borrowings

During the period from January 1 to March 31, 2025, the Group had significant short-term borrowings issued in the amount of NT\$100,028 thousand, with interest rates ranging from 1.91% to 8.977%, and maturities in March 2025. The amount of material repayments during the same period was NT\$250,000 thousand. There were no significant issuances, repurchases, or repayments of borrowings during the period from January 1 to March 31, 2024. Please refer to Note 6(16) for details on interest expenses.

b. Collateral for bank borrowings

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

(8) Long-term borrowings

	<u>2025.3.31</u>	<u>2024.12.31</u>	<u>2024.3.31</u>
Secured bank borrowings	\$ 270,963	271,308	272,213
Current portion of long-term borrowings	(1,395)	(1,388)	(1,433)
Non-current portion of long-term borrowings	\$ 269,568	269,920	270,780

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

	<u>2025.3.31</u>	<u>2024.12.31</u>	<u>2024.3.31</u>
Unused Credit Facility	<u>\$ -</u>	<u>-</u>	<u>-</u>
Interest rate range	<u>2.118%~2.122%</u>	<u>2.118%~2.122%</u>	<u>2.12%~2.24%</u>

a. Issuance and repayment of borrowings

The Group had no significant long-term borrowings issued during the periods from January 1 to March 31, 2025 and 2024. The amounts of repayments during the same periods were NT\$345 thousand and NT\$50,330 thousand, respectively. Please refer to Note 6(16) for details on interest expenses.

b. Collateral for bank borrowings

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

(9) Lease liabilities

Lease liabilities of the Group are classified as follows:

	<u>2025.3.31</u>	<u>2024.12.31</u>	<u>2024.3.31</u>
Current	<u>\$ 42,897</u>	<u>38,402</u>	<u>35,793</u>
Non-current	<u>\$ 499,944</u>	<u>499,314</u>	<u>484,747</u>

Please refer to Note 6(17) – Financial Instruments, for details of the maturity analysis.

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

	<u>Three-month ended March 31,</u>	
	<u>2025</u>	<u>2024</u>
Interest expenses on lease liabilities	<u>\$ 2,871</u>	<u>2,856</u>
Expense relating to short-term leases	<u>\$ 859</u>	<u>2,183</u>
Expense relating to leases of low-value assets	<u>\$ 25</u>	<u>24</u>
Gain on lease modification	<u>\$ -</u>	<u>3</u>

The amounts recognized in the statements of cash flows are:

	<u>Three-month ended March 31,</u>	
	<u>2025</u>	<u>2024</u>
Total cash outflow of lease	<u>\$ 15,587</u>	<u>20,281</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.

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

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.

(10) Employee benefits

The pension expenses recognized by the Group under the defined contribution plan are as follows, a portion of the contributions has been remitted to the Bureau of Labor Insurance or the relevant local authorities.

	Three-month ended March 31,	
	2025	2024
Cost of sales	\$ 1,368	1,426
Selling and marketing expenses	605	647
General and administrative expenses	717	823
Research and development expenses	1,938	1,914
	\$ 4,628	4,810

(11) Income tax

a. Income tax expenses

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

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

	Three-month ended March 31,	
	2025	2024
Current income tax expenses	\$ 28,684	17,600
Deferred income tax expenses (benefit)	(4,902)	14
Total income tax expenses	<u>\$ 23,782</u>	<u>17,614</u>

b. Tax Return Filing

As of March 31, 2025, the most recent tax year assessed for the Company and its subsidiary, HAWKEYE, was 2023 and no significant adjustments were required.

(12) Capital and other equity

Except as otherwise disclosed below, there were no significant changes in the Company's capital and other equity during the periods from January 1 to March 31, 2025 and 2024. For related information, please refer to Note 6(13) of the 2024 consolidated financial statements.

a. Capital surplus

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

	<u>2025.3.31</u>	<u>2024.12.31</u>	<u>2024.3.31</u>
Share premium	\$ 1,418,377	1,418,377	1,418,377
Treasury share transactions	22,792	22,792	22,792
Expired stock options	4,027	4,027	4,027
	<u>\$ 1,445,196</u>	<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.

b. 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 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.

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

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) Dividend distribution

On March 5, 2025, and March 13, 2024, the Board of Directors approved the cash dividend distribution plans for fiscal years 2024 and 2023, respectively. The approved cash dividends distributed to common shareholders are as follows:

	2024		2023	
	Dividends per share (NT\$)	Cash dividends to shareholders	Dividends per share (NT\$)	Cash dividends to shareholders
Dividends distributed to common shareholders				
Cash	\$ 2.90	<u>212,711</u>	2.80	<u>205,376</u>

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

	Foreign currency translation reserve	FVOCI reserve for financial assets	Non- controlling interests	Total
January 1, 2025	\$ (31,274)	(29,953)	159,732	98,505
Net income attributable to non- controlling interests	-	-	2,756	2,756
Fair value changes in financial assets at FVOCI	-	(10,001)	(6,492)	(16,493)
Exchange differences on translation of foreign operations	14,223	-	766	14,989
Disposal of FVOCI financial assets	-	1,875	-	1,875
March 31, 2025	<u>\$ (17,051)</u>	<u>(38,079)</u>	<u>156,762</u>	<u>101,632</u>
January 1, 2024	\$ (38,510)	(14,475)	185,047	132,062
Net income attributable to non- controlling interests	-	-	(2,382)	(2,382)
Fair value changes in financial assets at FVOCI	-	1,508	979	2,487

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

	Foreign currency translation reserve	FVOCI reserve for financial assets	Non- controlling interests	Total
Exchange differences on translation of foreign operations	3,833	-	789	4,622
March 31, 2024	<u>\$ (34,677)</u>	<u>(12,967)</u>	<u>184,433</u>	<u>136,789</u>

(13) Earnings per share

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

	<u>Three-month ended March 31,</u>	
	<u>2025</u>	<u>2024</u>
Basic earnings per share:		
Net income attributable to owners of ordinary shares in the Company	<u>\$ 80,696</u>	<u>66,335</u>
Weighted average number of outstanding ordinary shares (thousand shares)	<u>73,348</u>	<u>73,348</u>
Basic earnings per share (NT\$)	<u>\$ 1.10</u>	<u>0.90</u>
Diluted earnings per share:		
Net income attributable to owners of ordinary shares in the Company	<u>\$ 80,696</u>	<u>66,335</u>
Weighted average number of ordinary shares outstanding (basic) (in thousands)	73,348	73,348
Effect of dilutive potential ordinary shares (in thousands):		
Employee share-based compensation	<u>109</u>	<u>100</u>
Weighted average number of ordinary shares outstanding (diluted) (in thousands)	<u>73,457</u>	<u>73,448</u>
Diluted earnings per share (NT\$)	<u>\$ 1.10</u>	<u>0.90</u>

(14) Revenue from contracts with customers

a. Disaggregation of Revenue from Contracts with Customers

	<u>Three-month ended March 31, 2025</u>			
	<u>Taiwan Segments</u>	<u>PRC Segments</u>	<u>Others</u>	<u>Total</u>
Disaggregation of revenue by geographical region:				
Taiwan	\$ 131,466	-	-	131,466
Asia	457,272	26,309	81,557	565,138
America	229,770	-	72,006	301,776
Europe	101,525	-	6,250	107,775
Australia	1,927	-	-	1,927
Africa	-	-	815	815
	<u>\$ 921,960</u>	<u>26,309</u>	<u>160,628</u>	<u>1,108,897</u>

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

Three-month ended March 31, 2025				
	Taiwan Segments	PRC Segments	Others	Total
Disaggregation of revenue by major product lines:				
Network appliances	\$ 712,584	20,374	129,722	862,680
Network motherboards	28,756	15	1,160	29,931
Network others	180,620	5,920	29,746	216,286
	\$ 921,960	26,309	160,628	1,108,897

Three-month ended March 31, 2024				
	Taiwan Segments	PRC Segments	Others	Total
Disaggregation of revenue by geographical region:				
Taiwan	\$ 138,767	-	-	138,767
Asia	235,428	48,607	91,365	375,400
America	201,103	-	20,170	221,273
Europe	78,654	-	25,091	103,745
Australia	-	-	29	29
Africa	-	-	144	144
	\$ 653,952	48,607	136,799	839,358

Disaggregation of revenue by major product lines:				
Network appliances	\$ 467,233	37,938	94,059	599,230
Network motherboards	11,769	665	651	13,085
Network others	174,950	10,004	42,089	227,043
	\$ 653,952	48,607	136,799	839,358

b. Contract balance

	2025.3.31	2024.12.31	2024.3.31
Notes and accounts receivable	\$ 672,852	863,716	569,987
Less: Loss allowance	(6,997)	(6,987)	(9,467)
Notes and accounts receivable, net	\$ 665,855	856,729	560,520

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

(15) Revenue from contracts with customers

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

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

remuneration—no less than 2% and up to 15% of such profit shall be appropriated as 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.

For the periods from January 1 to March 31 of 2024 and 2025, the employee and director remuneration is estimated based on the net income before tax (before deduction of such remuneration) for the respective periods, multiplied by the allocation percentages prescribed in the Company's 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 aforementioned estimated expenses were as follows:

	Three-month ended March 31,	
	2025	2024
Employee remuneration	\$ 3,600	2,750
Director remuneration	1,400	1,000
	<u>\$ 5,000</u>	<u>3,750</u>

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

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

There was no difference between the estimated and actual amounts of employee and director remuneration for the year 2024. 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. The difference has been adjusted in the 2024 accounts accordingly. Related information on the employee and director remuneration is available on the Market Observation Post System (MOPS).

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

(16) Non-operating income and expenses

a. Interest income

Interest income consists of the following items:

	Three-month ended March 31,	
	2025	2024
Interest income from bank deposits	\$ 1,725	2,100
Interest income from financial assets measured at amortized cost	665	144
Others	<u>8</u>	<u>26</u>
Total interest income	<u><u>\$ 2,398</u></u>	<u><u>2,270</u></u>

b. Other income

Other income consists of the following items:

	Three-month ended March 31,	
	2025	2024
Non-recurring engineering, freight, and insurance income	\$ -	5,975
Others	<u>3,193</u>	<u>3,889</u>
Total other income	<u><u>\$ 3,193</u></u>	<u><u>9,864</u></u>

c. Other gain and loss

Other gains and losses consist of the following items:

	Three-month ended March 31,	
	2025	2024
Loss on disposal of PP&E	\$ -	(34)
Gain on lease modification	-	3
Exchange differences	4,094	14,726
Gains (losses) on FVTPL financial assets/liabilities	(1,624)	5,153
Other losses	<u>(10)</u>	<u>-</u>
Net other gains and losses	<u><u>\$ 2,460</u></u>	<u><u>19,848</u></u>

d. Finance costs

Financial costs consist of the following items:

	Three-month ended March 31,	
	2025	2024
Interest expense from bank borrowings	\$ (2,153)	(2,179)
Interest on lease liabilities	<u>(2,871)</u>	<u>(2,856)</u>
Total financial costs	<u><u>\$ (5,024)</u></u>	<u><u>(5,035)</u></u>

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

(17) Financial Instruments

a. Credit risks

(a) Maximum exposure to credit risk

The carrying amount of financial assets represents the maximum credit risk exposure amount.

(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 expectations. As of March 31, 2025, December 31, 2024, and March 31, 2024, 49.00%, 67.21%, and 42.50% of the Group's accounts receivable were attributable to three major customers, respectively, indicating a significant concentration of credit risk.

(c) Credit risk of receivables

Please refer to Note 6(2) for information on the credit risk exposure of notes and accounts receivable. Other financial assets measured at amortized cost include other receivables and long-term certificate of deposit.

The above-mentioned are considered to have low credit risk. Accordingly, the loss allowance for the period was measured based on 12-month ECL. For the Group's assessment of low credit risk, please refer to Note 4(7) to the consolidated financial statements for the year ended December 31, 2024. No loss allowance was recognized for other receivables during the periods from January 1 to March 31, 2025 and 2024.

b. Liquidity risks

The following table shows the contractual maturity of financial liabilities, including impact of estimated interest.

	<u>Carrying amount</u>	<u>Total contractual cash flows</u>	<u>Less than 6 months</u>	<u>6-12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
March 31, 2025							
Non-derivative financial liabilities							
Bank borrowings	\$ 280,210	338,335	13,147	3,565	21,270	58,325	242,028
Accounts payable (including	740,389	740,389	740,389	-	-	-	-

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

	Carrying amount	Total contractual cash flows	Less than 6 months	6-12 months	1-2 years	2-5 years	Over 5 years
related parties)							
Other payables (including							
related parties)	339,564	339,564	339,564	-	-	-	-
Lease liabilities	542,841	570,475	28,241	25,249	40,042	476,943	-
Total	\$ 1,903,004	1,988,763	1,121,341	28,814	61,312	535,268	242,028
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
March 31, 2024							
Non-derivative financial liabilities							
Bank borrowings	\$ 302,632	365,707	35,057	3,504	7,008	57,917	262,221
Accounts payable (including							
related parties)	802,881	802,881	802,881	-	-	-	-
Other payables (including							
related parties)	328,614	328,614	328,614	-	-	-	-
Lease liabilities	520,540	556,773	27,651	18,603	26,336	484,183	-
Total	\$ 1,954,667	2,053,975	1,194,203	22,107	33,344	542,100	262,221

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.

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 reporting periods, are as follows:

	2025.3.31			
	Foreign currency	Exchange rate	NTD	
<u>Financial assets</u>				
<u>Monetary items</u>				
USD	\$	23,404	USD/NTD=	33.205
				777,130

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

2025.3.31				
	Foreign currency		Exchange rate	NTD
JPY	415	JPY/NTD=	0.2227	92
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD	16,344	USD/NTD=	33.205	542,703
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
2024.3.31				
	Foreign currency		Exchange rate	NTD
<u>Financial assets</u>				
<u>Monetary items</u>				
USD	\$ 19,062	USD/NTD=	32.00	609,984
JPY	507	JPY/NTD=	0.2115	107
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD	15,337	USD/NTD=	32.00	490,784

(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 March 31, 2025 and 2024, if the New Taiwan Dollar had depreciated or appreciated by 10% against the US Dollar and Japanese Yen, with all other factors held constant, the net profit after tax for the periods from January 1 to March 31, 2025 and 2024 would have increased or decreased by NT\$18,762 thousand and NT\$9,545 thousand, respectively. The analyses for both periods were based on the same assumptions.

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

(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\$4,094 thousand and NT\$14,726 thousand for the three-month periods ended March 31, 2025 and 2024, 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 March 31, 2025 and 2024 would have decreased or increased by NT\$2,242 thousand and NT\$2,421 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 (OCI). 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	Three-month ended March 31,			
	2025		2024	
	OCI after tax	Net income after tax	OCI after tax	Net income after tax
Increase by 1%	\$ 591	429	1,093	519
Decrease by 1%	\$ (591)	(429)	(1,093)	(519)

e. Information on fair value

(a) Categories and fair value of financial instruments

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

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 various types of financial assets and financial liabilities (including fair value hierarchy information, but excluding those financial instruments not measured at fair value where the carrying amount is a reasonable approximation of fair value, and lease liabilities, for which fair value disclosures are not required by regulations) are presented as follows:

	2025.3.31				
	Carrying amount	Fair value			Total
	Level 1	Level 2	Level 3		
Financial assets at FVTPL					
Financial assets at FVTPL	\$ 42,928	-	-	42,928	42,928
Financial assets at FVOCI					
Foreign listed equity securities	\$ 11,319	11,319	-	-	11,319
Unquoted equity instruments measured at fair value	47,824	-	-	47,824	47,824
Total	\$ 59,143	11,319	-	47,824	59,143
Financial assets at amortized cost					
Cash and Cash Equivalents	\$ 689,388	-	-	-	-
Financial assets at amortized cost	70,327	-	-	-	-
Notes and accounts receivable (including related parties)	665,855	-	-	-	-
Other receivables (including related parties)	70,074	-	-	-	-
Other current assets	1,000	-	-	-	-
Refundable deposit	10,986	-	-	-	-
Total	\$ 1,507,630	-	-	-	-
Financial liabilities at amortized cost					
Bank borrowings	\$ 280,210	-	-	-	-
Accounts payable (including related parties)	740,389	-	-	-	-
Other payables (including related parties)	339,564	-	-	-	-
Lease liabilities	542,841	-	-	-	-
Total	\$ 1,903,004	-	-	-	-

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

	2024.12.31				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at FVTPL					
Financial assets at FVTPL	\$ 47,364	-	-	47,364	47,364
Financial assets at FVOCI					
Foreign listed equity securities	\$ 31,578	31,578	-	-	31,578
Unquoted equity instruments measured at fair value	47,824	-	-	47,824	47,824
Total	\$ 79,402	31,578	-	47,824	79,402
Financial assets at amortized cost					
Cash and Cash Equivalents	\$ 487,593	-	-	-	-
Financial assets at amortized cost	69,189	-	-	-	-
Notes and accounts receivable (including related parties)	856,729	-	-	-	-
Other receivables (including related parties)	64,301	-	-	-	-
Other current assets	1,000	-	-	-	-
Refundable deposit	10,748	-	-	-	-
Total	\$ 1,489,560	-	-	-	-
Financial liabilities at amortized cost					
Bank borrowings	\$ 430,057	-	-	-	-
Accounts payable (including related parties)	655,506	-	-	-	-
Other payables (including related parties)	143,473	-	-	-	-
Lease liabilities	537,716	-	-	-	-
Total	\$ 1,766,752	-	-	-	-

	2024.3.31				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at FVTPL					
Financial assets at FVTPL	\$ 51,941	-	-	51,941	51,941
Financial assets at FVOCI					
Unquoted equity instruments measured at fair value	\$ 109,268	-	-	109,268	109,268
Financial assets at amortized cost					

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

		2024.3.31				
		Carrying amount	Fair value			Total
			Level 1	Level 2	Level 3	
Cash and Cash Equivalents	\$ 928,575	-	-	-	-	
Financial assets at amortized cost	53,803	-	-	-	-	
Notes and accounts receivable (including related parties)	560,520	-	-	-	-	
Other receivables (including related parties)	46,189	-	-	-	-	
Other current assets	1,000	-	-	-	-	
Refundable deposit	18,722	-	-	-	-	
Total	\$ 1,608,809	-	-	-	-	
Financial liabilities at amortized cost						
Bank borrowings	\$ 302,632	-	-	-	-	
Accounts payable (including related parties)	802,881	-	-	-	-	
Other payables (including related parties)	328,614	-	-	-	-	
Lease liabilities	520,540	-	-	-	-	
Total	\$ 1,954,667	-	-	-	-	

(b) Valuation techniques of 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 there are transaction or market maker quotation data available, the most recent transaction price and quotation data shall be used as the basis for assessing fair value. In the absence of market value for reference, valuation methods will be employed for estimation. The estimated values and assumptions used in the evaluation method are the present value estimates of cash flow fair value.

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

Fair value of financial instrument is obtained through application of valuation techniques or reference to quotation from counterparties. The fair value obtained through application of evaluation techniques may be calculated by reference to the current fair value of other financial instruments with similar material conditions and characteristics, use of the discounted cash flow method, or by other evaluation techniques, including using models based on available market information on the reporting date.

(d) Transfers Between Level 1 and Level 3

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

Shares of VEEA INC. held by the Company's subsidiary, HAWKEYE, were classified as financial assets measured at FVOCI. As of March 31, 2025, December 31, 2024, and March 31, 2024, the fair values of these shares were NT\$11,319 thousand, NT\$31,578 thousand and NT\$61,444 thousand, respectively. As of March 31, 2024, 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, the fair value classification was transferred from Level 3 to Level 1. There were no transfers during the period from January 1 to March 31, 2024.

(e) Quantitative information of fair value of 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 of fair value of significant unobservable inputs is listed as below:

<u>Item</u>	<u>Valuation techniques</u>	<u>Significant unobservable input value</u>	<u>Relationship between unobservable inputs and fair value</u>
Financial assets at FVTPL- Private equity fund investment	Net asset value method (NAV)	• Net asset value	The higher the net asset value, the higher the fair value.

(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 instrument at Level 3, if there are changes in valuation parameters, the impact on current profit and loss is as follows:

	<u>Valuation inputs</u>	<u>Range of inputs</u>	<u>Impact on fair value measurement</u>	
			<u>Favorable impact</u>	<u>Unfavorable impact</u>
March 31, 2025				
Financial assets at FVTPL-				

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

	Valuation inputs	Range of inputs	Impact on fair value measurement	
			Favorable impact	Unfavorable impact
Private equity fund investment	\$ 42,928	1%	429	(429)
December 31, 2024				
Financial assets at FVTPL-				
Private equity fund investment	47,364	1%	474	(474)
March 31, 2024				
Financial assets at FVTPL-				
Private equity fund investment	51,941	1%	519	(519)

(18) Financial risk management

There were no significant changes in the Group's financial risk management objectives and policies compared to those disclosed in Note 6(19) of the consolidated financial statements for the year ended December 31, 2024.

(19) Capital management

The Group's objectives, policies, and procedures for capital management were consistent with those disclosed in the consolidated financial statements for the year ended December 31, 2024. In addition, there were no significant changes in the quantitative disclosures of items considered as part of capital management. Please refer to Note 6(20) of the consolidated financial statements for the year ended December 31, 2024 for further details.

7. Related Party Transactions

(1) Names of related parties and relations

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 party</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.	Fellow subsidiary
Thecus Technology Corp.	Fellow subsidiary
DEXATEK TECHNOLOGY LTD.	Fellow subsidiary
EnnoVision INC.	Fellow subsidiary
ARBOR Technology Corp.	Fellow subsidiary

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

<u>Name of related party</u>	<u>Relationship with the Group</u>
Renown Information Technology Corp.	Fellow subsidiary
American Industrial Systems Inc.	Fellow subsidiary
FORTUNE BAY TECHNOLOGY PTE. LTD.	Fellow subsidiary
All directors, general manager and deputy general manager and other major officers in management of the Company	

(2) Transaction with related party

a. Sales of goods/services

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

	<u>Three months ended March 31,</u>	
	<u>2025</u>	<u>2024</u>
Fellow subsidiary	<u>\$ 25,756</u>	<u>19,224</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.

b. Purchases of goods/services

The purchase amounts from related parties are as follows

	<u>Three months ended March 31,</u>	
	<u>2025</u>	<u>2024</u>
Fellow subsidiary	<u>\$ 9,661</u>	<u>48,024</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>2025.3.31</u>	<u>2024.12.31</u>	<u>2024.3.31</u>
Accounts receivable	Fellow subsidiary – AIS.	\$ 8,915	12,634	22,390
Accounts receivable	Fellow subsidiary	144	596	566
Other receivables	Fellow subsidiary	-	5	25

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

<u>Account name</u>	<u>Relationship and name of related parties</u>	<u>2025.3.31</u>	<u>2024.12.31</u>	<u>2024.3.31</u>
Other receivables	Parent company	-	32	-
		<u>\$ 9,059</u>	<u>13,267</u>	<u>22,981</u>

d. Other related party transactions

<u>Account name</u>	<u>Relationship and name of related parties</u>	<u>Three months ended March 31,</u>	
		<u>2025</u>	<u>2024</u>
Cost of sales	Fellow subsidiary	<u>\$ 32</u>	<u>-</u>

<u>Account name</u>	<u>Relationship and name of related parties</u>	<u>2025.3.31</u>	<u>2024.12.31</u>	<u>2024.3.31</u>
Other current liabilities	Parent company	<u>\$ -</u>	<u>30</u>	<u>-</u>

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>2025.3.31</u>	<u>2024.12.31</u>	<u>2024.3.31</u>
Accounts payable	Fellow subsidiary - Victor Plus	\$ 4,848	4,858	16,487
Accounts payable	Fellow subsidiary - Vecow Co., Ltd.	5,927	28,425	35,275
Accounts payable	Fellow subsidiary - others	884	3,524	3,246
Other payables	Fellow subsidiary - Victor Plus	46	71	67
Other payables	Fellow subsidiary - others	<u>33</u>	<u>-</u>	<u>-</u>
		<u>\$ 11,738</u>	<u>36,878</u>	<u>55,075</u>

(3) Transactions with key management personnel

a. Key management personnel compensation

Key management personnel compensation comprises the following:

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

	Three months ended March 31,	
	2025	2024
Short-term employee benefits	\$ 11,400	13,202
Post-employment benefits	240	236
	<u>\$ 11,640</u>	<u>13,438</u>

During January 1 to March 31, 2025 and 2024, the Group provided vehicles for use by key management personnel. The breakdown of the related costs and depreciation expenses recognized is as follows:

	2025.3.31	2024.12.31	2024.3.31
Original acquisition cost	<u>\$ 6,023</u>	<u>6,982</u>	<u>6,982</u>

	Three months ended March 31,	
	2025	2024
Depreciation expenses	<u>\$ 215</u>	<u>275</u>

8. Pledged Assets

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

Account name	As collateral for	2025.3.31	2024.12.31	2024.3.31
Other current assets (pledged time deposits)	Custom clearance guarantees	\$ 1,000	1,000	1,000
Property, plant and equipment	Long-term borrowings	<u>676,533</u>	<u>678,156</u>	<u>683,022</u>
		<u>\$ 677,533</u>	<u>679,156</u>	<u>684,022</u>

9. Significant Contingent Liabilities and Unrecognized Contract Commitments: None.

10. Significant loss from disasters: None.

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

12. Others

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

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

By functions By nature	Three-month ended March 31,					
	2025			2024		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salary	24,428	75,850	100,278	21,787	73,115	94,902
Labor and health insurance	3,436	9,334	12,770	2,543	9,405	11,948
Pension	1,368	3,260	4,628	1,426	3,384	4,810
Remuneration to directors	-	2,576	2,576	-	2,448	2,448
Others employee benefit	1,911	2,774	4,685	2,043	3,720	5,763
Depreciation	8,654	11,591	20,245	11,846	11,221	23,067
Amortization	5	1,906	1,911	-	2,739	2,739

(2) Seasonality of operations:

CASwell's business operations are subject to quarterly fluctuations, primarily driven by the public market performance settlement reports of major global software value-added providers. These seasonal variations are most pronounced in major regions such as the Americas and Europe, as the performance peak from the previous year's fourth quarter and the summer holiday period in Europe during the third quarter adversely affect the results from January to March each year. To mitigate the impact of these seasonal trends, the Company aims to balance supply and demand through order forecasting and inventory management.

13. Supplementary Disclosures

(1) Information on significant transactions:

In accordance with the Regulations Governing the Preparation of Financial Statements by Securities Issuers, the Group shall disclose the following information concerning significant transactions for the period from January 1 to March 31, 2025:

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 party (Note 2)	Ceiling on total loan (Note 3)
													Name	Value		
0	The Company	APLIGO	Other receivables - related parties	Yes	63,090 (USD1,900)	63,090 (USD1,900)	63,090 (USD1,900)	5.65%	2	-	Working capital for operation	-	-	-	338,846	677,692

- Note 1:
- The borrower has business transactions with the lender.
 - The borrower has short-term financing necessities.

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

- 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.
- c. Significant marketable securities held at the end of the period (excluding investment in subsidiaries, associates and joint ventures):

Unit: NT\$ thousand/thousand shares

Name of Held Company	Type of Securities	Name of Securities	Relationship with Issuer of Securities	Ledger Account	End of Period				Remarks
					Number of Shares	Carrying amount	Shareholding %	Fair value	
The Company	Fund beneficiary certificates	Zoyi Fund II	-	Financial assets at FVTPL - non-current	-	42,928	- %	42,928	-
The Company	Ordinary Shares	FiduciaEdge Technologies Co. Ltd.	-	Financial assets at FVOCI - non-current	1,600	40,000	10.65 %	40,000	-
HAWKEYE	Ordinary Shares	VEEA INC	-	Financial assets at FVOCI - non-current	219	11,319	- %	11,319	-

- d. Purchases from or sales to related parties amounting to NT\$100 million or over 20% of the paid-in capital or more: None.
- e. Receivables from related parties amounting to NT\$100 million or over 20% of paid-up capital: None.
- f. 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	CASO	1	Sales revenue	44,848	Not significantly different.	4.04%
0	The Company	CAI	1	Sales revenue	38,973	Not significantly different.	3.51%
1	APLIGO	The Company	2	Sales revenue	10,037	Not significantly different.	0.91%
0	The Company	CASO	1	Accounts receivable	28,499	Not significantly different.	0.50%
0	The Company	CAI	1	Accounts receivable	44,629	Not significantly different.	0.79%
0	The Company	APLIGO	1	Other receivables	64,922	Not significantly different.	1.14%

- 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 financing receivables, sales and accounts receivable will be disclosed. Corresponding purchase and accounts payable will not be repeated.
- Note 4: The above transactions have been fully eliminated as preparing the consolidated financial statements.

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

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

The information on investments for the period from January 1 to March 31, 2025:

Unit: NT\$ thousand/thousand shares

Name of Investor	Name of investee	Region	Principal Business Activities	Initial Investment Amount		Held at the End of Period			Profit (loss) of Investee for the Period	Profit (Loss) on Investment Recognized	Remarks
				End of the Period	End of Last Year	Number of Shares	Ratio	Carrying amount (Note 1)			
The Company	CASO	Japan	Imports and sales of network machines and computer peripherals	27,062	27,062	2	99.00%	154,749	4,878	4,828	Subsidiary (note 2)
The Company	CASWELL INTERNATIONAL INVESTMENT CO., LTD.	Samoa	Overseas investment	101,135	101,135	3,206	100.00%	136,383	(10,031)	(10,031)	Subsidiary (note 2)
The Company	CAI	USA	Sales of network appliances	92,460	92,460	3,000	100.00%	73,366	(872)	(872)	Subsidiary (note 2)
The Company	APLIGO	Germany	Hub and SI Service	60,275	60,275	24	66.67%	25,054	(6,349)	(4,296)	Subsidiary (note 2)
The Company	HAWKEYE	Taiwan	Design and manufacturing of computers, network appliances	602,041	602,041	9,097	60.64%	496,110	18,011	10,872	Subsidiary (note 2)

Note 1: Including adjustments for foreign currency translation.

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

(3) Information on investees in mainland China:

a. Information on investees in Mainland China

Unit: NTD/USD thousand

Investee in mainland China	Principal Business Activities	Paid-in Capital	Way of Investment (Note 1)	Accumulated Amount of Investments Remitted from Taiwan at Beginning of Period (Note 2)	Amount of Investments Remitted or Repatriated for the Period (Note 2)		Accumulated Amount of Investments Remitted from Taiwan at Beginning of Period (Note 2)	Profit and loss of Investee for the Period	The Company's Direct or Indirect Shareholding %	Investment Profit (Loss) Recognized for the Period (Note 3)	carrying amount of Investments at End of Period	Accumulated return on investments recovered by the end of the period
					Remitted	Repatriated						
BCW	Manufacturing and sales of network appliances	126,179 (USD3,800)	(2)	103,467 (USD3,116)	-	-	103,467 (USD3,116)	(12,234)	82%	(10,032)	146,075	-

Note 1: There are three ways of investment:

- (1) Direct investment in mainland China.
- (2) Investment in mainland China through a company in another region, this is a direct investment by subsidiary, Caswell International Investment Co., Ltd.
- (3) Others.

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

Note 3: Investment gains or losses are recognized based on the financial statements reviewed by the parent company's certified public accountant.

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

b. Limits on investments in Mainland China

Unit: NTD/USD thousand

Accumulated amount of remittance from Taiwan to Mainland China at reporting date	Investment amount approved by Investment Commission of the Ministry of Economic affairs (MOEA)	Ceiling on investment in mainland China as imposed by Investment Commission of MOEA.
103,467 (USD3,116)	103,467 (USD3,116)	2,033,075

Exchange rates at reporting date: USD: 33.2050

Average exchange rate during reporting period: USD: 32.8946

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

c. Significant Transactions:

Please refer to the “Information on significant transactions” for direct or indirect material transactions during the period from January 1 to March 31, 2025, between the Group and its investees in mainland China (which have been eliminated during the preparation of consolidated financial statements).

14. Segment Information

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

	Three months ended March 31, 2025				
	Taiwan Segments	PRC Segments	Others	Adjustments and elimination	Total
Revenue:					
Revenue from external customers	\$ 921,960	26,309	160,628	-	1,108,897
Inter-segment revenue	93,987	-	10,081	(104,068)	-
Total revenue	<u>\$ 1,015,947</u>	<u>26,309</u>	<u>170,709</u>	<u>(104,068)</u>	<u>1,108,897</u>
Profits (losses) of reportable segments	<u>\$ 98,706</u>	<u>(12,234)</u>	<u>(2,344)</u>	<u>(676)</u>	<u>83,452</u>
	Three months ended March 31, 2024				
	Taiwan Segments	PRC Segments	Others	Adjustments and elimination	Total
Revenue:					
Revenue from external customers	\$ 653,952	48,607	136,799	-	839,358
Inter-segment revenue	74,719	-	2,056	(76,775)	-
Total revenue	<u>\$ 728,671</u>	<u>48,607</u>	<u>138,855</u>	<u>(76,775)</u>	<u>839,358</u>
Profits (losses) of reportable segments	<u>\$ 73,137</u>	<u>(10,842)</u>	<u>(3,505)</u>	<u>5,163</u>	<u>63,953</u>