

Stock Code: 6416

CASwell, Inc. and its Subsidiaries
Consolidated Financial Statements and
Independent Auditors' Report
2025 and 2024

**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. Statement of Declaration | 3 |
| 4. Independent Auditors' Report | 4-8 |
| 5. Consolidated Statement of Financial Position | 9 |
| 6. Consolidated Statements of Comprehensive Income | 10 |
| 7. Consolidated Statements of Changes in Equity | 11 |
| 8. Consolidated Statements of Cash Flows | 12 |
| 9. Notes to Consolidated Financial Statements | |
| (1) The Company History and Business Scope | 13 |
| (2) Process and Date of Authorization for Issue | 13 |
| (3) Impact on Application of Amendments and New Standards and Interpretations | 13-15 |
| (4) Summary of Material Accounting Policies | 15-33 |
| (5) Major Sources of Estimation Uncertainty, Assumptions and Significant Judgements | 33 |
| (6) Details of Significant Accounts | 34-58 |
| (7) Related Party Transactions | 58-61 |
| (8) Pledged Assets | 61 |
| (9) Significant Contingent Liabilities and Unrecognized Commitments | 61 |
| (10) Significant Disaster Loss | 61 |
| (11) Significant Subsequent Events | 61 |
| (12) Others | 62 |
| (13) Supplementary Disclosures | |
| a. Information on Significant Transactions | 62-64 |
| b. Information on Investees - excluding mainland China | 64 |
| c. Information on Investees in mainland China | 65 |
| (14) Segment Information | 66-68 |

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, 2025 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 4, 2026

Independent Auditors' Report

To the Board of Directors of CASwell, Inc.:

Opinion

We have audited the accompanying consolidated statements of financial position of CASwell, Inc. and its subsidiaries (the “Group”) as of December 31, 2025 and 2024, 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 the Group as of December 31, 2025 and 2024, and its financial performance and cash flows for the years then ended.

Basis for Opinions

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards 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 2025. 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. The Group 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

The Group has also prepared separate parent company-only financial statements as of and for the years ended December 31, 2025 and 2024, 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 FSC Securities Letter No. 1040003949
Approval Reference No. FSC Securities Letter No. 1140131922
March 4, 2026

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 Statement of Financial Position

Unit: NTS thousand

| Assets | | 2025.12.31 | | 2024.12.31 | | Liabilities and equity | | 2025.12.31 | | 2024.12.31 | |
|----------------------------|---|---------------------|------------|------------------|------------|--|--|---------------------|------------|------------------|------------|
| | | Amount | % | Amount | % | | | Amount | % | Amount | % |
| Current assets: | | | | | | Current liabilities: | | | | | |
| 1100 | Cash and cash equivalents (Note 6(1)) | \$ 455,388 | 8 | 487,593 | 9 | 2100 | Short-term borrowings (Note 6 (7)) | \$ 194,012 | 3 | 158,749 | 3 |
| 1136 | Current financial assets at amortized cost | 69,339 | 1 | 69,189 | 1 | 2170 | Accounts payable | 913,081 | 15 | 618,699 | 11 |
| 1170 | Notes and accounts receivable, net (Note 6(2) and (14)) | 842,820 | 15 | 843,499 | 15 | 2180 | Accounts payable to related parties (Note 7) | 16,917 | - | 36,807 | - |
| 1180 | Accounts receivable from related parties, net (Note 6(2), (14) and 7) | 9,371 | - | 13,230 | - | 2200 | Other payables (including related parties) (Note 7) | 140,688 | 3 | 143,473 | 3 |
| 1200 | Other receivables (including related parties) (Note 7) | 134,668 | 2 | 64,301 | 1 | 2230 | Current income tax liabilities | 54,440 | 1 | 51,503 | 1 |
| 1220 | Current income tax assets | 25 | - | - | - | 2252 | Short-term warranty provisions | 6,015 | - | 6,162 | - |
| 130X | Inventories (Note 6(3)) | 2,383,053 | 40 | 2,104,877 | 37 | 2280 | Current lease liabilities (Note 6(9)) | 34,337 | 1 | 38,402 | 1 |
| 1470 | Other current assets (Notes 7 and 8) | 116,694 | 2 | 94,205 | 2 | 2322 | Long-term borrowings due within one year (Note 6(8) and 8) | 8,762 | - | 1,388 | - |
| | Total current assets | <u>4,011,358</u> | <u>68</u> | <u>3,676,894</u> | <u>65</u> | 2399 | Other current liabilities (Note 7) | <u>113,937</u> | <u>2</u> | <u>116,568</u> | <u>2</u> |
| Non-current assets: | | | | | | Total current liabilities | | <u>1,482,189</u> | <u>25</u> | <u>1,171,751</u> | <u>21</u> |
| 1510 | Non-current financial assets at FVTPL | 51,622 | 1 | 47,364 | 1 | Non-current liabilities: | | | | | |
| 1517 | Non-current financial assets at FVOCI | 51,702 | 1 | 79,402 | 1 | 2540 | Long-term borrowings (Notes 6(8) and 8) | 211,158 | 4 | 269,920 | 5 |
| 1600 | Property, plant and equipment (Note 6(4) and 8) | 766,150 | 13 | 784,767 | 14 | 2552 | Long-term warranty provisions | 24,052 | - | 23,389 | - |
| 1755 | Right-of-use assets (Note 6(5)) | 681,427 | 11 | 714,507 | 13 | 2570 | Deferred income tax liabilities (Note 6(11)) | 14,359 | - | 25,727 | - |
| 1780 | Intangible assets (Note 6(6)) | 339,552 | 6 | 338,026 | 6 | 2580 | Non-current lease liabilities (Note 6(9)) | 475,798 | 8 | 499,314 | 9 |
| 1840 | Deferred income tax assets (Note 6(11)) | 14,524 | - | 14,053 | - | 2670 | Other non-current liabilities | 5 | - | 14 | - |
| 1900 | Other non-current assets | 14,427 | - | 11,086 | - | Total non-current liabilities | | <u>725,372</u> | <u>12</u> | <u>818,364</u> | <u>14</u> |
| | Total non-current assets | <u>1,919,404</u> | <u>32</u> | <u>1,989,205</u> | <u>35</u> | Total liabilities | | <u>2,207,561</u> | <u>37</u> | <u>1,990,115</u> | <u>35</u> |
| | | | | | | Equity attributable to shareholders of the parent company (Note 6(12)): | | | | | |
| | | | | | | 3100 | Share capital | <u>733,485</u> | <u>12</u> | <u>733,485</u> | <u>13</u> |
| | | | | | | 3200 | Capital surplus | <u>1,445,196</u> | <u>25</u> | <u>1,445,196</u> | <u>25</u> |
| | | | | | | 3300 | Retained earnings: | | | | |
| | | | | | | 3310 | Legal reserve | 417,588 | 7 | 384,748 | 7 |
| | | | | | | 3320 | Special earnings reserve | 61,227 | 1 | 52,985 | 1 |
| | | | | | | 3350 | Undistributed earnings | <u>1,020,987</u> | <u>17</u> | <u>961,065</u> | <u>17</u> |
| | | | | | | | Total retained earnings | <u>1,499,802</u> | <u>25</u> | <u>1,398,798</u> | <u>25</u> |
| | | | | | | 3400 | Other equity | <u>(84,020)</u> | <u>(1)</u> | <u>(61,227)</u> | <u>(1)</u> |
| | | | | | | | Equity attributable to shareholders of the parent company | <u>3,594,463</u> | <u>61</u> | <u>3,516,252</u> | <u>62</u> |
| | | | | | | 36XX | Non-controlling interests | <u>128,738</u> | <u>2</u> | <u>159,732</u> | <u>3</u> |
| | | | | | | Total equity | | <u>3,723,201</u> | <u>63</u> | <u>3,675,984</u> | <u>65</u> |
| Total assets | | <u>\$ 5,930,762</u> | <u>100</u> | <u>5,666,099</u> | <u>100</u> | Total liabilities and equity | | <u>\$ 5,930,762</u> | <u>100</u> | <u>5,666,099</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

Unit: NT\$ thousand

| | 2025 | | 2024 | |
|--|-------------------|----------|----------------|----------|
| | Amount | % | Amount | % |
| 4000 Revenue (Note 6(14) and 7) | \$ 4,309,272 | 100 | 4,253,669 | 100 |
| 5000 Cost of sales (Note 6(3), (4), (5), (9), (10), (15), 7 and 12) | 3,315,192 | 77 | 3,239,943 | 76 |
| Gross Profit | 994,080 | 23 | 1,013,726 | 24 |
| Operating expenses (Note 6(4), (5), (9), (10), (15), 7 and 12): | | | | |
| 6100 Selling and marketing expenses | 201,294 | 5 | 174,638 | 4 |
| 6200 General and administrative expenses | 152,452 | 3 | 235,603 | 6 |
| 6300 Research and development expenses | 280,170 | 7 | 270,608 | 6 |
| 6450 Net expected credit losses (reversals) (Note 6(2)) | 140 | - | (1,445) | - |
| Total operating expenses | 634,056 | 15 | 679,404 | 16 |
| Operating Profit | 360,024 | 8 | 334,322 | 8 |
| Non-operating income and expenses (Note 6(16)): | | | | |
| 7100 Interest income | 10,026 | - | 12,163 | - |
| 7010 Other income | 39,468 | 1 | 64,952 | 2 |
| 7020 Other gains and losses, net | 8,190 | - | 28,142 | - |
| 7050 Finance costs (Note 6(9)) | (19,694) | - | (22,007) | - |
| Total non-operating income and expenses | 37,990 | 1 | 83,250 | 2 |
| 7900 Profit before tax | 398,014 | 9 | 417,572 | 10 |
| 7950 Less: Income tax expense (Note 6(9)) | 88,456 | 2 | 86,607 | 2 |
| Net profit | 309,558 | 7 | 330,965 | 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 | (23,934) | (1) | (28,292) | (1) |
| 8349 Income tax relating to items that will not be reclassified | - | - | - | - |
| Total of items that will not be reclassified to profit or loss | (23,934) | (1) | (28,292) | (1) |
| 8360 Items that may be reclassified subsequently to profit or loss | | | | |
| 8361 Exchange differences arising from the translation of foreign operations | (10,938) | - | 8,703 | - |
| 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 | (10,938) | - | 8,703 | - |
| 8300 Other comprehensive income (loss) | (34,872) | (1) | (19,589) | (1) |
| 8500 Total comprehensive income | <u>\$ 274,686</u> | <u>6</u> | <u>311,376</u> | <u>7</u> |
| Net profit attributable to: | | | | |
| 8610 Shareholders of the parent company | \$ 315,590 | 7 | 330,082 | 8 |
| 8620 Non-controlling interests | (6,032) | - | 883 | - |
| Net profit | <u>\$ 309,558</u> | <u>7</u> | <u>330,965</u> | <u>8</u> |
| Comprehensive income attributable to: | | | | |
| 8710 Shareholders of the parent company | \$ 290,922 | 6 | 320,162 | 7 |
| 8720 Non-controlling interests | (16,236) | - | (8,786) | - |
| Total comprehensive income | <u>\$ 274,686</u> | <u>6</u> | <u>311,376</u> | <u>7</u> |
| Earnings per share (Note 6(13)) | | | | |
| 9750 Basic earnings per share (NT\$) | <u>\$ 4.30</u> | | <u>4.50</u> | |
| 9850 Diluted earnings per share (NT\$) | <u>\$ 4.29</u> | | <u>4.49</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

Unit: NT\$ thousand

| | Equity attributable to shareholders of parent company | | | | | | | Total equity attributable to shareholders of the parent company | Non-controlling interests | Total Equity |
|--|---|-----------------|---------------|--------------------------|------------------------|--------------------------------------|------------------------------------|---|---------------------------|--------------|
| | Earnings distribution and reserve | | | | | Other equity items | | | | |
| | Share capital | Capital surplus | Legal reserve | Special earnings reserve | Undistributed earnings | Foreign currency translation reserve | FVOCI reserve for financial assets | | | |
| 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 profit | - | - | - | - | 330,082 | - | - | 330,082 | 883 | 330,965 |
| Other comprehensive income (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 reserve | - | - | - | 12,755 | (12,755) | - | - | - | - | - |
| Cash dividends to shareholders | - | - | - | - | (205,376) | - | - | (205,376) | - | (205,376) |
| Decrease in non-controlling interests | - | - | - | - | - | - | - | - | (16,529) | (16,529) |
| Disposal of equity investments measured at FVOCI | - | - | - | - | (1,678) | - | 1,678 | - | - | - |
| Balance on 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 |
| Net profit | - | - | - | - | 315,590 | - | - | 315,590 | (6,032) | 309,558 |
| Other comprehensive income (loss) | - | - | - | - | - | (10,154) | (14,514) | (24,668) | (10,204) | (34,872) |
| Total comprehensive income (loss) | - | - | - | - | 315,590 | (10,154) | (14,514) | 290,922 | (16,236) | 274,686 |
| Earnings distribution: | | | | | | | | | | |
| Appropriation of legal reserve | - | - | 32,840 | - | (32,840) | - | - | - | - | - |
| Appropriation of special reserve | - | - | - | 8,242 | (8,242) | - | - | - | - | - |
| Cash dividends to shareholders | - | - | - | - | (212,711) | - | - | (212,711) | - | (212,711) |
| Decrease in non-controlling interests | - | - | - | - | - | - | - | - | (14,758) | (14,758) |
| Disposal of equity investments measured at FVOCI | - | - | - | - | (1,875) | - | 1,875 | - | - | - |
| Balance on December 31, 2025 | \$ 733,485 | 1,445,196 | 417,588 | 61,227 | 1,020,987 | (41,428) | (42,592) | 3,594,463 | 128,738 | 3,723,201 |

(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

Unit: NT\$ thousand

| | 2025 | 2024 |
|--|------------|-----------|
| Cash flows from operating activities: | | |
| Profit before tax | \$ 398,014 | 417,572 |
| Adjustments: | | |
| Adjustments to reconcile profit (loss) | | |
| Depreciation | 79,041 | 83,859 |
| Amortization | 5,289 | 12,409 |
| Net expected credit losses (reversals) | 140 | (1,445) |
| Net gain on financial assets/liabilities at FVTPL | (11,394) | (4,228) |
| Interest expenses | 19,694 | 22,007 |
| Interest income | (10,026) | (12,163) |
| Loss (gain) on disposal and scrapping of property, plant and equipment | (388) | 2,517 |
| Loss (gain) on lease modification | 488 | (4) |
| Total adjustments to reconcile profit (loss) | 82,844 | 102,952 |
| Changes in operating assets/liabilities: | | |
| Net changes in operating assets: | | |
| Decrease (increase) in notes and accounts receivable (including related parties) | 4,034 | (88,132) |
| Increase in other receivables (including related parties) | (70,367) | (22,747) |
| Inventory increase | (278,472) | (316,131) |
| Increase in other current assets | (22,488) | (20,839) |
| Total net changes in operating assets | (367,293) | (447,849) |
| Net changes in operating liabilities: | | |
| Increase in accounts payable (including related parties) | 274,492 | 104,960 |
| Increase (decrease) in other payables (including related parties) | (2,785) | 8,301 |
| Increase in warranty provisions | 497 | 4,738 |
| Decrease in other current liabilities | (2,631) | (20,257) |
| Total net changes in operating liabilities | 269,573 | 97,742 |
| Total net changes in operating assets and liabilities | (97,720) | (350,107) |
| Total adjustments | (14,876) | (247,155) |
| Cash generated from operating activities | 383,138 | 170,417 |
| Interest received | 10,026 | 12,163 |
| Interest paid | (19,694) | (22,007) |
| Income tax paid | (97,382) | (110,094) |
| Net cash inflow generated from operations | 276,088 | 50,479 |
| Cash flows from (used in) investing activities: | | |
| Proceeds from disposal of financial assets at FVOCI | 3,766 | 3,268 |
| Proceeds from return of capital of financial assets at FVTPL | 11,937 | 4,991 |
| Acquisition of financial assets at amortized cost | (150) | (16,909) |
| Acquisition of financial assets at FVTPL | (4,800) | - |
| Acquisition of property, plant and equipment | (11,591) | (46,547) |
| Disposal of property, plant and equipment | 1,678 | 285 |
| Acquisition of intangible assets | (4,475) | (3,367) |
| Decrease (increase) in other non-current assets | (3,680) | 4,152 |
| Net cash used in investing activities | (7,315) | (54,127) |
| Cash flows from (used in) financing activities: | | |
| Increase in short-term borrowings | 443,408 | 600,000 |
| Decrease in short-term borrowings | (410,000) | (472,086) |
| Repayments of long-term borrowings | (51,388) | (51,236) |
| Repayment of the principal portion of lease liabilities | (44,764) | (50,574) |
| Decrease in other non-current liabilities | (9) | (14) |
| Cash dividends paid | (212,711) | (205,376) |
| Decrease in non-controlling interests | (14,758) | (16,529) |
| Net cash used in financing activities | (290,222) | (195,815) |
| Effect of exchange differences on cash and cash equivalents | (10,756) | 8,184 |
| Decrease in cash and cash equivalents of the year | (32,205) | (191,279) |
| Cash and cash equivalents at beginning of the year | 487,593 | 678,872 |
| Cash and cash equivalents at end of the year | \$ 455,388 | 487,593 |

(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
2025 and 2024

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

1. The 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 March 5, 2026.

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.

- IFRS 17 “Insurance Contracts” and amendments
- 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”

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

- (3) Amendments and new standards issued by IASB, but not yet endorsed and issued into effect by the FSC

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” | <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 statements.</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 Group’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. | <p>January 1, 2027</p> <p>Note: The FSC announced in a press release dated September 25, 2025, that Taiwan will adopt IFRS 18 beginning with the 2028 fiscal year. Early adoption is permitted upon approval by the FSC.</p> |

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 the 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 19 “Subsidiaries without Public Accountability: Disclosures” and amendments
- Amendments to IAS 21 “Translation to a Hyperinflationary Presentation Currency”

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 Statements 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).

(3) Basis for consolidation

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

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

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:

| <u>Name of Investor</u> | <u>Name of Subsidiary</u> | <u>Main Business Activity</u> | <u>Ownership %</u> | |
|--|--|---|--------------------|-------------------|
| | | | <u>2025.12.31</u> | <u>2024.12.31</u> |
| The Company | CASO, Inc. ("CASO") | Import and sales of network appliances and computer peripherals, etc. | 99% | 99% |
| The Company | CASWELL INTERNATIONAL INVESTMENT CO., LTD. | Overseas investment | 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 and network appliances | 60.64% | 60.64% |

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

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

(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 Group 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.

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

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 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 Group 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 Group 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.

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

(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 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.

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

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 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 FVOCI

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 FVTPL

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).

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

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
- 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 expected credit losses 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.

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

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. (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 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.

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

(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.

(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) Financial liabilities

The Group shall classify all financial liabilities as subsequently 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 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.

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

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 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.

(d) 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.

(e) 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.

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

(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.

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 are 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.

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

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.

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 remeasurement 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 remeasure the lease liability by discounting the revised lease payments, if there is a change in:

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

- 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 remeasure the lease liability to reflect changes to the lease payments, the Group shall recognize the amount of the remeasurement 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 remeasurement in profit or loss.

The Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease 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

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

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 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.

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

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.

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

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

(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.

(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.

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

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 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 Group 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 should be recognized for the carry forward of unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax credits and deductible temporary differences can be utilized. 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

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

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 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 Group 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.

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

(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 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.

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

6. Details of Significant Accounts

(1) Cash and Cash Equivalents

| | <u>2025.12.31</u> | <u>2024.12.31</u> |
|---|--------------------------|-----------------------|
| Cash on hand and petty cash | \$ 697 | 821 |
| Foreign currency and demand deposits | 340,872 | 432,022 |
| Short-term certificate of deposit | <u>113,819</u> | <u>54,750</u> |
| Cash and cash equivalents at end of year in the consolidated statements of cash flows | <u>\$ 455,388</u> | <u>487,593</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>2025.12.31</u> | <u>2024.12.31</u> |
|----------------------|--------------------------|-----------------------|
| Notes receivable | \$ 754 | 983 |
| Accounts receivable | 858,928 | 862,733 |
| Less: Loss allowance | <u>(7,491)</u> | <u>(6,987)</u> |
| | <u>\$ 852,191</u> | <u>856,729</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:

| | <u>2025.12.31</u> | | |
|-----------------------|---|--------------------------------------|-----------------------------------|
| | <u>Carrying amount of notes and accounts receivable</u> | <u>Probability-weighted ECL rate</u> | <u>Allowance for lifetime ECL</u> |
| Not Past Overdue | \$ 774,526 | 0.09% | 730 |
| Past Due ≤ 30 Days | 40,185 | 0.68% | 273 |
| Past Due 31-120 days | 30,127 | 2.25% | 679 |
| Past Due 121-365 days | 13,991 | 35.42% | 4,956 |
| Past Due ≥ 366 Days | <u>853</u> | 100.00% | <u>853</u> |
| | <u>\$ 859,682</u> | | <u>7,491</u> |

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

| | 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> |

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

| | 2025 | 2024 |
|--|------------------------|---------------------|
| Opening balance of loss allowance | \$ 6,987 | 8,356 |
| New ECL provisions | 787 | 1,664 |
| Recoveries of previously written-off receivables | (647) | (3,109) |
| Foreign exchange differences | 364 | 76 |
| Ending balance of loss allowance | <u>\$ 7,491</u> | <u>6,987</u> |

Financial assets mentioned above are neither pledged as collateral for borrowings nor for financing facilities.

Please refer to 6(17) for details on the 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:

| 2025.12.31 | | | | | |
|----------------------------------|--|------------------------|------------------------------|--------------------------------|-------------------|
| Factoring institution | Total amount of receivables derecognition during the reporting period | Factoring limit | Factoring advance | Interest rate range | Collateral |
| China Merchants Bank | <u>\$ 31,264</u> | - | <u>30,816</u> | <u>1.41%~1.50%</u> | None |
| China Minsheng Bank | <u>\$ 10,130</u> | - | <u>10,057</u> | <u>0.66%~0.83%</u> | None |

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 | Interest 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

| | 2025.12.31 | 2024.12.31 |
|-------------------------------|---------------------|------------------|
| Raw materials and spare parts | \$ 1,344,826 | 1,101,520 |
| Work-in-progress | 283,885 | 302,760 |
| Finished goods | 754,342 | 700,597 |
| | \$ 2,383,053 | 2,104,877 |

The details of cost of sales in 2025 and 2024 are as follows:

| | 2025 | 2024 |
|---|---------------------|------------------|
| Cost of goods sold (COGS) for inventory | \$ 3,199,724 | 3,144,375 |
| Inventory write-down (reversal) loss | (8,655) | (1,306) |
| Inventory obsolescence (write-off) loss | 20,102 | 12,844 |
| Other inventory adjustments | 104,021 | 84,030 |
| | \$ 3,315,192 | 3,239,943 |

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 equipment | R&D equipment | Other equipment | Total |
|------------------------------|-------------------|--------------------------|---------------------|---------------|-----------------|----------------|
| Cost: | | | | | | |
| Balance, January 1, 2025 | \$ 366,191 | 361,507 | 24,025 | 17,435 | 88,422 | 857,580 |
| Additions | - | - | 3,472 | 1,035 | 7,084 | 11,591 |
| Disposal | - | - | (2,567) | (6,931) | (5,721) | (15,219) |
| Exchange differences | - | - | 114 | 5 | 820 | 939 |
| Balance on December 31, 2025 | \$ 366,191 | 361,507 | 25,044 | 11,544 | 90,605 | 854,891 |
| 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 |
| Disposal | - | - | (4,404) | (3,549) | (10,433) | (18,386) |
| Reclassification | - | - | - | - | 1,702 | 1,702 |
| Exchange differences | - | - | 9 | 67 | 141 | 217 |
| Balance on December 31, 2024 | \$ 366,191 | 361,507 | 24,025 | 17,435 | 88,422 | 857,580 |

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

| | Land | Buildings and structures | Machinery equipment | R&D equipment | Other equipment | Total |
|---------------------------------|-------------------|--------------------------------|------------------------|------------------|--------------------|----------------|
| Accumulated Depreciation: | | | | | | |
| Balance, January 1, 2025 | \$ - | 17,638 | 10,902 | 10,531 | 33,742 | 72,813 |
| Depreciation | - | 9,396 | 5,699 | 2,232 | 11,914 | 29,241 |
| Disposal | - | - | (2,567) | (6,925) | (4,437) | (13,929) |
| Exchange differences | - | - | 12 | 7 | 597 | 616 |
| Balance on December 31, 2025 | <u>\$ -</u> | <u>27,034</u> | <u>14,046</u> | <u>5,845</u> | <u>41,816</u> | <u>88,741</u> |
| 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 |
| Disposal | - | - | (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> |
| Carrying Amount: | | | | | | |
| December 31, 2025 | <u>\$ 366,191</u> | <u>334,473</u> | <u>10,998</u> | <u>5,699</u> | <u>48,789</u> | <u>766,150</u> |
| 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> |

Please refer to 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:

| | Land | Buildings and structures | Machinery equipment | Transportation equipment | Total |
|---------------------------------|-------------------|--------------------------------|------------------------|-----------------------------|----------------|
| Cost: | | | | | |
| Balance, January 1, 2025 | \$ 337,533 | 423,762 | 141 | 7,373 | 768,809 |
| Additions | - | 15,902 | 147 | 5,813 | 21,862 |
| Modifications | - | (12,830) | (146) | (4,408) | (17,384) |
| Exchange differences | - | 8 | 12 | 376 | 396 |
| Balance on December 31, 2025 | <u>\$ 337,533</u> | <u>426,842</u> | <u>154</u> | <u>9,154</u> | <u>773,683</u> |
| 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> |
| Accumulated depreciation: | | | | | |
| Balance, January 1, 2025 | - | 48,963 | 35 | 5,304 | 54,302 |
| Depreciation | - | 47,373 | 147 | 2,280 | 49,800 |
| Modifications | - | (8,949) | (146) | (3,547) | (12,642) |
| Exchange differences | - | 528 | 4 | 264 | 796 |
| Balance on December 31, 2025 | <u>\$ -</u> | <u>87,915</u> | <u>40</u> | <u>4,301</u> | <u>92,256</u> |

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

| | Land | Buildings and structures | Machinery equipment | Transportation equipment | Total |
|------------------------------|-------------------|--------------------------------|------------------------|-----------------------------|----------------|
| Balance on January 1, 2024 | \$ - | 118,551 | 28 | 4,252 | 122,831 |
| Depreciation | - | 53,466 | 124 | 1,952 | 55,542 |
| 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> |
| Carrying Amount: | | | | | |
| December 31, 2025 | <u>\$ 337,533</u> | <u>338,927</u> | <u>114</u> | <u>4,853</u> | <u>681,427</u> |
| December 31, 2024 | <u>\$ 337,533</u> | <u>374,799</u> | <u>106</u> | <u>2,069</u> | <u>714,507</u> |

(6) Intangible assets

| | Goodwill | Computer software and other intangible assets | Total |
|---|-------------------|---|----------------|
| Gross carrying amount - Cost: | | | |
| Balance on January 1, 2025 | \$ 331,326 | 50,650 | 381,976 |
| Additions | - | 4,475 | 4,475 |
| Transferred from advance payments | - | 338 | 338 |
| Disposals | - | (6,368) | (6,368) |
| Exchange differences | 2,021 | 122 | 2,143 |
| Balance on December 31, 2025 | <u>\$ 333,347</u> | <u>49,217</u> | <u>382,564</u> |
| 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> |
| Accumulated amortization and impairment losses: | | | |
| Balance on January 1, 2025 | \$ 812 | 43,138 | 43,950 |
| Amortization | - | 5,289 | 5,289 |
| Disposals | - | (6,368) | (6,368) |
| Exchange differences | - | 141 | 141 |
| Balance on December 31, 2025 | <u>\$ 812</u> | <u>42,200</u> | <u>43,012</u> |
| Balance on January 1, 2024 | \$ 812 | 31,801 | 32,613 |
| Amortization | - | 12,409 | 12,409 |
| Disposals | - | (1,048) | (1,048) |
| Exchange differences | - | (24) | (24) |
| Balance on December 31, 2024 | <u>\$ 812</u> | <u>43,138</u> | <u>43,950</u> |
| Carrying Amount, net: | | | |
| December 31, 2025 | <u>\$ 332,535</u> | <u>7,017</u> | <u>339,552</u> |
| December 31, 2024 | <u>\$ 330,514</u> | <u>7,512</u> | <u>338,026</u> |

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

(7) Short-term borrowings

Details of short-term borrowings are as follows:

| | <u>2025.12.31</u> | <u>2024.12.31</u> |
|---------------------------|-----------------------|--------------------|
| Unsecured bank borrowings | <u>\$ 194,012</u> | <u>158,749</u> |
| Unused credit facility | <u>\$ 2,545,692</u> | <u>2,094,283</u> |
| Interest rate range | <u>0.9323%~7.794%</u> | <u>1.91%~9.69%</u> |

a. Issuance and repayment of borrowings

During 2025 and 2024, the Group had significant short-term borrowings amounting to NT\$443,408 thousand and NT\$600,000 thousand, respectively, bearing interest rates ranging from 0.9323% to 7.79% and 1.85% to 9.69%, respectively, and maturities in August 2025 and November 2024. Repayment made during the respective periods amounts to NT\$410,000 thousand and NT\$472,086 thousand. 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

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

| <u>2025.12.31</u> | | | | |
|--|-----------------|--------------------------------|-----------------------|-------------------|
| | <u>Currency</u> | <u>Interest rate range</u> | <u>Maturity</u> | <u>Amount</u> |
| Secured bank borrowings | NTD | 2.118%~2.122% | 2038.05.09~2043.03.20 | \$ 219,920 |
| Less: Current portion of long-term borrowings | | | | <u>(8,762)</u> |
| Non-current portion of long-term borrowings | | | | <u>\$ 211,158</u> |
| Unused credit facility | | | | <u>\$ -</u> |
| <u>2024.12.31</u> | | | | |
| | <u>Currency</u> | <u>Interest rate range</u> | <u>Maturity</u> | <u>Amount</u> |
| Secured bank borrowings | NTD | 2.118%~2.122% | 2038.05.09~2043.03.20 | \$ 271,308 |
| Less: 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> |

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

a. Issuance and repayment of borrowings

The Group had no significant long-term borrowings issued during 2025 and 2024. Repayments made during the respective periods amounted to NT\$51,388 thousand and NT\$51,236 thousand. 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. Please refer to Note 8 for details.

(9) Lease liabilities

Lease liabilities of the Group are classified as follows:

| | <u>2025.12.31</u> | <u>2024.12.31</u> |
|-------------|-------------------|-------------------|
| Current | <u>\$ 34,337</u> | <u>38,402</u> |
| Non-current | <u>\$ 475,798</u> | <u>499,314</u> |

Please refer to 6(17)b Financial Instruments for details of maturity analysis.

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

| | <u>2025</u> | <u>2024</u> |
|---|------------------|---------------|
| Interest expenses on lease liabilities | <u>\$ 11,054</u> | <u>11,310</u> |
| Expenses relating to short-term leases | <u>\$ 5,025</u> | <u>9,330</u> |
| Expenses relating to leases of low-value assets | <u>\$ 419</u> | <u>100</u> |
| Gain (loss) on lease modification | <u>\$ (488)</u> | <u>4</u> |

The amounts recognized in the statements of cash flows are:

| | <u>2025</u> | <u>2024</u> |
|-----------------------------|------------------|---------------|
| Total cash outflow of lease | <u>\$ 61,262</u> | <u>71,314</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.

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

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

For the years ended 2025 and 2024, the pension expenses of the Company under the defined contribution plan were NT\$9,413 thousand and NT\$9,518 thousand, respectively. The pension expenses of the subsidiary, HAWKEYE under the defined contribution plan were NT\$3,489 thousand and NT\$3,776 thousand for the years ended 2025 and 2024, 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\$538 thousand and NT\$547 thousand for the years ended 2025 and 2024, 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 2025 and 2024, 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.

(11) Income tax

a. Income tax expense

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

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

| | <u>2025</u> | <u>2024</u> |
|--|------------------|---------------|
| Current income tax expenses | | |
| Current tax on profits for the year | \$ 105,114 | 97,434 |
| Adjustments for current tax of prior periods | (4,467) | (5,663) |
| | <u>100,647</u> | <u>91,771</u> |
| Deferred income tax benefit | (12,191) | (5,164) |
| Total income tax expenses | <u>\$ 88,456</u> | <u>86,607</u> |

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

| | <u>2025</u> | <u>2024</u> |
|--|-------------------|----------------|
| Profit before tax | <u>\$ 398,014</u> | <u>417,572</u> |
| Tax at domestic statutory rate | \$ 79,603 | 83,514 |
| Effect of different tax rates in foreign jurisdictions | 20,102 | 17,392 |
| Non-deductible expenses | (8,660) | (6,261) |
| Tax and accounting differences (temporary and permanent differences) | (5,974) | (7,008) |
| Adjustments for tax assessments (prior year adjustments) | 1,507 | 1,345 |
| Additional 5% surtax on undistributed earnings | 3,877 | 333 |
| Impact of R&D tax credits and incentives | (1,999) | (2,708) |
| Income tax expense recognized in profit or loss | <u>\$ 88,456</u> | <u>86,607</u> |

b. Recognized deferred tax assets and liabilities

The movement in deferred tax assets and liabilities are as follows:

Deferred tax liabilities:

| | <u>Unrealized foreign exchange gains (losses)</u> | <u>Others</u> | <u>Total</u> |
|---|---|-----------------|-----------------|
| Balance on January 1, 2025 | \$ (1,438) | (24,289) | (25,727) |
| Credited (charged) to profit or loss | 612 | 10,703 | 11,315 |
| Exchange differences on translation of foreign operations | - | 53 | 53 |
| Balance on December 31, 2025 | <u>\$ (826)</u> | <u>(13,533)</u> | <u>(14,359)</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> |

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

Deferred tax assets:

| | Unrealized foreign exchange gains (losses) | Others | Total |
|---|---|---------------|---------------|
| Balance on January 1, 2025 | \$ 117 | 13,936 | 14,053 |
| Credited (charged) to profit or loss | (52) | 928 | 876 |
| Exchange differences on translation of foreign operations | - | (405) | (405) |
| Balance on December 31, 2025 | \$ 65 | 14,459 | 14,524 |
| 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 | \$ 117 | 13,936 | 14,053 |

c. Tax Return Filing

As of December 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

As of December 31, 2025 and 2024, 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.

a. Capital surplus

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

| | 2025.12.31 | 2024.12.31 |
|-----------------------------|---------------------|-------------------|
| Share premium | \$ 1,418,377 | 1,418,377 |
| Treasury share transactions | 22,792 | 22,792 |
| Expired stock options | 4,027 | 4,027 |
| | \$ 1,445,196 | 1,445,196 |

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.

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

b. Earnings distribution and reserves

In accordance with the Company's Articles of Incorporation, if there is net profit 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.

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 profit 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.

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

(c) 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\$) | Amount | Dividends Per Share (NT\$) | Amount |
| Dividends distributed to common shareholders: | | | | |
| Cash | \$ 2.90 | <u>212,711</u> | 2.80 | <u>205,376</u> |

The Board of Directors approved, on March 4, 2026, the distribution of cash dividends of NT\$205,376 thousand to ordinary shareholders from 2025 earnings.

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 loss attributable to non-controlling interests | - | - | (6,032) | (6,032) |
| Fair value changes in financial assets at FVOCI | - | (14,514) | (9,420) | (23,934) |
| Exchange differences on translation of foreign operations | (10,154) | - | (784) | (10,938) |
| Disposal of equity investments measured at FVOCI | - | 1,875 | - | 1,875 |
| Cash dividends distributed by subsidiary | - | - | (14,758) | (14,758) |
| December 31, 2025 | <u>\$ (41,428)</u> | <u>(42,592)</u> | <u>128,738</u> | <u>44,718</u> |
| January 1, 2024 | \$ (38,510) | (14,475) | 185,047 | 132,062 |
| Net loss 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 equity investments measured at FVOCI | - | 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> |

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

(13) Earnings per Share

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

| | <u>2025</u> | <u>2024</u> |
|---|-------------------|----------------|
| Basic earnings per share: | | |
| Net profit attributable to owners of ordinary shares of the Company | <u>\$ 315,590</u> | <u>330,082</u> |
| Weighted average number of ordinary shares outstanding (in thousands) | <u>73,348</u> | <u>73,348</u> |
| Basic earnings per share (NT\$) | <u>\$ 4.30</u> | <u>4.50</u> |
| Diluted earnings per share: | | |
| Net profit attributable to owners of ordinary shares of the Company | <u>\$ 315,590</u> | <u>330,082</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>155</u> | <u>145</u> |
| Weighted average number of ordinary shares outstanding (diluted) (in thousands) | <u>73,503</u> | <u>73,493</u> |
| Diluted earnings per share (NT\$) | <u>\$ 4.29</u> | <u>4.49</u> |

(14) Revenue from contracts with customers

a. Disaggregation of Revenue from Contracts with Customers

| | <u>2025</u> | | | |
|---|------------------------|---------------------|----------------|------------------|
| | <u>Taiwan Segments</u> | <u>PRC Segments</u> | <u>Others</u> | <u>Total</u> |
| Disaggregation of revenue by geographical region: | | | | |
| Taiwan | \$ 404,875 | - | 8,721 | 413,596 |
| Asia | 1,948,577 | 71,877 | 383,206 | 2,403,660 |
| America | 859,535 | - | 188,080 | 1,047,615 |
| Europe | 417,137 | - | 22,158 | 439,295 |
| Australia | 3,862 | - | 23 | 3,885 |
| Africa | - | - | 1,221 | 1,221 |
| | <u>\$ 3,633,986</u> | <u>71,877</u> | <u>603,409</u> | <u>4,309,272</u> |
| Disaggregation of revenue by major product lines: | | | | |
| Network appliances | \$ 2,769,166 | 52,685 | 413,806 | 3,235,657 |
| Motherboards | 98,922 | 120 | 3,528 | 102,570 |
| Others | 765,898 | 19,072 | 186,075 | 971,045 |
| | <u>\$ 3,633,986</u> | <u>71,877</u> | <u>603,409</u> | <u>4,309,272</u> |

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

| | 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 |
| Motherboards | 100,854 | 732 | 3,335 | 104,921 |
| Others | 777,893 | 36,174 | 175,812 | 989,879 |
| | \$ 3,488,615 | 160,796 | 604,258 | 4,253,669 |

b. Contract balance

| | 2025.12.31 | 2024.12.31 | 2024.1.1 |
|-------------------------------|-------------------|----------------|----------------|
| Notes and accounts receivable | \$ 859,682 | 863,716 | 779,767 |
| Less: Loss allowance | (7,491) | (6,987) | (8,356) |
| Total | \$ 852,191 | 856,729 | 771,411 |

Please refer to 6(2) for accounts receivable and ECL analysis.

(15) Employee compensation and Directors' remuneration

On May 22, 2025, the Company resolved at its shareholders' meeting to amend the Articles of Incorporation. Pursuant to the amended Articles, if the Company has profit for the year—defined as profit before tax and before deducting employee compensation and directors' remuneration, it shall allocate 2% to 15% of such profit as employee compensation, of which not less than 20% of the actual amount allocated shall be distributed to non-managerial employees, and not more than 2% as directors' remuneration. Prior to the amendment, the same appropriation rates applied, except that no specific allocation to non-managerial employees was required. If the Company still has accumulated deficits, such deficits shall be offset prior to the appropriation. Employee compensation may be distributed in the form of stock or cash,

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

and may also be allocated to qualified employees of subsidiaries. Directors' remuneration shall be distributed in cash only.

Employee compensation and directors' remuneration are estimated based on profit before tax before deduction of employee compensation and directors' remuneration, multiplied by the applicable percentages prescribed in the Articles of Incorporation, and are recognized as cost of sales or operating expenses during the respective periods. Related information is available on the Market Observation Post System (MOPS). Any difference between the actual amounts approved in the following year and the amounts previously estimated shall be accounted for as a change in accounting estimate and recognized in profit or loss in the following year.

The aforementioned estimated amounts were as follows:

| | <u>2025</u> | <u>2024</u> |
|-------------------------|------------------|---------------|
| Employee compensation | \$ 12,500 | 13,800 |
| Directors' remuneration | 4,800 | 5,280 |
| | <u>\$ 17,300</u> | <u>19,080</u> |

The actual amounts of employee compensation and directors' remuneration for 2024 were consistent with the amounts previously recognized in the 2024 consolidated financial statements.

(16) Non-operating income and expenses

a. Interest income

Interest income consists of the following items:

| | <u>2025</u> | <u>2024</u> |
|---|------------------|---------------|
| Interest income from bank deposits | \$ 7,584 | 9,257 |
| Interest income from financial assets measured at amortized cost | 2,413 | 2,837 |
| Others | 29 | 69 |
| Total interest income | <u>\$ 10,026</u> | <u>12,163</u> |

b. Other income

Other income consists of the following items:

| | <u>2025</u> | <u>2024</u> |
|---|------------------|---------------|
| Non-recurring engineering, freight, and insurance income | \$ 26,794 | 28,950 |
| Government grants for R&D activities | 1,910 | 11,225 |
| Others | 10,764 | 24,777 |
| Total other income | <u>\$ 39,468</u> | <u>64,952</u> |

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

c. Other gains and losses, net

Other gains and losses consist of the following items:

| | <u>2025</u> | <u>2024</u> |
|---|-----------------|---------------|
| Gain (loss) on disposal and scrapping of PP&E | \$ 388 | (2,517) |
| Gain (loss) on lease modification | (488) | 4 |
| Exchange differences | (3,067) | 26,505 |
| Gain on financial assets (liabilities) at FVTPL | 11,394 | 4,228 |
| Others | <u>(37)</u> | <u>(78)</u> |
| Other gains and losses, net | <u>\$ 8,190</u> | <u>28,142</u> |

d. Finance costs

Financial costs consist of the following items:

| | <u>2025</u> | <u>2024</u> |
|-------------------------------|------------------|---------------|
| Interest from bank borrowings | \$ 8,640 | 10,697 |
| Interest on lease liabilities | <u>11,054</u> | <u>11,310</u> |
| Total financial costs | <u>\$ 19,694</u> | <u>22,007</u> |

(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 December 31, 2025 and 2024, 53.37% and 67.21% of the Group's accounts receivable were attributable to three major customers, respectively, indicating a significant concentration of credit risk.

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

(c) Credit risk of receivables

Please refer to Note 6(2) for credit risk exposure related to notes and accounts receivable. Notes and accounts receivable are measured at lifetime ECL under the simplified approach.

The Other financial assets measured at amortized cost mainly include other receivables and long-term certificates of deposit. These financial assets are considered to have low credit risk; therefore, the loss allowance was measured based on 12-month ECL. Refer to Note 4(7) for the Group's assessment of low credit risk. No loss allowance was recognized for other receivables for the years ended December 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> |
|--|------------------------|-------------------------------------|---------------------------|--------------------|------------------|------------------|---------------------|
| December 31, 2025 | | | | | | | |
| Non-derivative financial liabilities | | | | | | | |
| Bank borrowings | \$ 413,932 | 459,785 | 194,112 | 15,840 | 17,757 | 47,762 | 184,314 |
| Accounts payable (including related parties) | 929,998 | 929,998 | 929,998 | - | - | - | - |
| Other payables (including related parties) | 140,688 | 140,688 | 140,688 | - | - | - | - |
| Lease liabilities | 510,135 | 529,404 | 22,841 | 21,173 | 29,242 | 456,148 | - |
| Total | <u>\$ 1,994,753</u> | <u>2,059,875</u> | <u>1,287,639</u> | <u>37,013</u> | <u>46,999</u> | <u>503,910</u> | <u>184,314</u> |
| 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 | <u>\$ 1,766,752</u> | <u>1,856,317</u> | <u>985,859</u> | <u>28,413</u> | <u>55,722</u> | <u>539,435</u> | <u>246,888</u> |

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 the reporting periods are as follows:

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

| 2025.12.31 | | | | |
|------------------------------|-----------------------------|--------|----------------------|------------|
| | Foreign currency | | Exchange rate | NTD |
| <u>Financial assets</u> | | | | |
| <u>Monetary items</u> | | | | |
| USD | \$ | 30,749 | USD/NTD= | 31.430 |
| | | | | 966,441 |
| JPY | | 405 | JPY/NTD= | 0.2008 |
| | | | | 81 |
| <u>Financial liabilities</u> | | | | |
| <u>Monetary items</u> | | | | |
| USD | | 22,619 | USD/NTD= | 31.430 |
| | | | | 710,915 |
| 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 |

(b) Currency 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, 2025 and 2024, 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 profit for the years ended December 31, 2025 and 2024 would have increased or decreased by NT\$20,449 and NT\$29,113 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\$ 3,067 thousand (loss) and NT\$26,505 thousand (gain) for the years ended December 31, 2025 and 2024, respectively.

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

(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 profit for the years ended December 31, 2025 and 2024 would have decreased by NT\$3,311 thousand and increased by NT\$3,440 thousand, respectively.

d. Other price risk sensitivity analysis

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

| Equity price at reporting date | 2025 | | 2024 | |
|--------------------------------|-----------------|----------------|-----------------|----------------|
| | OCI, net of tax | Profit or loss | OCI, net of tax | Profit or loss |
| Increase by 1% | \$ 517 | 516 | 794 | 474 |
| Decrease by 1% | \$ (517) | (516) | (794) | (474) |

e. Information on fair value

(a) Categories and fair value of financial instruments

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:

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

| | 2025.12.31 | | | | |
|---|---------------------|--------------|----------|---------------|---------------|
| | Carrying amount | Fair value | | | |
| | | Level 1 | Level 2 | Level 3 | Total |
| Financial assets at FVTPL | | | | | |
| Financial assets at FVTPL | \$ 51,622 | - | - | 51,622 | 51,622 |
| Financial assets at FVOCI | | | | | |
| Foreign listed equity securities | \$ 3,878 | 3,878 | - | - | 3,878 |
| Unquoted equity instruments measured at fair value | 47,824 | - | - | 47,824 | 47,824 |
| Total | <u>\$ 51,702</u> | <u>3,878</u> | <u>-</u> | <u>47,824</u> | <u>51,702</u> |
| Financial assets at amortized cost | | | | | |
| Cash and Cash Equivalents | \$ 455,388 | - | - | - | - |
| Financial assets at amortized cost | 69,339 | - | - | - | - |
| Notes and accounts receivable, net (including related parties) | 852,191 | - | - | - | - |
| Other receivables (including related parties) | 134,668 | - | - | - | - |
| Other current assets | 1,000 | - | - | - | - |
| Refundable deposit | 11,372 | - | - | - | - |
| Total | <u>\$ 1,523,958</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Financial liabilities at amortized cost | | | | | |
| Bank borrowings | \$ 413,932 | - | - | - | - |
| Accounts payable (including related parties) | 929,998 | - | - | - | - |
| Other payables (including related parties) | 140,688 | - | - | - | - |
| Lease liabilities | 510,135 | - | - | - | - |
| Total | <u>\$ 1,994,753</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |

| | 2024.12.31 | | | | |
|---|--------------------|---------------|----------|---------------|---------------|
| | Carrying amount | Fair value | | | |
| | | Level 1 | Level 2 | Level 3 | Total |
| 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 | <u>\$ 79,402</u> | <u>31,578</u> | <u>-</u> | <u>47,824</u> | <u>79,402</u> |
| Financial assets at amortized cost | | | | | |
| Cash and Cash Equivalents | \$ 487,593 | - | - | - | - |
| Financial assets at amortized cost | 69,189 | - | - | - | - |
| Notes and accounts receivable, net (including related parties) | 856,729 | - | - | - | - |

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 | |
| 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 | - | - | - | - |

(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 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 of 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, 2025 and 2024, the fair values of these shares were NT\$3,878 thousand and NT\$31,578 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

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

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 between levels during 2025.

(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:

| Item | Valuation techniques | Significant unobservable input value | Relationship between unobservable inputs and fair value |
|--|------------------------------|--------------------------------------|--|
| Financial assets at FVTPL - private equity fund investment | Net asset value (NAV) method | • 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 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, 2025 | | | | |
| Financial assets at FVTPL | | | | |
| Private equity fund investment | \$ 51,622 | 1% | 516 | (516) |
| December 31, 2024 | | | | |
| Financial assets at FVTPL | | | | |
| Private equity fund investment | 47,364 | 1% | 474 | (474) |

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

(18) Financial risk management

a. Summary

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

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

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

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.

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

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 risks

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, 2025, and December 31, 2024, the Group had stand-by credit facilities of NT\$2,595,692 thousand and NT\$2,094,283 thousand, respectively.

e. Market risks

Market risk refers to the risk that changes in market prices, such as exchange rates, interest rates, and equity price, 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 17b.

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

(19) 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>2025.12.31</u> | <u>2024.12.31</u> |
|---------------------------------|----------------------------|-------------------------|
| Total Liabilities | \$ 2,207,561 | 1,990,115 |
| Less: Cash and cash equivalents | <u>455,388</u> | <u>487,593</u> |
| Net debt | <u>\$ 1,752,173</u> | <u>1,502,522</u> |
| Total Equity | <u>\$ 3,723,201</u> | <u>3,675,984</u> |
| Debt-to-equity ratio | <u>47.06%</u> | <u>40.87%</u> |

7. Related Party Transactions

(1) The 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 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. ("Vecow") | Fellow subsidiary |
| Victor Plus Holdings Ltd. ("Victor Plus") | Fellow subsidiary |
| Thecus Technology Corp. | Fellow subsidiary |

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

| Name of related party | Relationship with the Group |
|---|-----------------------------|
| Dexatek Technology Co., Ltd. | Fellow subsidiary |
| Ennovision Inc. | Fellow subsidiary |
| ARBOR Technology Corp. | Fellow subsidiary |
| Renown Information Technology Corp. | Fellow subsidiary |
| American Industrial Systems Inc. (“AIS”) | Fellow subsidiary |
| FORTUNEBAY TECHNOLOGY PTE. LTD. | Fellow subsidiary |
| Nera Telecommunications LTD. | Fellow subsidiary |
| All directors and the Company’s key management personnel, including the General Manager and Vice Presidents | |

(3) Transaction with Related Party

a. Revenue

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

| | <u>2025</u> | <u>2024</u> |
|-------------------|------------------|----------------|
| Parent company | \$ - | 20 |
| Fellow subsidiary | 32,998 | 116,849 |
| | <u>\$ 32,998</u> | <u>116,869</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

The purchase amounts from related parties are as follows:

| | <u>2025</u> | <u>2024</u> |
|-------------------|------------------|----------------|
| Fellow subsidiary | <u>\$ 47,163</u> | <u>142,300</u> |

The Group’s purchase prices and payment terms from the aforementioned related parties (O/A 60–90 days or monthly settlement 30–90 days) were not materially different from those with third-party suppliers.

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

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>2025.12.31</u> | <u>2024.12.31</u> |
|---------------------|---|-------------------|-------------------|
| Accounts receivable | Fellow subsidiary - AIS | \$ 8,920 | 12,634 |
| Accounts receivable | Fellow subsidiary- others | 451 | 596 |
| Other receivables | Fellow subsidiary | - | 5 |
| Other receivables | Parent company | - | 32 |
| | | <u>\$ 9,371</u> | <u>13,267</u> |

d. Other transactions with related parties

| <u>Account name</u> | <u>Relationship and name of related parties</u> | <u>2025</u> | <u>2024</u> |
|-------------------------------------|---|---------------|--------------|
| Cost of sales | Fellow subsidiary | \$ 42 | - |
| General and administrative expenses | Fellow subsidiary | 279 | 1,740 |
| General and administrative expenses | Parent company | - | 224 |
| R&D expenses | Fellow subsidiary | - | 64 |
| | | <u>\$ 321</u> | <u>2,028</u> |

| <u>Account name</u> | <u>Relationship and name of related parties</u> | <u>2025.12.31</u> | <u>2024.12.31</u> |
|---------------------------|---|-------------------|-------------------|
| Other current liabilities | Parent company | <u>\$ -</u> | <u>30</u> |
| Other current assets | Fellow subsidiary | <u>\$ 8</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>2025.12.31</u> | <u>2024.12.31</u> |
|---------------------|---|-------------------|-------------------|
| Accounts payable | Fellow subsidiary - Victor Plus | \$ 249 | 4,858 |
| Accounts payable | Fellow subsidiary - Vecow | 14,322 | 28,425 |
| Accounts payable | Fellow subsidiary - others | 2,346 | 3,524 |
| Other payables | Fellow subsidiary - Victor Plus | 45 | 71 |
| | | <u>\$ 16,962</u> | <u>36,878</u> |

(4) Transactions with key management personnel

a. Key management personnel compensation

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

Key management personnel compensation comprises the following:

| | <u>2025</u> | <u>2024</u> |
|------------------------------|------------------|---------------|
| Short-term employee benefits | \$ 52,731 | 57,855 |
| Post-employment benefits | 919 | 934 |
| | <u>\$ 53,650</u> | <u>58,789</u> |

During 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:

| | <u>2025</u> | <u>2024</u> |
|---------------------------|-----------------|--------------|
| Original acquisition cost | <u>\$ 8,752</u> | <u>6,982</u> |
| Depreciation | <u>\$ 879</u> | <u>1,039</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>2025.12.31</u> | <u>2024.12.31</u> |
|--|-----------------------------|-------------------|-------------------|
| Other current assets (pledged time deposits) | Custom clearance guarantees | \$ 1,000 | 1,000 |
| Property, plant and equipment | Long-term borrowings | <u>671,666</u> | <u>678,156</u> |
| | | <u>\$ 672,666</u> | <u>679,156</u> |

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

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

11. Significant Subsequent Events

On March 4, 2026, the Board of Directors approved the proposed cash acquisition of a 70% equity interest in Network Box Holdings Limited (3,500 thousand ordinary shares) for a total consideration not exceeding HK\$70,000 thousand (approximately NT\$287,000 thousand).

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 function By nature | 2025 | | | 2024 | | |
|----------------------------|---------------|--------------------|---------|---------------|--------------------|---------|
| | Cost of sales | Operating expenses | Total | Cost of sales | Operating expenses | Total |
| Employee benefits | | | | | | |
| Salary | 97,280 | 297,256 | 394,536 | 93,316 | 313,197 | 406,513 |
| Labor and health insurance | 12,868 | 35,090 | 47,958 | 10,527 | 38,151 | 48,678 |
| Pension | 4,908 | 12,245 | 17,153 | 5,722 | 13,399 | 19,121 |
| Directors' Remuneration | - | 9,915 | 9,915 | - | 9,675 | 9,675 |
| Others | 5,875 | 12,991 | 18,866 | 7,066 | 14,709 | 21,775 |
| Depreciation | 33,383 | 45,658 | 79,041 | 38,617 | 45,242 | 83,859 |
| Amortization | 18 | 5,271 | 5,289 | 12 | 12,397 | 12,409 |

13. Supplementary Disclosures

(1) Information on significant transactions:

In accordance with the Regulations Governing the Preparation of Financial Statements by Securities Issuers, the Group shall disclose the following information concerning significant transactions in 2025:

a. Loans to others:

Unit: NT\$ thousand / 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 | 59,717 (USD1,900) | 45,574 (USD1,450) | 45,574 (USD1,450) | 5.65% | 2 | - | Working capital for operation | - | - | - | 359,446 | 718,893 |

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.

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

- 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 | Account name | End of Period | | | | Remarks |
|----------------------|-------------------------------|-----------------------------------|--|---------------------------------------|------------------|-----------------|----------------|------------|---------|
| | | | | | Number of Shares | Carrying amount | Shareholding % | Fair value | |
| The Company | Fund beneficiary certificates | Zoyi Fund II Investment LP | - | Non-current financial assets at FVTPL | - | 51,622 | - % | 51,622 | - |
| The Company | Ordinary Shares | FiduciaEdge Technologies Co. Ltd. | - | Non-current financial asset at FVOCI | 1,600 | 40,000 | 10.57 % | 40,000 | - |

- d. 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) | | Remarks |
|-----------------|--------------|----------------|---------------------|-----------|-------------------|--------------|------------------------------|-----------------------------|---|------------------|---------|
| | | | Type | Amount | % of transactions | Credit Terms | Unit Price | Credit Terms | AR(AP) balance | % of total AR/AP | |
| The Company | CASO | Subsidiary | (Sales) | (230,067) | 6.32 % | O/A 70 days | - | No significant differences. | 43,774 | 5.92% | Note 1 |
| CASO | The Company | Parent company | Purchases | 225,955 | 60.94 % | O/A 70 days | - | No significant differences. | (52,488) | 96.14% | Note 1 |
| The Company | CAI | Subsidiary | (Sales) | (133,104) | 3.65 % | O/A 90 days | - | No significant differences. | 52,308 | 7.07% | Note 1 |
| CAI | The Company | Parent company | Purchases | 132,982 | 83.23 % | O/A 90 days | - | No significant differences. | (52,784) | 92.33% | Note 1 |

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

- 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) | | | |
|-----------------|--------------|--------------|-----------------------|----------------------|---------|------------------------------|------------------------------|
| | | | | Account name | Amount | Transaction terms | % of total revenue or assets |
| 0 | The Company | APLIGO | 1 | Revenue | 18,318 | Not significantly different. | 0.43% |
| 0 | The Company | Hawkeye | 1 | Revenue | 15,765 | Not significantly different. | 0.37% |
| 0 | The Company | BCW | 1 | Revenue | 10,607 | Not significantly different. | 0.25% |
| 0 | The Company | CASO | 1 | Revenue | 230,067 | Not significantly different. | 5.34% |
| 0 | The Company | CAI | 1 | Revenue | 133,104 | Not significantly different. | 3.09% |
| 1 | Hawkeye | The Company | 2 | Revenue | 12,395 | Not significantly different. | 0.29% |

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

| Number (Note 1) | Company name | Counterparty | Relationship (Note 2) | Transaction (Note 3) | | | |
|--------------------|--------------|--------------|--------------------------|------------------------|--------|---------------------------------|------------------------------------|
| | | | | Account name | Amount | Transaction terms | % of total revenue or assets |
| 2 | CAI | The Company | 2 | Revenue | 27,301 | Not significantly different. | 0.63% |
| 3 | APLIGO | The Company | 2 | Revenue | 33,791 | Not significantly different. | 0.78% |
| 0 | The Company | APLIGO | 1 | Accounts receivable | 11,851 | Not significantly different. | 0.20% |
| 0 | The Company | CASO | 1 | Accounts receivable | 43,774 | Not significantly different. | 0.74% |
| 0 | The Company | CAI | 1 | Accounts receivable | 52,308 | Not significantly different. | 0.88% |
| 0 | The Company | BCW | 1 | Accounts receivable | 801 | Not significantly different. | 0.01% |
| 0 | The Company | APLIGO | 1 | Other receivables | 46,432 | Not significantly different. | 0.78% |

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 when preparing the consolidated financial statements.

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

The information on investments in 2025:

Unit: NT\$ thousand / thousand shares

| Investor name | Investee name | Region | Main 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% | 155,856 | 25,111 | 24,859 | Subsidiary (Note 2) |
| The Company | CASWELL INTERNATIONAL INVESTMENT CO., LTD. | Samoa | Overseas investment | 101,135 | 101,135 | 3,206 | 100.00% | 99,228 | (44,229) | (44,229) | Subsidiary (Note 2) |
| The Company | CAI | USA | Sales of network appliances | 92,460 | 92,460 | 3,000 | 100.00% | 67,232 | (2,977) | (2,977) | Subsidiary (Note 2) |
| The Company | APLIGO | Germany | Hub and SI Service | 60,275 | 60,275 | 24 | 66.67% | - | (36,673) | (29,404) | Subsidiary (Note 2) |
| The Company | Hawkeye | Taiwan | Design and manufacturing of computers and network appliances | 602,041 | 602,041 | 9,097 | 60.64% | 486,440 | 47,252 | 28,456 | 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.

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

(3) Information on investments in mainland China:

a. Information on investees in Mainland China

Unit: NT\$ thousand / USD thousand

| Investee in mainland China | Main business activities | Paid-in Capital | Way of investment (Note 1) | Accumulated amount of remittance from Taiwan to Mainland China at Beginning of Period (Note 2) | Amount of Investments Remitted or Repatriated for the Period (Note 2) | | Accumulated amount of remittance from Taiwan to Mainland China at reporting date (Note 2) | Profit(loss) of Investee | The Company's Direct or Indirect Shareholding % | Maximum shareholding or capital contribution during the period | Investment Profit (Loss) recognized for the Period | carrying amount of Investments at reporting date | Accumulated amount of dividend distributions from investee |
|----------------------------|---|-----------------------|----------------------------|--|---|-------------|---|--------------------------|---|--|--|--|--|
| | | | | | Remitted | Repatriated | | | | | | | |
| Beijing Caswell Ltd. | Manufacturing and sales of network appliances | 119,434 (USD3,800) | (2) | 97,936 (USD3,116) | - | - | 97,936 (USD3,116) | (53,887) | 82% | 82% | (44,188) | 107,769 | - |

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 transactions listed on the left have been fully eliminated as preparing the consolidated financial statements.

b. Ceiling on investments in Mainland China

Unit: NT\$ thousand / 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 |
|--|--|---|
| 97,936 (USD3,116) | 97,936 (USD3,116) | 2,156,678 |

Exchange rates at end of period: USD: 31.4300

Average exchange rate: USD: 31.1797

c. Significant Transactions:

Please refer to Note 13(1) "Information on significant transactions" for direct or indirect material transactions in 2025 between the Group and its investees in mainland China (which have been eliminated during the preparation of consolidated financial statements).

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.

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

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 2025 and 2024.

- (2) Information on profit or loss, assets, liabilities, and the basis of measurement and reconciliation for reportable segments

The Group evaluates segment performance and allocates resources based on segment profit before tax as reported in the internal management reports reviewed by the chief operating decision maker. As income tax is managed on a group basis, income tax expense (benefit) is not allocated to reportable segments. In addition, not all reportable segments' profit or loss includes material non-cash items other than depreciation and amortization. The reported amounts are consistent with the reports used by the chief operating decision maker.

The accounting policies of operating segments are the same as those described in Note 4, Summary of Material Accounting Policies.

Intersegment sales and transfers are accounted for as transactions with third parties and measured at current market prices.

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

| | 2025 | | | | |
|---|----------------------------|-------------------------|-----------------|--|------------------|
| | Taiwan Segments | PRC Segments | Others | Adjustments and elimination | Total |
| Revenue: | | | | | |
| Revenue from external customers | \$ 3,633,986 | 71,877 | 603,409 | - | 4,309,272 |
| Inter-segment revenue | 420,426 | - | 68,495 | (488,921) | - |
| Total revenue | \$ 4,054,412 | 71,877 | 671,904 | (488,921) | 4,309,272 |
| Profits (losses) of reportable segments | \$ 362,841 | (53,887) | (14,581) | 15,185 | 309,558 |
| Assets of reportable segments | \$ 5,966,640 | 171,764 | 456,194 | (663,836) | 5,930,762 |
| Liabilities of reportable segments | \$ 2,073,407 | 40,502 | 261,156 | (167,504) | 2,207,561 |

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

| | 2024 | | | | Total |
|---|---------------------|-----------------|----------------|-----------------------------------|------------------|
| | Taiwan Segments | PRC Segments | Others | Adjustments and elimination | |
| 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 | <u>\$ 3,810,983</u> | <u>160,796</u> | <u>621,331</u> | <u>(339,441)</u> | <u>4,253,669</u> |
| Profits (losses) of reportable segments | <u>\$ 375,014</u> | <u>(38,777)</u> | <u>(4,286)</u> | <u>(986)</u> | <u>330,965</u> |
| Assets of reportable segments | <u>\$ 5,687,260</u> | <u>246,856</u> | <u>420,417</u> | <u>(688,434)</u> | <u>5,666,099</u> |
| Liabilities of reportable segments | <u>\$ 1,858,056</u> | <u>60,433</u> | <u>199,093</u> | <u>(127,467)</u> | <u>1,990,115</u> |

(3) Product and service information

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

| Products and services | 2025 | 2024 |
|-----------------------|---------------------|------------------|
| Network appliances | \$ 3,235,657 | 3,158,868 |
| Motherboards | 102,570 | 104,922 |
| Others | 971,045 | 989,879 |
| Total | <u>\$ 4,309,272</u> | <u>4,253,669</u> |

(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.

| By geographical region | 2025 | 2024 |
|----------------------------------|---------------------|------------------|
| Revenue from external customers: | | |
| Taiwan | \$ 413,596 | 497,922 |
| Israel | 1,651,981 | 1,207,881 |
| USA | 1,045,346 | 1,136,450 |
| Japan | 416,224 | 389,524 |
| France | 296,715 | 347,965 |
| South Korea | 152,830 | 99,804 |
| Netherlands | 86,805 | 123,456 |
| China | 76,202 | 161,758 |
| Other countries | 169,573 | 288,909 |
| | <u>\$ 4,309,272</u> | <u>4,253,669</u> |

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

| By geographical region | 2025 | 2024 |
|-------------------------------|---------------------|------------------|
| Non-current assets: | | |
| Taiwan | \$ 1,419,123 | 1,455,826 |
| China | 17,115 | 27,281 |
| Japan | 9,226 | 6,300 |
| USA | 3,781 | 5,042 |
| Other countries | 8,405 | 12,675 |
| Total | \$ 1,457,650 | 1,507,124 |

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 revenue

| Customer code | 2025 | 2024 |
|----------------------|---------------------|------------------|
| Customer A | \$ 1,556,105 | 1,153,119 |