

PhoneX Holdings, Inc.

A Delaware Corporation

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Charlotte, NC 28203
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www.phonexinc.com
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SIC Code: 7200

Annual Report

For the Period Ending: December 31, 2025
(The "Reporting Period")

The number of shares outstanding of our Common Stock was 34,322,206 as of March 31, 2026

The number of shares outstanding of our Common Stock was 33,908,790 as of December 31, 2025

Shell Status

Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933 and Rule 12b-2 of the Exchange Act of 1934):

Yes: No: (Double-click and select "Default Value" to check)

Indicate by check mark whether the company's shell status has changed since the previous reporting period:

Yes: No:

Change of Control

Indicate by check mark whether a Change in Control¹ of the company has occurred over this reporting period:

Yes: No:

¹ "Change in Control" shall mean any events resulting in:

- (i) Any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becoming the "beneficial owner" (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the total voting power represented by the Company's then outstanding voting securities;
- (ii) The consummation of the sale or disposition by the Company of all or substantially all of the Company's assets;
- (iii) A change in the composition of the Board occurring within a two (2)-year period, as a result of which fewer than a majority of the directors are directors immediately prior to such change; or
- (iv) The consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity or its parent outstanding immediately after such merger or consolidation.

1) Name of the issuer and its predecessors (if any)

In answering this item, provide the current name of the issuer and any names used by predecessor entities along with the dates of the name changes.

PhoneX Holdings, Inc.	05/07/2019 to present
uSell.com, Inc.	07/23/2012 to 5/06/2019
Upstream Worldwide, Inc.	06/11/2010 to 07/22/2012
Money4Gold Holding, Inc.	05/23/2008 to 06/10/2010
Effective Profitable Software, Inc.	05/10/2005 to 05/22/2008
Modena 2, Inc.	11/18/2003 to 05/09/2005

Current State and Date of Incorporation or Registration: Incorporated on November 18, 2003, in the State of Delaware
Standing in this jurisdiction: Active

Prior Incorporation Information for the issuer and any predecessors during the past five years: None

Describe any trading suspension orders issued by the SEC concerning the issuer or its predecessors since inception: - N/A

List any stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization either currently anticipated or that occurred within the past 12 months: - N/A

The address(es) of the issuer's principal executive office:

1422 S. Tryon Street, Suite 02-123
Charlotte, NC 28203

The address(es) of the issuer's principal place of business:

Check box if principal executive office and principal place of business are the same address:

Has the issuer or any of its predecessors ever been in bankruptcy, receivership, or any similar proceeding in the past five years?

Yes: No: If Yes, provide additional details below: -N/A

2) Security Information

Transfer Agent

Name: Equity Stock Transfer, LLC
Phone: (212) 575-5757
Email: nora@equitystock.com
Address: 237 W 37th Ave, Suite 602
New York, NY 10018

Publicly Quoted or Traded Securities:

The goal of this section is to provide a clear understanding of the share information for its publicly quoted or traded equity securities. Use the fields below to provide the information, as applicable, for all outstanding classes of securities that are publicly traded/quoted.

Trading symbol:	PXHI
Exact title and class of securities outstanding:	Common Stock
CUSIP:	71922R106
Par or stated value:	\$0.0001 par value per share
Total shares authorized:	60,000,000 shares of Common Stock as of date: 03/31/2026

Total shares outstanding: 34,322,206 shares of Common Stock as of date: 03/31/2026
Total number of shareholders of record: 105 as of date: 03/31/2026

Please provide the above referenced information for all other classes of authorized or outstanding equity securities: N/A

Other classes of authorized or outstanding equity securities:

The goal of this section is to provide a clear understanding of the share information for its other classes of authorized or outstanding equity securities (e.g. preferred shares). Use the fields below to provide the information, as applicable, for all other authorized or outstanding equity securities.

Please provide the above referenced information for all other classes of authorized or outstanding equity securities:

Trading symbol: N/A
Exact title and class of securities outstanding: Preferred Shares
CUSIP: N/A
Par or stated value: \$0.0001 par value per share
Total shares authorized: 5,000,000
Total shares outstanding: 0
Total number of shareholders of record: N/A

Security Description:

The goal of this section is to provide a clear understanding of the material rights and privileges of the securities issued by the Company. Please provide the below information for each class of the Company's equity securities, as applicable:

1. For common equity, describe any dividend, voting and preemption rights.

Each outstanding share of common stock is entitled to one vote at all meetings of shareholders, is entitled to dividends if and when declared by the board of directors and has no preemptive rights.

2. For preferred stock, describe the dividend, voting, conversion, and liquidation rights as well as redemption or sinking fund provisions.

N/A – no preferred shares issued or outstanding

3. Describe any other material rights of common or preferred stockholders.

N/A

4. Describe any material modifications to rights of holders of the Company's securities that have occurred over the reporting period covered by this report.

N/A

3) Issuance History

The goal of this section is to provide disclosure with respect to each event that resulted in any direct changes to the total shares outstanding of any class of the issuer's securities **in the past two completed fiscal years and any subsequent interim period.**

Disclosure under this item shall include, in chronological order, all offerings and issuances of securities, including debt convertible into equity securities, whether private or public, and all shares, or any other securities or options to acquire such securities, issued for services. Using the tabular format below, please describe these events.

A. Changes to the Number of Outstanding Shares

Indicate by check mark whether there were any changes to the number of outstanding shares within the past two completed fiscal years:

No: Yes: (If yes, you must complete the table below)

Shares Outstanding		Opening Balance:							
Date 01/01/2024		Common: 36,668,606 Preferred: 0		*Right-click the rows below and select "Insert" to add rows as needed.					
Date of Transaction	Transaction type (e.g. new issuance, cancellation, shares returned to treasury)	Number of Shares Issued (or cancelled)	Class of Securities	Value of shares issued (\$/per share) at Issuance	Were the shares issued at a discount to market price at the time of issuance? (Yes/No)	Individual/ Entity Shares were issued to ***You must disclose the control person(s) for any entities listed.	Reason for share issuance (e.g. for cash or debt conversion) OR Nature of Services Provided (if applicable)	Restricted or Unrestricted as of this filing?	Exemption or Registration Type?
<u>01/16/2024</u>	<u>Stock Purchase</u>	<u>(79,531)</u>	<u>Common</u>	<u>\$1.00</u>	<u>No</u>	<u>See below</u>	<u>Stock Repurchase Plan</u>		
<u>01/30/2024</u>	<u>Stock Purchase</u>	<u>(100,000)</u>	<u>Common</u>	<u>\$1.00</u>	<u>No</u>	<u>See below</u>	<u>Stock Repurchase Plan</u>		
<u>02/01/2024</u>	<u>Stock Purchase</u>	<u>(74,471)</u>	<u>Common</u>	<u>\$1.00</u>	<u>No</u>	<u>See below</u>	<u>Stock Repurchase Plan</u>		
<u>04/11/2024</u>	<u>Stock Purchase</u>	<u>(153,334)</u>	<u>Common</u>	<u>\$.80</u>	<u>No</u>	<u>See below</u>	<u>Stock Repurchase Plan</u>		
<u>07/15/2024</u>	<u>Stock Purchase</u>	<u>(79,940)</u>	<u>Common</u>	<u>\$1.00</u>	<u>No</u>	<u>See below</u>	<u>Stock Repurchase Plan</u>		
<u>08/31/2024</u>	<u>Stock Purchase</u>	<u>(1,253)</u>	<u>Common</u>	<u>\$1.09</u>	<u>No</u>	<u>See below</u>	<u>Stock Repurchase Plan</u>		
<u>10/07/2024</u>	<u>Stock Issuance</u>	<u>42,617</u>	<u>Common</u>	<u>\$1.10</u>	<u>No</u>	<u>See below</u>	<u>Employee Stock Plan</u>		
<u>05/15/2025</u>	<u>Stock Issuance</u>	<u>60,033</u>	<u>Common</u>	<u>\$1.30</u>	<u>No</u>	<u>See below</u>	<u>Employee Stock Plan</u>		
<u>07/15/2025</u>	<u>Stock Purchase</u>	<u>(33,336)</u>	<u>Common</u>	<u>\$1.40</u>	<u>No</u>	<u>See below</u>	<u>Stock Repurchase Plan</u>		
<u>07/15/2025</u>	<u>Stock Purchase</u>	<u>(1,978,842)</u>	<u>Common</u>	<u>\$1.50</u>	<u>No</u>	<u>See below</u>	<u>Stock Repurchase Plan</u>		
<u>07/15/2025</u>	<u>Stock Purchase</u>	<u>(74,207)</u>	<u>Common</u>	<u>\$1.50</u>	<u>No</u>	<u>See below</u>	<u>Stock Repurchase Plan</u>		
<u>07/25/2025</u>	<u>Stock Issuance</u>	<u>235,000</u>	<u>Common</u>	<u>\$1.42</u>	<u>No</u>	<u>See below</u>	<u>Employee Stock Plan</u>		

<u>09/15/2025</u>	<u>Stock Issuance</u>	<u>16,150</u>	<u>Comm on</u>	<u>\$2.50</u>	<u>No</u>	<u>See below</u>	<u>Employee Stock Plan</u>		
<u>03/30/2026</u>	<u>Stock Issuance</u>	<u>413,416</u>	<u>Comm on</u>	<u>\$1.35</u>	<u>No</u>	<u>See below</u>	<u>Employee Stock Plan</u>		
Shares Outstanding on Date of This Report:									
Ending Balance:									
Date 03/31/2026	Common: 34,322,206								
	Preferred: 0								

Example: A company with a fiscal year end of December 31st, in addressing this item for its Annual Report, would include any events that resulted in changes to any class of its outstanding shares from the period beginning on January 1, 2022 through December 31, 2023 pursuant to the tabular format above.

***** Control persons for any entities in the table must be disclosed in the table or in a footnote here.**

Use the space below to provide any additional details, including footnotes to the table above:

The Issuance Report reflects names, dates, number of shares, the value and what is restricted. All issuances were new issuances of common stock and were exempt from registration under Section 4(a)(2) and Rule 506 thereunder. The reasons for issuance are as follows:

- In January 2024, the Company purchased 79,531 shares of its common stock for a purchase price of \$79,531.
- In January 2024, the Company purchased 100,000 shares of its common stock for a purchase price of \$100,000.
- In February 2024, the Company purchased 74,471 shares of its common stock for a purchase price of \$74,471.
- In April 2024, the Company purchased 153,334 shares of its common stock for a purchase price of \$122,667.
- In July 2024, the Company purchased 79,940 shares of its common stock for a purchase price of \$79,940.
- In August 2024, the Company purchased 1,253 shares of its common stock for a purchase price of \$1,365.
- In October 2024, the Company issued 42,617 shares of its common stock to an employee as part of its employee stock plan.
- In May 2025, the Company issued 60,033 shares of its common stock to an employee as part of its employee stock plan.
- In July 2025, the Company purchased 2,086,385 shares of its common stock for a purchase price of \$3,126,244.
- In July 2025, the Company issued 235,000 shares of its common stock to employees as part of its employee stock plan.
- In September 2025, the Company issued 16,150 shares of its common stock to employees as part of its employee stock plan.
- In March 2026, the Company issued 413,416 shares of its common stock to employees as part of its employee stock plan.

B. Promissory and Convertible Notes

Indicate by check mark whether there are any outstanding promissory, convertible notes, convertible debentures, or any other debt instruments that may be converted into a class of the issuer's equity securities.

No: Yes: (If yes, you must complete the table below)

Date of Note Issuance	Outstanding Balance (\$)	Principal Amount at Issuance (\$)	Interest Accrued (\$)	Maturity Date	Conversion Terms (e.g. pricing mechanism for determining conversion of instrument to shares)	Name of Noteholder	Reason for Issuance (e.g. Loan, Services, etc.)

*** Control persons for any entities in the table above must be disclosed in the table or in a footnote here.

Use the space below to provide any additional details, including footnotes to the table above:

4) Issuer's Business, Products and Services

The purpose of this section is to provide a clear description of the issuer's current operations.

A. Summarize the issuer's business operations (If the issuer does not have current operations, state "no operations")

PhoneX Holdings, Inc. is building the dominant cloud-based, software as a service solution for the wholesale exchange of pre-owned mobile devices. PhoneX Holdings works with major mobile carriers and mobile handset distributors to facilitate global commerce related to pre-owned mobile devices. The Company has historically operated two distinct business models: 1) a Proprietary Trading Model, through which it purchased devices utilizing its own balance sheet via its subsidiary We Sell Cellular LLC, and 2) a Platform Partnership Model, through which it enabled its partners to license its software via its subsidiary PhoneX, Inc. Through these licensing agreements, PhoneX has enabled mobile carriers and mobile handset distributors to increase selling prices and selling velocity by using a specialized, automated platform where wholesale buyers of mobile devices can purchase inventory on demand. In February 2025, the Company entered into a definitive agreement to sell 79.5% of We Sell Cellular, LLC to a third-party buyer. On March 24, 2025, the Company's shareholders approved the transaction at a Special Meeting of the shareholders - such approval was a condition precedent to the transaction closing. The transaction closed on April 1, 2025. Moving forward, PhoneX Holdings' primary focus will be on scaling its Platform Partnership business under the PhoneX, Inc. brand. PhoneX Holdings holds a minority interest in We Sell Cellular, which is subject to an option to purchase such minority interest in favor of the purchaser under the transaction. For more information on the transaction and certain matters relating thereto, see the Company's Supplemental Information Report uploaded to OTC Markets on February 12, 2025, and the Proxy Statement uploaded to OTC Markets on February 26, 2025. The Proxy Statement includes Pro Forma Financial Information which provides certain additional information on the financial condition and operations of the Company prior to and following the transaction.

2025 Financial Highlights

Key financial metrics are as follows:

- Revenues from operations increased by \$3,371,193, or 57.3%, to \$9,254,981 for the year ended December 31, 2025, from \$5,883,788 for the year ended December 31, 2024.
- Gross profit from operations increased by \$3,367,296, or 90.0%, to \$7,107,699 for the year ended December 31, 2025, from \$3,740,403 for the year ended December 31, 2024.
- Operating income increased by \$1,975,232, to \$1,218,144 for the year ended December 31, 2025, from a loss of \$757,088 for the year ended December 31, 2024.
- Net income increased by \$26,004,644, or 735.9%, to \$29,538,236 for the year ended December 31, 2025, from \$3,533,592 for the year ended December 31, 2024.
- The significant increase in net income for the year ended December 31, 2025 arose from the sale of the 79.5% of WeSell Cellular LLC. The revenues and net income from WeSell Cellular LLC are treated as discontinued operations. See Note 3 to the Consolidated Financial Statements contained in this Report for details.
- The Company declared and paid a special cash dividend of \$1.15 per share, returning \$38,995,109 of capital to shareholders, which contributed to the decrease in working capital discussed below.

- The Company had working capital of \$5,971,000 at December 31, 2025, vs. working capital of \$22,132,000 at December 31, 2024.

On April 1, we sold 79.5% of We Sell Cellular LLC for \$47.7 million. Management believes that this transaction has not only provided significant value to shareholders, but has also enabled We Sell Cellular to scale while we focus on our Platform Partnership business through PhoneX Inc. We will continue to act as a strategic partner to We Sell Cellular, in which we continue to retain a 20.5% stake. As part of the transaction, PhoneX will receive certain distributions based on We Sell Cellular LLC's operating performance. The buyer has the option to purchase our remaining interest in We Sell Cellular LLC at any time prior to March 31, 2028 for approximately \$12.3 million. The purchase price is subject to adjustment and may be higher based on increases in working capital. We recognized a substantial gain from this transaction, as reflected in the financial highlights presented earlier. Net proceeds of approximately \$34 million were received from the sale of We Sell Cellular. These proceeds, together with additional cash, were returned to shareholders through a special dividend of \$1.15 per share declared on October 1, 2025, totaling approximately \$39 million.

Subsequent to the sale of We Sell Cellular LLC, the Company continues to generate meaningful software revenue via licensing agreements effected through its PhoneX, Inc. subsidiary. Favorable market conditions persisted throughout the year, including increased industry supply driven in part by customers accelerating iPhone purchases ahead of anticipated tariffs. PhoneX's software revenues, which are tied to GMV transacted through the platform, benefited from this increased activity. Additionally, the launch of the iPhone 17 exceeded volume expectations and further contributed to elevated transaction levels later in the year. As a result, the Company experienced sustained high volumes throughout the year. To date, transaction volumes have remained elevated, supported by strong demand for the iPhone 17 family, though it is unclear whether this will persist throughout 2026. Sustained revenue growth will hinge on the Company's ability to continue to expand and diversify its customer base and product offerings.

In addition to broader industry momentum, PhoneX has added significant enterprise clients that are beginning to contribute meaningfully to GMV. The Company's PhoneX Connect product, which enables smaller resellers to connect to and pre-sell inventory from larger suppliers, has also proven highly effective. It allows larger suppliers, such as We Sell Cellular, to expand distribution while enabling smaller resellers to grow without substantial investment in inventory. We are continuing to scale PhoneX Connect with existing customers while adding new suppliers to the network.

In light of our goal to transform into a scalable technology company generating high-margin, recurring revenues, we will continue to focus on growing licensing revenue related to our Platform Partnership business while investing in long-term growth. The Company will continue to invest in its platform to improve customer profitability by enabling higher selling prices, faster inventory turnover, and increased operational efficiency. In parallel, we are investing in our underlying technology and development infrastructure to accelerate the delivery of new capabilities, while supporting deeper integration across the device lifecycle and broader ecosystem of industry participants. All of our initiatives are geared toward increasing the long-term value to our shareholders.

We have developed machine learning algorithms that assist our customers in making intelligent pricing and operational decisions. These algorithms are actively utilized by our clients in their production environments and, in certain cases, are supporting substantial portions of their business operations. These algorithms have demonstrated meaningful improvements when compared with human-driven decision making. In parallel, the Company has observed rapid advancements in artificial intelligence technologies over the past year and is actively evaluating opportunities to re-architect portions of its platform to take advantage of these developments. We believe PhoneX is well positioned to leverage AI given its nimble team and flexible infrastructure. We expect these investments will enhance user experience through more intuitive, conversational, and automated workflows, while also accelerating development velocity and enabling faster delivery of new capabilities. We do not currently expect AI to replace our core decisioning algorithms, but rather to enhance how those capabilities are delivered and utilized by our customers.

Furthermore, we plan to introduce an industry-specific software offering, PhoneX Warehouse, that will integrate seamlessly with our existing products. This product is designed as a comprehensive operational platform that spans warehouse management, inventory management, receiving, processing, pick, pack and ship, pricing, order management, and flow analytics. It is also designed to integrate with financial and accounting systems, automated testing tools, and third-party marketplaces and logistics providers, enabling a unified workflow across the entire device lifecycle. We are currently in active development of this product and expect to release an initial version in the summer of 2026. Early feedback from prospective and existing clients has been highly encouraging. We believe that there are hundreds of potential clients for this product in the mobile device industry alone, and we are cautiously optimistic that it will significantly expand our addressable market, particularly among smaller and mid-sized customers.

Strategically, we believe this expansion represents a natural evolution of our platform, allowing us to capture and structure data across the full lifecycle of each device. By integrating operational workflows with our existing commerce and pricing capabilities, and connecting participants across the supply chain, we are building a comprehensive ecosystem that spans all industry participants.

This enables customers to manage and automate their entire workflow within a unified platform while also connecting directly with their trading partners. As customers adopt more components of the platform, the value of the ecosystem increases, strengthening network effects and deepening platform engagement. This expanded data foundation will further enhance the effectiveness of our machine learning models over time. We also believe that the problems solved by PhoneX Warehouse apply to remanufacturing businesses in other industries.

The success of any of the above endeavors hinges on the Company's ability to successfully market and distribute its cloud-based software and other technology offerings. While we have developed a substantial pipeline of significant industry participants, no assurance can be given that PhoneX will successfully capitalize on these opportunities.

Cautionary Note Regarding Forward Looking Statements

This report contains forward-looking statements, including statements regarding our future expected results, receipt of distributions from WeSell Cellular LLC, our continued investment in its platform, our ability to leverage AI, and our plans with PhoneX Warehouse and its potential to serve other industries. Forward-looking statements can be identified by words such as "anticipates," "intends," "plans," "seeks," "believes," "estimates," "expects" and similar references to future periods.

Forward-looking statements are based on our current expectations and assumptions regarding our business, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. Our actual results may differ materially from those contemplated by the forward-looking statements. We caution you therefore against relying on any of these forward-looking statements, which are neither statements of historical fact nor guarantees or assurances of future performance. The results anticipated by any or all of these forward-looking statements might not occur. Important factors, uncertainties and risks that may cause actual results to differ materially from these forward-looking statements include the ability of the buyer of 79.5% of WeSell Cellular LLC to continue its profitable operations and make distributions to us, the future of U.S. tariffs, tariff litigation and retaliatory tariffs which could adversely affect our operations and margins (as well as those of our customers) and/or contribute to further inflation and economic decline, the impact from any major war including the current conflict with Iran and its effect on the economy any downturn in the United States and global economies, the continued demand for our PhoneX SaaS and PhoneX Labs businesses, risks related to customer concentration and our reliance on a relatively small number of third parties for certain aspects of our operations and operating results, the continued demand for mobile devices and infrastructure and software offerings on which our business focuses and depends which may, among other factors, be negatively affected by a recession and is dependent on mobile phone manufacturers and other third parties which are beyond our control, software bugs that adversely affect our future business, the possibility that our efforts to grow our business and the perceived benefits of these efforts do not come to fruition, including due to inaccurate or incomplete assumptions, expectations or estimates on which our growth strategies are based and despite the potential deployment of substantial capital and other resources towards such efforts, which may, among other things, be adversely impacted by the risks and contingencies outlined elsewhere in this report, and our ability to continue to effectively navigate challenges posed by the complex industries we serve including the potential for rapid and unpredictable technological change, the impact of AI and our assumptions with respect to it, regulatory burdens and an intense competitive environment. We undertake no obligation to publicly update or revise any forward-looking statements, whether as the result of new information, future events or otherwise.

B. List any subsidiaries, parent company, or affiliated companies.

As of Q1 2025, The Company had three subsidiaries which are PhoneX, Inc., PhoneX Labs LLC, and HD Capital Holdings LLC. The officers of the subsidiaries were the same as those of the issuer. In February, 2025, the Company entered into a definitive agreement to sell 79.5% of We Sell Cellular, LLC. The transaction closed on April 1, 2025. Moving forward, We Sell Cellular, LLC. will no longer be a subsidiary. It will be an affiliated entity in which the Company owns a 20.5% interest.

C. Describe the issuers' principal products or services.

Historically, PhoneX Holdings has operated two distinct business models. The first is characterized by a Proprietary Trading Model, through which the Company purchased devices via its wholly owned subsidiary, We Sell Cellular LLC, which was acquired in 2015. We Sell Cellular is among a handful of top tier wholesalers whose primary business is to buy pre-owned smartphones that have been traded in with the major carriers and the big box retailers, fully inspect and grade these devices, and then sell these devices wholesale and retail to a global customer base. These customers include brick and mortar retailers, online retailers, large and small wholesalers, small repair shops, and large refurbishing providers. Approximately 50% of We Sell Cellular's customer base is in the United States, with the balance abroad. In February, 2025, the Company entered into a definitive agreement to sell 79.5% of We Sell Cellular, LLC. The transaction closed on April 1, 2025. Moving forward, PhoneX Holdings will primarily focus on scaling its Platform Partnership business, described further below.

PhoneX Holdings' second operating model is characterized by a Platform Partnership Model, through which it licenses its software via its wholly owned subsidiary, PhoneX, Inc. PhoneX has developed a cloud based, software solution that enables large and small distributors of mobile devices to sell inventory online and automate many of the processes associated with selling mobile devices in bulk. By licensing PhoneX's software as a service, distributors can increase sales prices and sales velocity, while getting access to PhoneX's analytics and pricing engine. To date, PhoneX has licensed its software to We Sell Cellular LLC through an intercompany agreement. Moving forward, We Sell Cellular will continue to license the software as an arms-length customer.

Revenue Model

With the sale of the 79.5% of WeSell Cellar LLC, our primary revenue model consists of licensing our software as a service to third parties ("Licensing Revenue"). Under its PhoneX, Inc. licensing agreements, the Company also earns revenue for providing integration services ("Services Revenue"). Business derived from its PhoneX Inc. licensing agreements generates not only Licensing Revenue but also Services Revenue, as PhoneX Inc. may provide integration services to new partners during an initial integration period. We also expect to receive certain distributions based on the operating performance of We Sell Cellular, LLC. Finally, during the transition of management to the new buyer, we will earn revenue for providing transitional services such as accounting, operations, and marketing support. We anticipate that this services revenue will be temporary.

5) Issuer's Facilities

The goal of this section is to provide a potential investor with a clear understanding of all assets, properties or facilities owned, used or leased by the issuer and the extent in which the facilities are utilized.

In responding to this item, please clearly describe the assets, properties or facilities of the issuer, give the location of the principal plants and other property of the issuer and describe the condition of the properties. If the issuer does not have complete ownership or control of the property (for example, if others also own the property or if there is a mortgage on the property), describe the limitations on the ownership.

Since the sale of 79.5% of its interest in We Sell Cellular, LLC, the Company has shifted its headquarters to Charlotte, NC. The lease obligation and related accounting impact for recording the lease associated with the Company's warehouse will be reflected in the Company's 20.5% investment interest in We Sell Cellular, LLC. The Company's computer servers have been hosted by large third parties specializing in providing such services.

As of December 31, 2025, the Company had three subsidiaries which were PhoneX, Inc., PhoneX Labs LLC, and HD Capital Holdings LLC. The officers of the subsidiaries were the same as those of the issuer. We also own a 20.5% interest in WeSell Cellular LLC.

6) All Officers, Directors, and Control Persons

Using the table below, please provide information, as of the period end date of this report, regarding all officers and directors of the company, or any person that performs a similar function, regardless of the number of shares they own.

In addition, list all individuals or entities controlling 5% or more of any class of the issuer's securities.

If any insiders listed are corporate shareholders or entities, provide the name and address of the person(s) beneficially owning or controlling such corporate shareholders, or the name and contact information (City, State) of an individual representing the corporation or entity. Include Company Insiders who own any outstanding units or shares of any class of any equity security of the issuer.

The goal of this section is to provide investors with a clear understanding of the identity of all the persons or entities that are involved in managing, controlling or advising the operations, business development and disclosure of the issuer, as well as the identity of any significant or beneficial owners.

Names of All Officers, Directors and Control Persons	Affiliation with Company (e.g. Officer Title/Director/Owner of more than 5%)	Residential Address (City / State Only)	Number of shares owned	Share type/class	Ownership Percentage of Class Outstanding	Note
Nikhil Raman	Chief Executive Officer, Director	Brooklyn, New York	6,004,218	Common	17.7%	
Scott Tepfer	5% owner	Edgewood, New York	3,000,000	Common	8.8%	
Robert Averick(1)(2)	Director	Delray Beach Florida	13,766,666	Common	40.6%	
Piton Capital Partners LLC (1)	5% owner	Stamford, Connecticut	12,482,666	Common	36.8%	
Gerald Unterman	5% owner	New York, New York	5,091,016	Common	15.0%	

- 1) Mr. Robert Averick shares the power to vote and dispose of the shares beneficially owned by Piton Capital Partners, LLC. The address is listed as 201 Tresser Blvd., 3rd floor, Stamford, CT.
- 2) Mr. Averick's shares also include 885,000 shares owned by two entities over which he shares the power to vote and sell, and 399,000 shares he holds individually.

7) Legal/Disciplinary History

A. Identify and provide a brief explanation as to whether any of the persons or entities listed above in Section 6 have, in the past 10 years:

1. Been the subject of an indictment or conviction in a criminal proceeding or plea agreement or named as a defendant in a pending criminal proceeding (excluding minor traffic violations);

No

2. Been the subject of the entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, financial- or investment-related, insurance or banking activities;

No

3. Been the subject of a finding, disciplinary order or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, a state securities regulator of a violation of federal or state securities or commodities law, or a foreign regulatory body or court, which finding or judgment has not been reversed, suspended, or vacated;

No

4. Named as a defendant or a respondent in a regulatory complaint or proceeding that could result in a "yes" answer to part 3 above; or

No

5. Been the subject of an order by a self-regulatory organization that permanently or temporarily barred, suspended, or otherwise limited such person's involvement in any type of business or securities activities.

No

6. Been the subject of a U.S Postal Service false representation order, or a temporary restraining order, or preliminary injunction with respect to conduct alleged to have violated the false representation statute that applies to U.S mail.

No

- B. Describe briefly any material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which the issuer or any of its subsidiaries is a party or of which any of their property is the subject. Include the name of the court or agency in which the proceedings are pending, the date instituted, the principal parties thereto, a description of the factual basis alleged to underlie the proceeding and the relief sought. Include similar information as to any such proceedings known to be contemplated by governmental authorities.

None.

8) Third Party Providers

Please provide the name, address, telephone number and email address of each of the following outside providers:

Securities Counsel (must include Counsel preparing Attorney Letters).

Name: Michael D. Harris, Esq.
Firm: Nason, Yeager, Gerson, Harris & Fumero, P.A.
Address 1: 3001 PGA Boulevard Suite 305
Address 2: Palm Beach Gardens, FL 33410
Phone: Direct: 561-471-3507
Email: mharris@nasonyeager.com

Accountant or Auditor

Name: Kieron M. Ludde
Firm: Hill, Barth & King LLC
Address 1: 48 South Service Road, Suite 310
Address 2: Melville, NY 11747
Phone: (516) 822-5000
Email: KLudde@hbkcpa.com

Investor Relations Consultant – N/A

All other means of Investor Communication:

X (Twitter): None
Discord: None
LinkedIn: None
Facebook: None
Other: None

Other Service Providers - N/A

Provide the name of any other service provider(s), **that assisted, advised, prepared or provided information with respect to this disclosure statement**. This includes counsel, broker-dealer(s), advisor(s), consultant(s) or any entity/individual that provided assistance or services to the issuer during the reporting period.

9) Disclosure & Financial Information

- A. This Disclosure Statement was prepared by (name of individual):

Name: Yasemin Kaya
Title: Controller
Relationship to Issuer: Controller

B. The following financial statements were prepared in accordance with:

- U.S. GAAP
 IFRS

C. The financial statements for this reporting period were prepared by (name of individual)²:

Name: Nikhil Raman
Title: CEO/CFO
Relationship to Issuer: Officer

Describe the qualifications of the person or persons who prepared the financial statements: Our CEO/CFO has been involved with our Company for over 5 years and holds an M.B.A from Harvard University.

Provide the following qualifying financial statements:

- a. Audit letter, if audited;
- b. Balance sheet;
- c. Statement of income;
- d. Statement of cash flows;
- e. Statement of Retained Earnings (Statement of Changes in Stockholders' Equity)
- f. Financial notes

10) Issuer Certification

Principal Executive Officer:

The issuer shall include certifications by the chief executive officer and chief financial officer of the issuer (or any other persons with different titles but having the same responsibilities) in each Quarterly or Annual Report.

The certifications shall follow the format below:

I, Nikhil Raman certify that:

1. I have reviewed this annual disclosure statement of PhoneX Holdings, Inc. for the period ending December 31, 2025;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

03/31/2026

/s/ Nikhil Raman

(Digital Signatures should appear as "/s/ [OFFICER NAME]")

Principal Financial Officer:

² The financial statements requested pursuant to this item must be prepared in accordance with US GAAP or IFRS by persons with sufficient financial skills.

PHONEX HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
December 31, 2025 AND 2024

Index to Consolidated Financial Statements

	<u>Page</u>
Unaudited Consolidated Balance Sheets at December 31, 2025, and December 31, 2024	16
Unaudited Consolidated Statements of Operations for the years ended December 31, 2025, and 2024	17
Unaudited Consolidated Statements of Changes in Stockholders' Equity for the years ended December 31, 2025, and 2024	18
Unaudited Consolidated Statements of Cash Flows for the years ended December 31, 2025, and 2024	19
Notes to Consolidated Financial Statements	20

PhoneX Holdings, Inc. and Subsidiaries
Consolidated Balance Sheets

	December 31	December 31
	<u>2025</u>	<u>2024</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 5,904,696	\$ 11,009,427
Accounts receivable, net	1,785,319	993,224
Prepaid expenses and other current assets	16,885	38,463
Assets classified as held for sale	--	13,968,515
Total Current Assets	<u>7,706,900</u>	<u>26,009,629</u>
Property and equipment, net	8,528	3,441
Equity Investment	3,725,115	--
Deferred Tax Asset Non-Current (net)	1,756,000	2,057,000
Other assets	6,975	5,775
Total Assets	<u>\$ 13,203,518</u>	<u>\$ 28,075,845</u>
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable	\$ 249,252	\$ 207,923
Accrued expenses	1,486,768	210,713
Deferred revenue	--	5,853
Liabilities directly associated with assets classified as held for sale	--	3,453,220
Total Current Liabilities	<u>1,736,020</u>	<u>3,877,709</u>
Total Liabilities	<u>1,736,020</u>	<u>3,877,709</u>
Stockholders' Equity:		
Preferred stock; \$0.0001 par value; 5,000,000 shares authorized; no shares issued and outstanding	—	—
Common stock; \$0.0001 par value; 60,000,000 shares authorized; 33,908,790 shares and 35,683,992 issued and outstanding, respectively	3,391	3,576
Treasury Stock	--	(7)
Additional paid-in capital	59,782,349	72,512,809
Accumulated deficit	(48,318,242)	(48,318,242)
Total Stockholders' Equity	<u>11,467,498</u>	<u>24,198,136</u>
Total Liabilities and Stockholders' Equity	<u>\$ 13,203,518</u>	<u>\$ 28,075,845</u>

See accompanying notes to consolidated financial statements.

PhoneX Holdings, Inc. and Subsidiaries
Consolidated Statements of Operations

	Year Ended December 31,	
	2025	2024
Revenue	\$ 9,254,981	\$ 5,883,788
Cost of Revenue	2,147,282	2,143,385
Gross Profit	7,107,699	3,740,403
Operating Expenses:		
Sales and marketing	48,012	96,501
General and administrative	5,841,543	4,400,990
Total operating expenses	5,889,555	4,497,491
Income (loss) from continuing operations	1,218,144	(757,088)
Other income:		
Interest income	1,125,717	136,748
Gain on sale of assets, net	25,737,427	--
Other income	10,666	--
Equity interest income, net	816,562	--
Total other income, net	27,690,372	136,748
Income (loss) before income tax expense	28,908,516	(620,340)
Income tax expense (benefit)	59,550	--
Net income (loss) from continuing operations	28,848,966	(620,340)
Net income (loss) from discontinued operations, net of tax	689,270	4,153,932
Net Income	\$ 29,538,236	\$ 3,533,592
Basic and Diluted Income per Common Share:		
Net income (loss) per common share – basic from continuing operations	0.82	(0.02)
Net income per common share – basic from discontinued operations, net of tax	0.02	0.10
Net income per common share – basic	\$ 0.82	\$ 0.08
Net income (loss) per common share – diluted from continuing operations	0.78	(0.02)
Net income per common share – diluted from discontinued operations, net of tax	0.02	0.10
Net income per common share – diluted	\$ 0.80	\$ 0.08
Weighted average number of common shares outstanding during the period – basic	35,064,119	35,755,177
Weighted average number of common shares outstanding during the period – diluted	36,958,119	36,592,677

See accompanying notes to consolidated financial statements.

PhoneX Holdings, Inc. and Subsidiaries
Consolidated Statements of Changes in Stockholders' Equity
(unaudited)

Year ended December 31, 2025

	Common Stock,				Additional Paid in Capital	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	\$0.0001 Par Value		Treasury Stock				
	Shares	Amount	Shares	Amount			
Balance, January 1, 2025	<u>35,756,453</u>	<u>\$3,576</u>	<u>(72,461)</u>	<u>\$ (7)</u>	<u>\$72,512,809</u>	<u>\$(48,318,242)</u>	<u>\$24,198,136</u>
Stock based compensation					189,345		189,345
Common stock issued upon exercise of stock options	311,183	31			71,469		71,500
Repurchase and retirement of common stock	(2,158,846)	(216)	72,461	7	(3,534,401)		(3,534,610)
Declared Dividend					(9,456,873)	(29,538,236)	(38,995,109)
Net Income						29,538,236	29,538,236
Balance, December 31, 2025	<u>33,908,790</u>	<u>\$3,391</u>	<u>--</u>	<u>\$ --</u>	<u>\$59,782,349</u>	<u>\$(48,318,242)</u>	<u>\$ 11,467,498</u>

Year ended December 31, 2024

	Common Stock,				Additional Paid in Capital	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	\$0.0001 Par Value		Treasury Stock				
	Shares	Amount	Shares	Amount			
Balance, January 1, 2024	<u>36,201,112</u>	<u>\$3,621</u>	<u>(71,208)</u>	<u>\$ (7)</u>	<u>\$72,706,858</u>	<u>\$(51,851,834)</u>	<u>\$20,858,638</u>
Stock based compensation	42,617	4			263,876		263,880
Repurchase and retirement of common stock	(487,276)	(49)	(1,253)	(0)	(457,925)		(457,974)
Net Income						3,533,592	3,533,592
Balance, December 31, 2024	<u>35,756,453</u>	<u>\$3,576</u>	<u>(72,461)</u>	<u>\$ (7)</u>	<u>\$72,512,809</u>	<u>\$(48,318,242)</u>	<u>\$24,198,136</u>

See accompanying notes to consolidated financial statements.

PhoneX Holdings, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(unaudited)

	Year Ended	
	December 31,	
	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 28,848,966	\$ (620,340)
Net income from discontinued operations	689,270	4,153,932
Net income	29,538,036	3,533,592
Adjustments to reconcile net income to net cash and cash equivalents (used in) provided by operating activities:		
Depreciation and amortization	2,848	8,418
Gain on sale of assets	(25,737,437)	--
Equity interest income, net	(816,562)	--
Stock based compensation	189,345	263,880
Provision for bad debt	3,477	--
Changes in operating assets and liabilities:		
Accounts receivable	(795,572)	(136,645)
Prepaid expenses and other current assets	20,378	17,513
Accounts payable	41,329	5,399
Accrued expenses	(437,850)	215,214
Deferred revenue	(5,853)	--
Deferred tax assets	301,000	229,000
Net cash provided by (used in) discontinued operations	(410,749)	1,194,582
Net Cash and Cash Equivalents (Used In) Provided By Operating Activities	2,768,300	5,330,953
CASH FLOWS FROM INVESTING ACTIVITIES:		
Gross proceeds from sale of assets, net	43,796,088	--
Payment of obligations related to sale of assets	(9,194,977)	--
Purchase or property and equipment	(7,935)	(2,831)
Net cash used by discontinued operations	(8,089)	(127,666)
Net Cash and Cash Equivalents Used In Investing Activities	34,585,187	(130,497)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment for repurchase and retirement of common stock	(3,463,110)	(457,975)
Payment of dividends	(38,995,108)	--
Net Cash and Cash Equivalents Provided By (Used In) Financing Activities	(42,458,218)	(457,975)
Net Increase in Cash and Cash Equivalents	(5,104,731)	4,742,481
Cash and Cash Equivalents - Beginning of Period	11,009,427	6,266,946
Cash and Cash Equivalents - End of Period	\$ 5,904,696	\$ 11,009,427
Non-cash investing and financing activities		
Declaration of dividend	\$ 38,995,108	\$ --
SUPPLEMENTARY CASH FLOW INFORMATION:		
Cash Paid During the Period for:		
Income Taxes	\$ 8,795,000	\$ 534,586

See accompanying notes to consolidated financial statements.

PhoneX Holdings, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

Note 1 - Organization and Business

PhoneX Holdings, Inc. is building the dominant cloud based, software as a service solution for the wholesale exchange of pre-owned mobile devices. PhoneX Holdings works with major mobile carriers and mobile handset distributors to facilitate global commerce related to pre-owned mobile devices. PhoneX Holdings, Inc., HD Capital Holdings LLC, PhoneX Labs LLC and PhoneX Inc., (collectively, the “Company”), operates a Platform Partnership Model, through which it enables its partners to license its software via its subsidiary PhoneX, Inc. Through these licensing agreements, PhoneX enables mobile carriers and mobile handset distributors to increase selling prices and selling velocity by using a specialized, automated platform where wholesale buyers of mobile devices can purchase inventory on demand.

Liquidity

At December 31, 2025, the Company had cash and cash equivalents of \$5,904,696 and working capital of \$5,970,880. In addition, the Company generated net income of \$29,538,236 and cash provided by operating activities amounted to \$2,768,300 for the Year ended December 31, 2025. Historically, the principal source of liquidity has been the issuance of debt and equity securities and cash flow from operations. In addition, the Company received \$34,601,111 net of expenses from the sale of 79.5% of WeSell Cellar LLC on April 1, 2025. The Company does not believe it will need to raise additional funds in order to meet expenditures required for operating its business.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of PhoneX Holdings and its wholly owned subsidiaries, PhoneX Inc., HD Capital Holdings LLC, and PhoneX Labs LLC. All significant intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods.

Making estimates requires management to exercise significant judgment. It is at least reasonably possible that the estimate of the effect of a condition, situation or set of circumstances that existed at the dates of the consolidated financial statements, which management considered in formulating its estimate, could change in the near term due to one or more future confirming events. Accordingly, the actual results could differ significantly from these estimates.

Cash and Cash Equivalents

All highly liquid investments with an original maturity of 90 days or less when purchased are considered to be cash equivalents. Cash equivalents are stated at cost, which approximates market value.

Accounts Receivable

Accounts receivable represent obligations from the Company’s customers and are recorded net of allowances for cash discounts, doubtful accounts, and sales returns. The Company’s policy is to reserve for uncollectible accounts based on its best estimate of the amount of probable credit losses in its existing accounts receivable. The Company periodically reviews its accounts receivable to determine whether an allowance for doubtful accounts is necessary based on an analysis of past due accounts and other factors that may indicate that the realization of an account may be in doubt. Account balances deemed to be uncollectible are written off after all means of collection have been exhausted and the potential for recovery is considered remote. The allowance for doubtful accounts

PhoneX Holdings, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

was \$1,000 and \$15,945 at December 31, 2025, and December 31, 2024, respectively. The allowance for doubtful accounts for December 31, 2024, is reflected in assets classified as held for sale.

Inventory, net

Inventory, comprised of all finished goods, is stated at the lower of cost (average cost method) or net realizable value. Inventory is recorded net of allowances.

Allowances for slow-moving or obsolete inventory are provided based on historical experience of a variety of factors, including sales volume, product life and levels of inventory at the end of the year. The inventory reserve was approximately \$0 and \$99,000 as of December 31, 2025, and December 31, 2024, respectively.

Substantially all of the Company's inventory purchases are paid for before inventory is received in WeSell Cellular LLC's warehouse. Prepaid inventory amounted to approximately \$0 and \$938,000 at December 31, 2025, and December 31, 2024, respectively, and is included in inventory, net in the accompanying condensed consolidated balance sheets.

All inventory amounts noted above are reflected in assets classified held for sale as of December 31, 2024.

Property and Equipment

Property and equipment represent costs associated with leasehold improvements, software, and computer and office equipment. Property and equipment is stated at cost less accumulated depreciation and amortization. Depreciation on property and equipment is calculated on the straight-line basis over the estimated useful lives of the related assets, which typically range from three to five years. Leasehold improvements are amortized over the shorter of the estimated useful lives or the remaining lease term. Maintenance and repairs are expensed as incurred; expenditures that enhance the value of property or extend their useful lives are capitalized. When assets are sold or returned, the cost and related accumulated depreciation are removed from the accounts, and the resulting gain or loss is included in income.

Intangible Assets

The Company accounts for intangible assets in accordance with Accounting Standards Codification ("ASC") 350, "Intangibles – Goodwill and Other" ("ASC 350"). ASC 350 requires that goodwill and other intangibles with indefinite lives be tested for impairment annually or on an interim basis if events or circumstances indicate that the fair value of an asset has decreased below its carrying value.

The Company periodically reviews the carrying values of its intangible assets and other long-lived assets when events or changes in circumstances indicate that it is more likely than not that their carrying values may exceed their fair values and records an impairment charge when considered necessary. When circumstances indicate that an impairment of value may have occurred, the Company tests such assets for recoverability by comparing the estimated undiscounted future cash flows expected to result from the use of such assets and their eventual disposition to their carrying amounts. If the undiscounted future cash flows are less than the carrying amount of the asset, an impairment loss, measured as the excess of the carrying amount of the asset over its estimated fair value, is recognized. The cash flow estimates used in such calculations are based on estimates and assumptions, using all available information that management believes is reasonable. Fair value, for purposes of calculating impairment, is measured based on estimated future cash flows, discounted at a market rate of interest. As of December 31, 2025, and December 31, 2024, the Company had fully amortized all intangible assets.

Leases

The Company determines whether an arrangement is a lease at contract inception by establishing if the contract conveys the right to use, or control the use of, identified property, plant, or equipment for a period of time in exchange for consideration.

During 2022, the Company adopted ASU No. 2016-02, "Leases (Topic 842)," which requires leases with durations greater than twelve months to be recognized on the balance sheet. The Company adopted the standard using the modified retrospective approach with an effective date as of January 1, 2022.

The Company elected the package of three practical expedients. As such, the Company did not reassess whether expired or

PhoneX Holdings, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

existing contracts are or contain a lease and did not need to reassess the lease classifications or reassess the initial direct costs associated with expired or existing leases. The Company did not elect the hindsight practical expedient or the land easement practical expedient, neither of which are applicable to the Company. Also, the Company has elected to take the practical expedient to not separate lease and non-lease components for all asset classes.

Operating leases are recorded as operating lease right-of-use ("ROU") assets and operating lease liabilities (current portion and non-current portion) on the accompanying consolidated balance sheets. Operating lease ROU assets and the related lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. As most of the Company's leases do not provide an implicit rate, an incremental borrowing rate based on the information available at commencement date is used in determining the present value of future payments. The operating lease ROU assets exclude lease incentives and initial direct costs incurred. Lease expense is recognized on a straight-line basis over the lease term. The Company has elected the related practical expedients that are available.

Capitalized Technology Costs

In accordance with ASC 350-40, "Internal-Use Software," the Company capitalizes certain external and internal computer software costs incurred during the application development stage. The application development stage generally includes software design and configuration, coding, testing and installation activities. Training and maintenance costs are expensed as incurred, while upgrades and enhancements are capitalized if it is probable that such expenditures will result in additional functionality. Capitalized technology costs are amortized over the estimated useful lives of the software assets on a straight-line basis, generally not exceeding three years. At December 31, 2025, and December 31, 2024, the Company did not have any unamortized capitalized technology costs.

Equity Investment

In accordance with ASC 323, Investments – Equity Method and Joint Ventures, the Company accounts for its 20.5% investment in WeSell Cellular LLC (see footnote 3) under the equity method of accounting. The equity method is used to account for investments in which a Company has the ability to exercise significant influence, generally represented by equity ownership or partnership equity of at least 20 percent but not more than 50 percent. Generally, under the equity method, original investments in these entities are recorded at cost and subsequently adjusted accordingly by the share of equity in income or losses after the date of acquisition. Equity in income or losses of our investment is recorded according to our level of ownership; if losses accumulate, we record our share of losses until our investment has been fully depleted. If our investment has been fully depleted, we recognize additional losses only when we are the primary funding source. Dividends received from equity method investees reduce the amount of our investment when received and do not impact our earnings. Our investment is classified as "Equity Investment" in our December 31, 2025, balance sheet. Our share of the results of our investment is reflected in our Consolidated Statements of Net Income as "Equity income from investment," and is reported net of all applicable income taxes.

Common Stock Purchase Warrants and Derivative Financial Instruments

The Company reviews any common stock purchase warrants and other freestanding derivative financial instruments at the balance sheet dates and classifies them on the consolidated balance sheets as:

- a) Equity if they (i) require physical settlement or net-share settlement, or (ii) gives the Company a choice of net-cash settlement or settlement in its own shares (physical settlement or net-share settlement), or
- b) Assets or liabilities if they (i) require net-cash settlement (including a requirement to net cash settle the contract if an event occurs and if that event is outside the Company's control), or (ii) give the counterparty a choice of net-cash settlement or settlement in shares (physical settlement or net-share settlement).

The Company assesses classification of its common stock purchase warrants and other freestanding derivatives at the reporting date to determine whether a change in classification between assets and liabilities is required. As of December 31, 2025, the Company did not have any outstanding common stock purchase warrants and other freestanding derivative financial instruments.

PhoneX Holdings, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

Revenue Recognition

The Company follows the guidance of ASC 606 – “Revenue from Contracts with Customers” (“ASC 606”). Under ASC 606, a performance obligation is a promise within a contract to transfer a distinct good or service, or a series of distinct goods and services, to a customer. Revenue is recognized when performance obligations are satisfied and the customer obtains control of promised goods or services. The amount of revenue recognized reflects the consideration to which the Company expects to be entitled to receive in exchange for goods or services. Under the standard, a contract’s transaction price is allocated to each distinct performance obligation. To determine revenue recognition for arrangements that the Company determines are within the scope of ASC 606, the Company performs the following five steps: (i) identifies the contracts with a customer; (ii) identifies the performance obligations within the contract, including whether they are distinct and capable of being distinct in the context of the contract; (iii) determines the transaction price; (iv) allocates the transaction price to the performance obligations in the contract; and (v) recognizes revenue when, or as, the Company satisfies each performance obligation.

Principal Device Revenue

Through March 31, 2025, the Company, through its then subsidiary We Sell Cellular LLC, generates revenue from the sales of its cellular telephones and related equipment. The Company recognizes revenue “FOB shipping point” on such sales. Delivery to the customer is deemed to have occurred when the customer takes title to the product. Generally, title passes to the customer when the products leave the Company’s warehouse. Payment terms generally require payment once an order is placed. The Company allows customers to return product within 30 days of shipment if the product is defective. Allowances for product returns are recorded as a reduction of sales at the time revenue is recognized based on historical data. The estimate of the allowance for product returns amounted to \$0 and \$339,000 at December 31, 2025, and December 31, 2024, respectively, and is recorded in liabilities directly associated with assets classified as held for sale in the accompanying consolidated balance sheets.

Software Licensing Revenue

The Company, through its subsidiary PhoneX Inc., generates revenue by licensing its software as a service to third parties. Revenue is recognized monthly for customers’ usage of the software.

Deferred Revenue

Deferred revenue represents amounts billed to customers or payments received from customers prior to providing services and for which the related revenue recognition criteria have not been met. Deferred revenue is recorded in liabilities directly associated with assets classified as held for sale in the accompanying balance sheets.

Shipping and Handling Costs

The Company follows the provisions of ASC Topic 605-45 regarding shipping and handling costs. Shipping and handling costs included in cost of revenue were approximately \$0 and \$726,000 for the years ended December 31, 2025, and 2024, respectively. All shipping and handling costs are reflected in income from discontinued operations.

Advertising

Advertising costs are expensed as they are incurred and are included in sales and marketing expenses. Advertising expense amounted to approximately \$34,000 and \$64,000 for the years ended December 31, 2025, and 2024, respectively.

Share-Based Payment Arrangements

The Company accounts for stock options in accordance with ASC 718, “Compensation - Stock Compensation.” ASC 718 requires generally that all equity awards be accounted for at their “fair value.” This fair value is measured on the grant date for stock-settled awards, and at subsequent exercise or settlement for cash-settled awards. Fair value is equal to the underlying value of the stock for “full-value” awards such as restricted stock and performance shares and is estimated using an option-pricing model with traditional inputs for “appreciation” awards such as stock options and stock appreciation rights.

PhoneX Holdings, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

Costs equal to these fair values are recognized ratably over the requisite service period based on the number of awards that are expected to vest, or in the period of grant for awards that vest immediately and have no future service condition. For awards that vest over time, cumulative adjustments in later periods are recorded to the extent actual forfeitures differ from the Company's initial estimates: previously recognized compensation cost is reversed if the service or performance conditions are not satisfied and the award is forfeited. The expense resulting from share-based payments is recorded in general and administrative expense in the accompanying consolidated statements of income.

Subsequent modifications to outstanding awards result in incremental cost if the fair value is increased as a result of the modification. Thus, a value-for-value stock option repricing or exchange of awards in conjunction with an equity restructuring does not result in additional compensation cost.

Income Taxes

The Company complies with the accounting and reporting requirements of ASC Topic 740, "Income Taxes," which requires an asset and liability approach to financial accounting and reporting for income taxes. Deferred income tax assets and liabilities are computed for differences between the financial statement and tax bases of assets and liabilities that will result in future taxable or deductible amounts, based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized.

ASC Topic 740 prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. The Company is currently not aware of any issues under review that could result in significant payments, accruals or material deviation from its position.

The Company may be subject to potential income tax examinations by federal or state authorities. These potential examinations may include questioning the timing and amount of deductions, the nexus of income among various tax jurisdictions and compliance with federal and state tax laws. Management does not expect that the total amount of unrecognized tax benefits will materially change over the next twelve months.

The Company's policy for recording interest and penalties associated with audits is to record such expense as a component of income tax expense. There were no amounts accrued for penalties or interest as of December 31, 2025, and December 31, 2024.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentration of credit risk consist primarily of cash and accounts receivable.

The Company minimizes credit risk associated with cash by periodically evaluating the credit quality of its primary financial institutions. At times, the Company's cash may be uninsured or in deposit accounts that exceed the Federal Deposit Insurance Corporation ("FDIC") insurance limit of \$250,000 per institution, per entity. At December 31, 2025, and December 31, 2024, the Company had approximately \$5,276,054 and \$9,492,000, respectively, in excess of the FDIC limits.

Concentration of credit risk with respect to accounts receivables is minimal due to the credit worthiness of the Company's customer base and generally short payment terms.

New accounting pronouncements

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures (ASU 2023-09), which requires disclosure of incremental income tax information within the rate reconciliation and expanded disclosures of income taxes paid, among other disclosure requirements. ASU 2023-09 is effective for fiscal years beginning after December 15, 2024. Early adoption is permitted. The Company had adopted the ASU 2023-09 on January 1, 2025, prospectively, and it did not have a material effect on the Company's financial statements.

Management does not believe that any recently issued, but not yet effective, accounting standards, if currently adopted, would have a material effect on the Company's consolidated financial statements.

PhoneX Holdings, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

Note 3 – Discontinued Operations

On February 12, 2025, the Company entered into a Membership Interest Purchase Agreement (“Agreement”) for the sale of 79.5% its membership interests in We Sell Cellular LLC (“WeSell”). Pursuant to the terms set forth in the Agreement, the purchase price of the membership interests is \$47.7 million in cash, subject to certain customary adjustments. As a condition of closing, WeSell was required to have working capital of \$13.5 million of which \$1.5 million was in cash.

The Agreement was unanimously approved by the board of directors and by its shareholders during the first quarter. In addition to the initial sale of membership interests, the Company agreed to grant a Call Option to the buyer to purchase the remaining balance of the membership interests held by the Company. This Call Option expires on March 31, 2028 and the purchase price for the Call Option is calculated based on the percentage interest held by the Company on the date of the exercise of the Call Option multiplied by the sum of (i) \$60 million, (ii) cash minus indebtedness (excluding indebtedness related to any business combination or significant capital expenditure), and (iii) the difference between the working capital of WeSell and \$13.5 million (after deducting any working capital related to the exclusions referenced above in subpart (ii)). The closing of the transaction occurred on April 1, 2025.

As a result of the transaction, the Company recorded a gain of \$25,737,427 which was net of a tax expense in the amount of \$8,015,050 as well as other closing costs and the basis of the assets sold as part of the Agreement.

The Company has contracted to provide administrative or other support to WeSell following the completion of the transaction.

As a result of the Agreement for the membership interests in WeSell, the Company determined that the results of operations for WeSell should be reported in accordance with ASC 205-20, Presentation of Financial Statements — Discontinued Operations. Accordingly, the assets and liabilities associated with WeSell are identified as “Assets classified as held for Sale” or “Liabilities associated with assets classified as held for sale” on its balance sheet as of December 31, 2024. Additionally, the Company’s statement of operations and statement of cash flows reflect the impact of both its continuing and discontinued operations pursuant to ASC 205-20.

The following tables presents additional information with respect to our discontinued operations:

	<u>As of December 31,</u> <u>2025</u>		<u>As of December 31,</u> <u>2024</u>
	<u>(unaudited)</u>		<u>(unaudited)</u>
Inventory	\$ --		\$ 10,528,281
Account receivable	--		2,594,224
Other assets	--		374,747
Operating lease right-of-use asset	--		471,263
Assets classified as held for sale	<u>\$ --</u>		<u>\$ 13,968,515</u>
Accounts payable	--		241,319
Accrued expenses	--		904,425
Deferred revenue	--		1,813,387
Operating lease liability	--		494,089
Liabilities directly associated with assets classified as held for sale	<u>\$ --</u>		<u>\$ 3,453,220</u>

PhoneX Holdings, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

	Years Ended	
	December 31,	
	2025	2024
Revenue	\$ 43,861,651	\$ 161,990,635
Cost of Revenue	41,954,532	152,448,489
Gross Profit	1,907,119	9,542,146
Operating expenses	1,033,859	4,420,307
Income from discontinued operations	873,260	5,121,839
Income tax and other income (expense)	183,950	967,907
Income from discontinued operations, net of tax	\$ 689,270	\$ 4,153,932

Note 4 - Commitments and Contingencies

Legal Proceedings

From time to time, the Company is a party to or otherwise involved in legal proceedings arising in the normal and ordinary course of business. As of the date of this report, the Company is not aware of any proceeding, threatened or pending, against the Company which, if determined adversely, would have a material effect on its business, results of operations, cash flows or financial position.

Operating Leases

Through March 31, 2025, WeSell Cellular leased office and warehouse space under operating leases. With the sale of WeSell Cellular in early April 2025, these leases are the responsibility of WeSell Cellular. These leases were related to real estate and since most of the leases did not provide a readily determinable implicit rate, the Company estimated its incremental borrowing rate to discount the lease payments based on information available at lease commencement.

The table below presents the lease-related assets and liabilities recorded in assets classified as held for sale or liabilities directly associated with assets classified as held for sale on the accompanying consolidated balance sheets as of December 31, 2025, and 2024:

		2025	2024
Assets			
Noncurrent	Operating lease right-of-use asset	\$ --	\$ 471,263
Liabilities			
Current	Operating leases – current portion	--	278,171
Noncurrent	Operating leases – long-term portion	--	215,918
	Total Operating lease liabilities	--	494,089
Weighted-average remaining lease term			1.7 years
Weighted-average discount rate			1.37%

Undiscounted Cash Flows

As a result of the sale of the membership interests of WeSell on April 1, 2025, the present value of lease liabilities as of December 31, 2025, was \$0.

Note 5 - Stock-Based Compensation

Stock Option Grants

PhoneX Holdings, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

On December 5, 2018, the board of directors of the Company adopted the 2018 Equity Incentive Plan (the “Equity Incentive Plan”). Employees, directors and consultants of the Company and its affiliates are eligible to participate in the Equity Incentive Plan. The Equity Incentive Plan is administered by the Committee of the Board or the full Board during such times as no committee is appointed by the Board or during such times as the Board is acting in lieu of the committee (in either case, the “Committee”). The Equity Incentive Plan provides for the grant of equity-based compensation in the form of incentive stock options, nonqualified stock options, stock appreciation rights and restricted awards. An aggregate of 3,500,000 shares of the Company’s common stock are authorized for issuance under the Equity Incentive Plan, of which there were 656,488 shares of common stock available for issuance under the Equity Incentive Plan as of December 31, 2025. The Equity Incentive Plan replaces the Company’s 2008 Equity Incentive Plan, and no further awards will be made pursuant to such plan.

The fair value of options is estimated on the date of grant using the Black-Scholes option pricing model. The valuation determined by the Black-Scholes pricing model is affected by the Company’s stock price, as well as assumptions regarding a number of highly complex and subjective variables. The stock price is listed on the Over-the-Counter market and represents the fair value the company’s stock price. These variables include, but are not limited to, expected stock price volatility over the term of the awards, and actual and projected employee stock option exercise behaviors. The risk-free rate is based on the U.S. Treasury rate for the expected life at the time of grant, volatility is based on the average of the Company’s long-term implied volatility, the expected life is based on the estimated average of the life of options using the simplified method, and forfeitures are estimated on the date of grant based on certain historical data. The Company utilizes the simplified method to determine the expected life of its options due to insufficient exercise activity during recent years as a basis from which to estimate future exercise patterns. The expected dividend assumption is based on the Company’s history and expectation of dividend payouts.

Forfeitures are required to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

Due to the special dividend declared on September 10, 2025 (see footnote 7), the Board of Directors determined that the Outstanding Stock Options would be adjusted in accordance with the Company’s Stock Option Plan to preserve the economic intent of such Outstanding Stock Options by adjusting the applicable Option Exercise Price or the number of shares of Common Stock available in each grant. The adjustments made pursuant to the determination of the Board of Directors were to be made in a manner which avoided incremental compensation cost by ensuring the fair value of the Outstanding Stock Options before the adjustment (and before the special dividend) is the same as the fair value of the Outstanding Stock Options after the adjustment and after the Cash Dividend). Based on the input of a valuation expert, the Company determined that the Company should use the 30-day volume weighted average price (“VWAP”) of the Common Stock instead of the spot price of the Common Stock when determining the fair value of the Outstanding Stock Options. The resulting adjustments are recorded in the tables and information presented below.

The following table summarizes the Company’s stock option activity for the year ended December 31, 2025:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in Years)	Aggregate Intrinsic Value
Outstanding – December 31, 2024	2,093,750	\$ 0.81	1.2	\$ 722,090
Granted	523,925	\$ 0.01		
Exercised	(722,923)			
Forfeited or canceled	--			
Outstanding – December 31, 2025	<u>1,894,752</u>	<u>\$ 0.01</u>	<u>2.6</u>	<u>\$ 3,581,083</u>
Exercisable – December 31, 2025	<u>1,337,364</u>	<u>\$ 0.01</u>	<u>2.2</u>	<u>\$ 2,527,618</u>

PhoneX Holdings, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

The Company recorded non-cash compensation expense of \$189,345 and \$263,880 for the years ended December 31, 2025, and 2024, respectively, pertaining to stock option grants.

Total unrecognized compensation expense related to unvested stock options at December 31, 2025, amounts to \$218,569 and is expected to be recognized over a weighted average period of 0.75 years.

The following table summarizes the Company's stock option activity for non-vested options for the year ended December 31, 2025:

	<u>Number of Options</u>	<u>Weighted Average Grant Date Fair Value</u>
Balance at December 31, 2024	766,666	\$ 0.14
Granted	523,925	1.31
Vested	(722,923)	(0.30)
Forfeited or canceled	--	--
Balance at December 31, 2025	<u>557,388</u>	<u>\$ 0.39</u>

The Company used the Black-Scholes option pricing model to estimate the fair value of stock options granted with the following assumptions:

	<u>For year ended December 31,</u>	
	<u>2025</u>	<u>2024</u>
Expected term	0 - 1.9 Years	2.8 Years
Expected volatility	84.13%	89.3%
Interest Rate	3.56%	4.32%
Expected dividend yield	0%	0%

Note 6 - Income Taxes

The Company's provision for income taxes at December 31, 2025 and December 31, 2024 was as follows:

	<u>December 31,</u>	
	<u>2025</u>	<u>2024</u>
Current	\$ --	\$ --
Federal	7,553,900	714,481
Foreign	--	--
State	403,650	24,426
	<u>\$ 7,957,550</u>	<u>\$ 738,907</u>
Deferred	\$ --	\$ --
Federal	301,000	229,000
Foreign	--	--
State	--	--
Total Provision (Benefit) for income taxes	<u>\$ 8,258,550</u>	<u>\$ 967,907</u>
Allocated to discontinued operations	<u>59,550</u>	<u>\$ 967,907</u>
Allocated to continuing operations	<u>\$ 8,199,000</u>	<u>\$ --</u>

PhoneX Holdings, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

The Company recognizes deferred tax assets and liabilities for both the expected impact of differences between the financial statements and the tax basis of assets and liabilities, and for the expected future tax benefit to be derived from tax losses and tax credit carryforwards. The Company established a valuation allowance to reflect the likelihood of realization of deferred tax assets.

The valuation allowance at December 31, 2024, was \$1,812,000. The net change in the valuation allowance during the year ended December 31, 2024 was \$57,000. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred income tax assets will not be realized. The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred income tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based on consideration of these items, management has determined that enough uncertainty exists relative to the realization of the deferred tax asset to warrant the application of the aforementioned valuation allowance as of December 31, 2025 and 2024.

The Company has a net operating loss carryforward totaling approximately \$27,893,000 at December 31, 2025, which expires through 2037. Pursuant to Code Sec. 382 of the Internal Revenue Code, the utilization of net operating loss carryforwards may be limited as a result of a cumulative change in stock ownership of more than 50% over a three-year period. The Company underwent such a change and consequently, the utilization of a portion of the net operating loss carryforwards is subject to certain limitations. Temporary differences are approximately as follows:

	December 31,	
	2025	2024
Stock options	\$ 110,000	\$ 134,000
Accrued expenses	296,000	82,000
Inventory reserve	--	22,000
Inventory Capitalization 263A	--	143,000
Property and equipment	(2,000)	(61,000)
Net operating loss carryover	3,164,000	3,492,000
Deferred tax assets	3,568,000	3,812,000
Less: valuation allowance	(1,812,000)	(1,755,000)
Net deferred tax assets	\$ 1,756,000	\$ 2,057,000

The actual tax benefit differs from the expected tax benefit for the years ended December 31, 2024 and 2023 (computed by applying the U.S. Federal Corporate income tax rate of 21%) as follows:

	Year Ended December 31,	
	2024	2023
Expected tax (provision) benefit	\$ 6,155,000	\$ 946,000
Adjustment due to stock options	11,000	50,000
State income taxes, net of federal benefit	400,000	60,000
Permanent items	1,527,900	(101,200)
Change in apportionment and tax rate	120,000	7,100
True-up	9,650	6,200
Change in valuation allowance	57,000	--
Actual tax benefit	\$ 8,258,550	\$ 968,100

PhoneX Holdings, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

Note 7 – Special Dividend

On September 10, 2025, the Company announced that its board of directors had declared a special cash dividend in the amount of \$1.15 per share. The dividend was to be paid to shareholders on October 1, 2025. As of December 31, 2025, the Company has recorded a dividend payable of \$38,995,107 as a result of this special cash dividend. The dividend was paid on October 1, 2025. Based on the Company's historical and current year earnings and profits, the Company determined that \$0.88 of the special dividend would be classified as a dividend and \$0.27 of the dividend would be classified as a return of capital. The Company has reflected this calculation in its statement of stockholders' equity.

Note 8 - Customer Concentrations

During the year ended December 31, 2025, one customer represented 10% of revenues, representing 76%. During the year ended December 31, 2024, one customer represented 10% or more of revenues, representing 88%.

At December 31, 2025, one customer represented at least 10% of accounts receivable, accounting for 85% of the Company's accounts receivables. At December 31, 2024, one customer represented at least 10% of accounts receivable, accounting for 94% of the Company's accounts receivable.

Note 9 – Stock Purchase

In January 2024, the Company purchased 179,531 shares of its common stock for a purchase price of \$179,531.

In February 2024, the Company purchased 74,471 shares of its common stock for a purchase price of \$74,471.

In April 2024, the Company purchased 153,334 shares of its common stock for a purchase price of \$122,667.

In July 2024, the Company purchased 79,940 shares of its common stock for a purchase price of \$79,940.

In August 2024, the Company purchased 1,253 shares of its common stock for a purchase price of \$1,365.

In July 2025, the Company purchased 2,086,385 shares of its common stock for a purchase price of \$3,126,244.

Note 10 – Subsequent Events

Except as described elsewhere in the notes to its financial statements, the Company did not identify any other subsequent events that would have required adjustment or disclosure in the financial statements.