

Independent Auditors' Report

To Falcon Machine Tools Company Limited

Opinion

We have audited the accompanying parent company only balance sheets of Falcon Machine Tools Company Limited (the "Company") and as of December 31, 2024 and 2023, and the related parent company only statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2024 and 2023, and notes to the parent company only financial statements, including the summary of material accounting policies (together "the parent company only financial statements").

In our opinion, the parent company only financial statements referred to above present fairly, in all material respects, the parent company only financial position of the Company as of December 31, 2024 and 2023, and their parent company only financial performance and cash flows for the years ended December 31, 2024 and 2023, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants, and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements* section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the "Norm"), and we have fulfilled our other ethical responsibilities in accordance with the Norm. Based on our audits and the reports of other auditors, 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 most significant in our audit of 2024 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Receivable Impairment (including receivables of the subsidiaries invested by using Equity Method)

The account receivables of the Company and its subsidiaries invested by using Equity Method is significant to the financial statements. Given the recoverable of the receivables is a key factor to the company's working capital, the Company's judgements, analyses and estimations as well as the subsequent result could have impact on the account receivable. We therefore considered the receivable impairment a key audit matter.

Our audit procedure includes, but not limited to, assess the effectiveness of the Company's internal control on clients' credit risk management, its management on receivables by assessing the reasonability of the periods of the receivables' age on all groups, assess the accuracy of the original vouchers by random audit; assess the accuracy by recalculating the periods of the receivables' age according to the trading terms, judge the reasonability of allowing the individual clients to have large past due amount or long term past due, and assess the reasonability of non-individual clients' (group assess) allowance by recalculating it in accordance with allowance policy. Random audit the receivable confirmations and review the past due subsequent receivables to evaluate the possibility of recoverable.

We considered Note 5 and 6 to the individual financial statements regarding the related disclosure of the account receivables.

2. Inventory Valuation (including inventory valuation of the subsidiaries invested by using Equity Method)

The net inventory of the Company and its subsidiaries invested by using Equity Method is significant to the financial statements. Given the Group is primarily engaged in manufacturing and processing of grinder and lathe products. And the products are tailor-made, high unit price and for long duration. The judgement on slow-moving or expired inventory valuation would be a significant factor. We therefore considered the inventory valuation a key audit matter.

Our audit procedure includes, but not limited to, understand and assess the effectiveness of the internal control on inventory, evaluate the appropriateness of the account policy on slow-moving and expired inventory, assess the accuracy of the periods of the inventories' age, evaluate and observe the age of inventory variables in order to judge the reasonability of the slow-moving and expired inventory's reserve.

We considered Note 5 and 6 to the individual financial statements regarding the related disclosure of the inventory.

Other Matter – Making Reference to the Audits of Other Auditor

Part of the investees' financial statements in the parent company only financial statements were audited by component auditors and have not been audited by us. Thus the amounts stated in the parent company only financial statements regarding the investees were according to the audits of the component auditors. As of December 31, 2024 and 2023, the investees' investment for using Equity Method were NT\$240,813 thousand and NT\$186,842 thousand respectively, which stand for 7% and 7% of the total assets. The comprehensive income shares of investees' investments in subsidiaries, associates and joint ventures for using Equity Method for the years then ended were NT\$10,275 thousand and NT\$28,407 thousand respectively, which stand for (23%) and 18%. The comprehensive income shares of the investments in associates and joint ventures for using Equity Method were NT\$13,972 thousand and NT\$4,012 thousand, which stand for (43%) and 180% of other comprehensive income.

Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only financial statements, management is responsible for assessing the ability to continue as a going concern of the Company, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including audit committee, are responsible for overseeing the financial reporting process of the Company.

Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole 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 is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China 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 taken on the basis of these parent company only financial statements.

As part of an audit in accordance with the Standards on Auditing of in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the parent company only 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 internal control of the Company.
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 ability to continue as a going concern of the Company. 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 parent company only 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 Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the accompanying notes, and whether the parent company only 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 Company to express an opinion on the parent company only 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 that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2024 parent company only financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Chen, Cheng-Chu

Hung, Kuo-Sen

Ernst & Young, Taiwan

March 11, 2025

Notice to Readers

The accompanying parent company only financial statements are intended only to present the parent company only financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to review such parent company only financial statements are those generally accepted and applied in the Republic of China.

Accordingly, the accompanying financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

English Translation of the parent company only Financial Statements originally issued in Chinese
Falcon Machine Tools Company Limited
Parent Company Only Balance Sheets
December 31, 2024 and 2023
(Amounts in thousands of New Taiwan Dollars)

Assets		Dec 31, 2024		Dec 31, 2023	
Contents	Notes	Amount	%	Amount	%
Current Asset					
Cash and cash equivalents	4,6(1)	\$183,984	6	\$753,432	30
Financial assets measured at amortized cost are assets - current	4,6(2),8	194,448	6	29,589	1
Notes receivable	4,6(3)	11,371	0	18,436	1
Notes receivable - related parties	4,6(3),7	-	-	272	0
Accounts receivable, net	4,6(4)	91,141	3	96,082	4
Accounts receivable - related parties, net	4,6(4),7	36,002	1	36,975	1
Other receivables	4,7	9,668	0	13,875	1
Current tax assets		728	0	262	0
Inventories	4,6(5)	1,360,401	41	610,825	24
Prepayments		25,402	1	12,027	0
Other current assets		8,265	0	10,064	0
Total current assets		1,921,410	58	1,581,839	62
Non-current assets					
Financial assets measured at fair value through other comprehensive income - non-current	4,6(6)	24,565	1	24,538	1
Financial assets measured at amortized cost - non-current	4,6(2),8	49,669	1	46,518	2
Investment accounted for using equity method	4,6(7)	817,983	25	602,476	24
Property, plant and equipment	4,6(8),8	168,260	5	180,758	7
Right-of-use assets	3,6(16)	12,258	0	21,069	1
Investment property	4,6(9),8	212,724	7	10,074	0
Intangible assets	4	3,900	0	5,333	0
Deferred tax assets	4,6(20)	59,096	2	65,780	3
Other non-current assets	4	44,246	1	4,709	0
Net defined benefit asset, non-current	4,6(12)	6,749	0	-	-
Non-current assets recognized as incremental costs to obtain contract with customers	4	11,578	0	-	-
Total non-current assets		1,411,028	42	961,255	38
Total Assets		\$3,332,438	100	\$2,543,094	100

(The accompanying notes are an integral part of parent company only financial statements.)

English Translation of the parent company only Financial Statements originally issued in Chinese
Falcon Machine Tools Company Limited
Parent Company Only Balance Sheets (con.)
December 31, 2024 and 2023
(Amounts in thousands of New Taiwan Dollars)

Liabilities and Equity		Dec 31, 2024		Dec 31, 2023	
Content	Note	Amount	%	Amount	%
Current liabilities					
Short-term loans	4,6(10)	\$338,037	10	\$173,750	7
Current contract liabilities	6(14)	17,471	1	64,325	3
Notes payable		11,975	0	11,905	0
Notes payable - related parties	7	-	-	20	0
Accounts payable		81,240	3	145,594	6
Accounts payable - related parties	7	108,428	3	20,920	1
Other payables		38,020	1	44,613	2
Lease liabilities - current	6(16)	4,762	0	6,414	0
Current portion of long-term loans	6(11)	150,485	5	79,944	3
Other current liabilities		7,414	0	7,273	0
Total current liabilities		<u>757,832</u>	<u>23</u>	<u>554,758</u>	<u>22</u>
Noncurrent liabilities					
Non-current contract liabilities	6(14)	37,148	1	-	-
Long-term borrowings	4,6(11)	1,118,955	34	526,841	21
Net deferred tax liabilities	4,6(20)	49,529	1	42,803	2
Lease liabilities - noncurrent	6(16)	5,439	0	12,642	0
Accrued pension liabilities - noncurrent	4,6(12)	-	-	211	0
Deposit received		730	0	180	0
Total non-current liabilities		<u>1,211,801</u>	<u>36</u>	<u>582,677</u>	<u>23</u>
Total liabilities		<u>1,969,633</u>	<u>59</u>	<u>1,137,435</u>	<u>45</u>
Equity attributable to the parent company					
Capital	4,6(13)				
Common stock		1,143,619	34	1,068,803	42
Capital reserve		178,300	5	178,260	7
Retained earnings					
Legal reserve		33,217	1	22,474	1
Special reserve		53,916	2	53,916	2
Undistributed earnings (Deficit to be offset)		(37,625)	(1)	107,431	4
Total retained earnings		<u>49,508</u>	<u>2</u>	<u>183,821</u>	<u>7</u>
Other equity					
Exchange Differences on Translation of Foreign Operations		(8,167)	(0)	(28,162)	(1)
Unrealised gains (losses) on financial assets measured at fair value through other comprehensive income		(455)	(0)	2,937	0
Total of other equity		<u>(8,622)</u>	<u>(0)</u>	<u>(25,225)</u>	<u>(1)</u>
Total equity		<u>1,362,805</u>	<u>41</u>	<u>1,405,659</u>	<u>55</u>
Total liabilities and equity		<u>\$3,332,438</u>	<u>100</u>	<u>\$2,543,094</u>	<u>100</u>

(The accompanying notes are an integral part of parent company only financial statements.)

English Translation of the parent company only Financial Statements originally issued in Chinese

Falcon Machine Tools Company Limited

Parent Company Only Statements of Comprehensive Income

For the years ended December 31, 2024 and 2023

(Amounts in thousands of New Taiwan Dollars)

Content	Note	2024		2023	
		Amount	%	Amount	%
Operating revenues	4,6(14),7	\$836,244	100	\$856,306	100
Operating costs	6(5),6,(17),7	(623,427)	(75)	(678,736)	(79)
Gross profit		212,817	25	177,570	21
Unrealized gross (loss)		(69,588)	(8)	(47,332)	(6)
Realized gross profit		47,332	6	43,689	5
Net operating margin		190,561	23	173,927	20
Operating expenses	6(15),6(17)				
Sales and marketing expenses		(77,776)	(9)	(72,251)	(8)
General and administrative expenses		(74,193)	(9)	(85,505)	(10)
Research and development		(51,601)	(6)	(48,225)	(6)
Expected credit impairment losses		(528)	(0)	(199)	(0)
Subtotal		(204,098)	(24)	(206,180)	(24)
Operating income		(13,537)	(1)	(32,253)	(4)
Non-operating income and expenses	6(18),7				
Interest income		4,843	1	2,814	0
Other income		13,541	2	13,090	2
Other gains and losses		11,189	1	222,096	26
Finance costs		(29,665)	(4)	(31,366)	(4)
Share of profit or loss of associates	4,6(7)	(30,990)	(4)	(15,037)	(2)
Subtotal		(31,082)	(4)	191,597	22
Net income (loss) before tax		(44,619)	(5)	159,344	18
Income tax expenses	4,6(20)	(11,013)	(1)	(43,692)	(5)
Profit from continuing operations		(55,632)	(6)	115,652	13
Other comprehensive net income	6(19)				
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit obligation	6(12)	6,791	1	(161)	(0)
Unrealized gains (losses) from equity instrument investments measured at fair value through other comprehensive income		27	0	5,834	1
Income tax related to items that will not be reclassified		32	0	32	0
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations		22,234	3	(631)	(0)
Share of other comprehensive income, accounted for using equity method		(3,419)	(0)	(2,038)	(0)
Income tax related to items that may be reclassified		(2,239)	(0)	(802)	(0)
Subtotal		23,426	4	2,234	1
Total comprehensive income		(\$32,206)	(2)	\$117,886	14
Earnings per share	4,6(21)				
Earnings per share-basic		(\$0.49)		\$1.43	
Earnings per share-diluted		(\$0.49)		\$1.43	

(The accompanying notes are an integral part of parent company only financial statements.)

English Translation of the parent company only Financial Statements originally issued in Chinese
Falcon Machine Tools Company Limited
Parent Company Only Statements of Changes in Equity
For the years ended December 31, 2024 and 2023
(Amounts in thousands of New Taiwan Dollars)

Content	Common Stock	Capital surplus	Retained Earnings			Other Equity		Total Equity
			Legal Reserve	Special Reserve	Undistributed Earnings (Deficit to be offset)	Exchange Differences on Translation of Foreign Operations	Unrealized gains (losses) from equity instrument investments measured at fair value through other comprehensive income	
Balance as of January 1, 2023	\$768,803	\$11,460	\$22,474	\$53,916	(\$11,829)	(\$26,729)	\$2,878	\$820,973
Appropriations of prior year's earnings 2022:								
Legal reserve	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	-	-
Net income in 2023	-	-	-	-	115,652	-	-	115,652
Other comprehensive income (loss) 2023	-	-	-	-	(129)	(1,433)	3,796	2,234
Total comprehensive income (loss)	-	-	-	-	115,523	(1,433)	3,796	117,886
Issue of shares	300,000	166,800	-	-	-	-	-	466,800
Disposal of equity instrument investments measured at fair value through other comprehensive income	-	-	-	-	3,737	-	(3,737)	-
Balance as of December 31, 2023	\$1,068,803	\$178,260	\$22,474	\$53,916	\$107,431	(\$28,162)	\$2,937	\$1,405,659
Balance as of January 1, 2024	\$1,068,803	\$178,260	\$22,474	\$53,916	\$107,431	(\$28,162)	\$2,937	\$1,405,659
Appropriations of prior year's earnings 2023:								
Legal reserve	-	-	10,743	-	(10,743)	-	-	-
Cash dividends of ordinary share	-	-	-	-	(10,688)	-	-	(10,688)
Stock dividends of ordinary share	74,816	-	-	-	(74,816)	-	-	-
Net loss in 2024	-	-	-	-	(55,632)	-	-	(55,632)
Other comprehensive income (loss) 2024	-	-	-	-	6,823	19,995	(3,392)	23,426
Total comprehensive income (loss)	-	-	-	-	(48,809)	19,995	(3,392)	(32,206)
Changes in ownership interests in subsidiaries	-	40	-	-	-	-	-	40
Balance as of December 31, 2024	\$1,143,619	\$178,300	\$33,217	\$53,916	(\$37,625)	(\$8,167)	\$(455)	\$1,362,805

(The accompanying notes are an integral part of parent company only financial statements.)

English Translation of the parent company only Financial Statements originally issued in Chinese
Falcon Machine Tools Company Limited
Parent Company Only Statements of Cash Flows
For the years ended December 31, 2024 and 2023
(Amounts in thousands of New Taiwan Dollars)

Content	2024	2023	Content	2024	2023
Cash flows from operating activities:			Cash flows from investing activities:		
Net (loss) income before tax	(\$44,619)	\$159,344	Proceeds from disposal of financial assets at fair value through other comprehensive income	-	7,497
Adjustments to reconcile net income (loss) before tax to net cash provided by operating activities:			Proceeds from disposal of financial assets measured at amortized cost	(168,010)	(37,694)
Provided by (used in) operating activities:			Acquisition of investments accounted for under the equity method	(255,325)	(115,000)
Depreciation	22,057	24,684	Proceeds from disposal of non-current assets classified as held for sale	-	297,754
Amortization	1,942	1,865	Acquisition of property, plant and equipment	(9,584)	(14,521)
Expected credit loss	528	199	Proceeds from disposal of property, plant and equipment	10	2,799
Interest expenses	29,665	31,366	Acquisition of intangible assets	(509)	-
Interest income	(4,843)	(2,814)	Acquisition of investment properties	(203,037)	-
Dividend revenue	-	(10)	Increase in other non-current assets	(39,537)	(2,797)
Share of loss of associates accounted for using equity method	33,249	15,037	Dividend received (cash dividend of the year of investments accounted for using equity method)	5,418	101,621
Gain on disposal of property, plant and equipment	(10)	(221,267)	Net cash (used in) provided by investment activities	(670,574)	239,659
Loss on inventory valuation	(26,102)	7,016			
Unrealized profit (loss) from sales	19,997	3,643	Cash flows from financing activities:		
Changes in operating assets and liabilities:			Increase in short-term loans	640,026	736,075
Notes receivables	7,065	(778)	Decrease in short-term loans	(475,739)	(915,737)
Notes receivables - related parties	272	803	Proceeds from long-term loans	742,685	557,539
Account receivables	4,413	121,557	Repayments of long-term loans	(80,030)	(501,104)
Account receivables - related parties	973	19,037	Repayments of lease liabilities	(8,206)	(8,496)
Other receivables	4,207	(1,934)	Increase in other non-current liabilities	550	-
Inventories	(714,891)	(60,370)	Cash dividends	(10,688)	-
Prepayments	(13,375)	(2,164)	Proceeds from issuing shares	-	466,800
Other current assets	1,799	4,123	Interest paid	(32,484)	(30,517)
Decrease (increase) in assets recognised as incremental costs to obtain contract with customers	(11,578)	-	Net cash provided by financing activities	776,114	304,560
Contract liabilities - current	(9,706)	23,790	Net (decrease) increase in cash and cash equivalents	(569,448)	614,636
Notes payable	70	1,775	Cash and cash equivalents at beginning of period	753,432	138,796
Notes payable - related parties	(20)	2	Cash and cash equivalents at end of period	\$183,984	\$753,432
Account receivables	(64,354)	(12,186)			
Account receivables - related parties	87,508	10,559			
Other payable	(3,774)	(547)			
Other current liabilities	141	(3,202)			
Net defined benefit liabilities-non-current	(169)	(4,078)			
Cash generated from operations	(679,555)	115,450			
Interest received	4,843	2,814			
Dividend received	-	10			
Income tax paid	(276)	(47,857)			
Net cash (used in) provided by operating activities	(674,988)	70,417			

(The accompanying notes are an integral part of parent company only financial statements.)