

Independent Auditors' Report

To Falcon Machine Tools Company Limited

Opinion

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of December 31, 2024 and 2023, and their consolidated 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 and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing 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 Consolidated 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 significance in our audit of 2024 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated 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

As of December 31, 2024, the account receivable (including related parties) of the Company was NT\$147,721 thousand that stands for 4% of the total consolidated assets, which considered to be a significant proportion to the company. 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 consolidated financial statements regarding the related disclosure of the account receivables.

2. Inventory Valuation

As of December 31, 2024, the company's net inventory was NT\$1,790,744 thousand, which stands for 47% of the consolidated asset. 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 consolidated financial statements regarding the related disclosure of the inventory.

Other Matter – Making Reference to the Audits of Other Auditor

We did not audit the financial statements of certain consolidated subsidiaries, which statements reflect total assets of NT\$451,887 thousand and NT\$350,165 thousand, constituting 12% and 12% of consolidated total assets as of December 31, 2024 and 2023, respectively, and total operating revenues of NT\$376,182 thousand and NT\$454,247 thousand, constituting 32% and 35% of consolidated operating revenues for the years ended December 31 2024 and 2023, respectively. Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinions expressed herein are based solely on the audit reports of the other auditors. We did not audit the financial statements of certain associates and joint ventures accounted for under the equity method whose statements are based solely on the reports of the other auditors. These associates and joint ventures under equity method amounted to NT\$194,268 thousand and NT\$99,456 thousand, representing 5% and 3% of consolidated total assets as of December 31, 2024 and 2023, respectively. The related shares of profits from the associates and joint ventures under the equity method amounted to NT(\$14,098) thousand and NT(\$5,964)thousand, representing 31% and (4)% of the consolidated net income before tax for the years ended December 31 2024 and 2023, respectively.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the ability to continue as a going concern of the Company and its subsidiaries, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and its subsidiaries 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 and its subsidiaries.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

As part of an audit in accordance with the Standards on Auditing of 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 consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company and its subsidiaries.
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 and its subsidiaries. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the accompanying notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Other

We have audited and expressed an unqualified opinion on the parent company only financial statements of the Company as of and for the years ended December 31, 2024 and 2023.

Chen, Cheng-Chu

Hung, Kuo-Sen

Ernst & Young, Taiwan
March 11, 2025

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated 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 consolidated 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 Consolidated Financial Statements originally issued in Chinese
Falcon Machine Tools Company Limited and Subsidiaries
Consolidated 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)	\$242,311	7	\$835,773	29
Financial assets measured at amortized cost are assets - current	4, 6(2), 8	201,276	5	32,257	1
Notes receivable	4, 6(3), 6(15)	24,465	1	26,171	1
Notes receivable - related parties	4, 6(3), 6(15), 7	-	-	272	0
Accounts receivable, net	4, 6(4), 6(15), 8	147,721	4	168,143	6
Accounts receivable - related parties, net	4, 6(4), 6(15), 7	-	-	78	0
Other receivables	4	9,488	0	18,351	1
Current tax assets	4	9,465	0	277	0
Inventories	4, 6(5)	1,790,744	47	1,011,244	34
Prepayments	4, 6(6)	77,713	2	41,357	1
Other current assets		4,135	0	134	0
Total current assets		2,507,318	66	2,134,057	73
Noncurrent assets					
Financial assets measured at fair value through other comprehensive income - non-current	4, 6(7)	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(8)	508,276	13	272,514	9
Property, plant and equipment	4, 6(9), 8	261,395	7	283,259	10
Right-of-use assets	4, 6(17), 8	116,036	3	60,288	2
Investment property	4, 6(10), 8	212,724	6	10,074	0
Intangible assets	4	4,314	0	5,885	0
Deferred tax assets	4, 6(21)	80,026	2	82,974	3
Other non-current assets	4	48,686	1	9,263	0
Net defined benefit assets - non-current	4,6(13)	6,749	0	-	-
Total non-current assets		1,312,440	34	795,313	27
Total Assets		\$3,819,758	100	\$2,929,370	100

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

English Translation of the Consolidated Financial Statements originally issued in Chinese
Falcon Machine Tools Company Limited and Subsidiaries
Consolidated Balance Sheets (con.)
December 31, 2023 and 2022
(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(11)	\$414,222	11	\$247,828	8
Current contract liabilities	6(15)	40,055	1	67,726	2
Notes payable		34,771	1	20,576	1
Notes payable - related parties	7	-	-	20	0
Accounts payable		144,666	4	207,138	7
Accounts payable - related parties	7	108,002	3	21,731	1
Other payables		83,257	2	88,748	3
Current tax liabilities		327	0	945	0
Lease liabilities - current	4, 6(17)	6,439	0	25,336	1
Current portion of long-term loans	4, 6(12)	207,858	6	79,944	3
Other current liabilities		16,160	0	16,038	1
Total current liabilities		<u>1,055,757</u>	<u>28</u>	<u>776,030</u>	<u>27</u>
Noncurrent liabilities					
Contractual Liabilities - Non-Current	6(15)	37,148	1	-	-
Long-term borrowings	4, 6(12)	1,217,310	32	680,366	24
Net deferred tax liabilities	4, 6(21)	53,622	1	47,451	2
Lease liabilities - noncurrent	4, 6(17)	87,605	2	14,194	0
Accrued pension liabilities - noncurrent	4, 6(13)	-	-	211	0
Deposit received		5,511	0	5,459	0
Total non-current liabilities		<u>1,401,196</u>	<u>36</u>	<u>747,681</u>	<u>26</u>
Total liabilities		<u>2,456,953</u>	<u>64</u>	<u>1,523,711</u>	<u>53</u>
Interests attributable to parent company owner					
Capital					
Common stock capital		1,143,619	30	1,068,803	36
Capital reserve		178,300	5	178,260	6
Retained earnings					
Legal reserve		33,217	1	22,474	1
Special reserve		53,916	1	53,916	2
Undistributed earnings (Deficit to be offset)		(37,625)	(1)	107,431	3
Total retained earnings		<u>49,508</u>	<u>1</u>	<u>183,821</u>	<u>6</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		(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>36</u>	<u>1,405,659</u>	<u>47</u>
Total liabilities and equity		<u>\$3,819,758</u>	<u>100</u>	<u>\$2,929,370</u>	<u>100</u>

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

English translation of Consolidated Financial Statements originally issued in Chinese

Falcon Machine Tools Company Limited and Subsidiaries

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2024 and 2023

(Amounts in thousands of New Taiwan Dollars, except for earnings per share)

Content	Note	2024		2023	
		Amount	%	Amount	%
Operating revenues	4, 6(15), 7	\$1,193,689	100	\$1,290,783	100
Operating costs	6(2), 6(13), 6(17), 6(18), 7	(878,102)	(74)	(924,668)	(72)
Gross profit		315,587	26	366,115	28
Operating expenses	6(13), 6(17), 6(18)				
Sales and marketing expenses		(126,939)	(11)	(133,067)	(10)
General and administrative expenses		(192,642)	(16)	(223,626)	(17)
Research and development		(59,107)	(5)	(56,527)	(4)
Expected credit impairment (losses) benefits	6(16)	(1,898)	(0)	8,747	1
Subtotal		(380,586)	(32)	(404,473)	(30)
Operating income		(64,999)	(6)	(38,358)	(2)
Non-operating income and expenses	6(19), 7				
Interest income		5,043	0	3,085	0
Other income		19,323	2	21,447	2
Other gains and losses		4,233	0	221,281	17
Finance costs		(41,671)	(3)	(42,622)	(3)
Share of profit or loss of associates	4, 6(8)	33,124	3	4,909	0
Subtotal		20,052	2	208,100	16
Net income (loss) before tax		(44,947)	(4)	169,742	14
Income tax expenses	4, 6(21)	(10,685)	(1)	(54,090)	(4)
Profit (loss) from continuing operations		(55,632)	(5)	115,652	10
Other comprehensive net income	6(20)				
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit obligation		6,791	1	(161)	(0)
Unrealized gains (losses) from equity instrument investments measured at fair value through other comprehensive income		27	0	5,834	0
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	2	(631)	(0)
Share of other comprehensive income, accounted for using equity method	6(8)	(3,419)	(0)	(2,038)	(0)
Income tax related to items that may be reclassified		(2,239)	(0)	(802)	(0)
Subtotal		23,426	2	2,234	(0)
Total comprehensive income		(\$32,206)	(3)	\$117,886	10
Net income (loss) attributable to:					
Stock holders of the parent company	4, 6(22)	(\$55,632)		\$115,652	
Non-controlling interests		-		-	
		(\$55,632)		\$115,652	
Total comprehensive income attributable to:					
Stock holders of the parent company		(\$32,206)		\$117,886	
Non-controlling interests		-		-	
		(\$32,206)		\$117,886	
Earnings per share (NT\$)	4, 6(22)				
Basic earnings per share		(\$0.49)		\$1.44	
Diluted earnings per share		(\$0.49)		\$1.43	

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

English Translation of the parent company only Financial Statements originally issued in Chinese
Falcon Machine Tools Company Limited and Subsidiaries
Consolidated 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	
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 dividend	-	-	-	-	(10,688)	-	-	(10,688)
Stock Dividend	74,816	-	-	-	(74,816)	-	-	-
Net income 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)
Capital surplus, 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 the consolidated financial statements.)

English Translation of the parent company only Financial Statements originally issued in Chinese
Falcon Machine Tools Company Limited and Subsidiaries
Consolidated 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 (losses) income before tax	(\$44,947)	\$169,742	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:			Proceeds from disposal of financial assets measured at amortized cost	(172,170)	(38,376)
Provided by (used in) operating activities:			Acquisition of investments accounted for under the equity method	(214,001)	(111,900)
Depreciation	55,684	56,225	Proceeds from disposal of non-current assets classified as held for sale	-	297,754
Amortization	2,081	2,004	Acquisition of property, plant and equipment	(11,875)	(24,952)
Expected credit loss (gain)	1,898	(8,747)	Proceeds from disposal of property, plant and equipment	1,245	2,956
Interest expenses	41,671	42,622	Acquisition of intangible assets	(510)	(500)
Interest income	(5,043)	(3,085)	Acquisition of investment property	(203,037)	-
Dividend revenue	-	(10)	Increase in other non-current assets	(39,423)	(4,217)
Share of loss of associates accounted for using equity method	(33,124)	(4,909)	Dividend received (cash dividend of the year of investments accounted for using equity method)	7,893	4,975
(Losses) gain on disposal of property, plant and equipment	191	(221,377)	Net cash (used in) provided by investment activities	(631,878)	133,237
(gain from price recovery of inventory) Loss on inventory valuation	(25,550)	2,694			
Changes in operating assets and liabilities:			Cash flows from financing activities:		
Notes receivables	1,706	(654)	Increase in short-term loans	715,834	1,101,138
Notes receivables - related parties	272	803	Decrease in short-term loans	(552,002)	(1,303,605)
Account receivables	18,062	124,022	Proceeds from long-term loans	838,853	629,219
Account receivables - related parties	78	66	Repayments of long-term loans	(185,979)	(516,562)
Other receivables	8,863	(6,376)	Repayments of lease liabilities	(28,404)	(24,988)
Inventories	(747,357)	(35,353)	Decrease (increase) in other non-current liabilities	52	(771)
Prepayments	(36,356)	(6,503)	Cash dividends	(10,688)	-
Other current assets	(4,001)	10,524	Proceeds from issuing shares	-	466,800
Contract liabilities - current	9,477	(546)	Interest paid	(44,497)	(41,686)
Notes payable	14,195	3,834	Net cash provided by financing activities	733,169	309,545
Notes payable - related parties	(20)	2	Effect of exchange rate changes on cash and cash equivalents	34,916	(206)
Account receivables	(62,472)	(17,045)	Net (decrease) increase in cash and cash equivalents	(593,462)	495,496
Account receivables - related parties	86,271	590	Cash and cash equivalents at beginning of year	835,773	340,277
Other payable	(2,655)	3,009	Cash and cash equivalents at end of year	\$242,311	\$835,773
Other current liabilities	122	(2,685)			
Net defined benefit liabilities-non-current	(169)	(4,078)			
Cash generated from operations	(721,133)	104,769			
Interest received	5,043	3,085			
Dividend received	-	10			
Income tax paid	(13,579)	(54,944)			
Net cash (used in) provided by operating activities	(729,669)	52,920			

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