

**FALCON MACHINE TOOLS CO., LTD.**  
**2025 Annual General Shareholders' Meeting MINUTES**  
**(Translation)**

**Time :** 11:00 a.m. on Wednesday, June 25, 2025

**Place :** No. 34, Xinggong Rd, Shengang Township, Changhua County, Taiwan

**Means of shareholders' meeting :** physical shareholders' meeting

**Attendants :** All shareholders and their proxy holders, representing 74,275,728 shares (amongst them, 5,907,107 shares voted via electronic transmission), or 64.94% of the total 110,211,921 outstanding shares (4,150,000 non-voting shares have been deducted according to the second paragraph of Section 179 in Company Act).

**Board Members Present :** Lin, Tsung-Lin, Tung, Shang-Yu, Lin, Yi-Zhen, Wu, Zhi-Chi, Gong, Xin-Jie, Chen, Li-Yun

**Attendees :** Ryan Lo CPA of Ernst & Young, Taiwan, Chen Wu-Zhang Attorney of Hanyu Law Firm.

Chairperson : Lin, Tsung-Lin    Chairman

Minute Recorder : Chang, Sun-Fu

**I. Chairman announced commencement.**

**II. Chairman's Address (omitted)**

**III. Report Items**

**Report No. 1:**

**Proposed by the Board of Directors**

**Subject: The 2024 Business Report.**

**Explanation:** Please refer to Attachment 1 in this Handbook (page 8-11)

(Acknowledged)

**Report No. 2:**

**Proposed by the Board of Directors**

**Subject: The 2024 Audit Committee's Review Report.**

**Explanation:** Please refer to Attachment 2 in this Handbook (page 12).

(Acknowledged)

**Report No. 3:**

**Proposed by the Board of Directors**

**Subject: To report on the implementation status of the cash capital increase in private placement of common shares adopted by the 2022 Annual General Shareholders' Meeting.**

**Explanation:**

(1) The annual general meeting of shareholders resolved to increase capital by issuing 30 million common shares for private placement, the specific subscriber of securities is AUO Corporation and Innolux Corporation, and the subscribing price (NTD15.56/share) is 80% of the reference price, the procedure has completed on December 21, 2023, and was completed in the third quarter of 2024.

(2) Please refer to Attachment 3 (page 13~14) for related information.

(Acknowledged)

**IV. Ratification Items**

**Report No. 1:** **Proposed by the Board of Directors**  
**Subject: 2024 Business Report and Financial Statements. Approval is respectfully requested.**

**Explanation:**(1)The 2024 Business Report and Financial Statements were approved by the Board of Directors' Meeting on March 11, 2025 and reviewed by the Audit Committee. The Audit Committee's report was issued accordingly.

(2)The 2023 Business Report, Audit Report from the Certified Public Accountant (CPA) and Financial Statements are attached hereto as Attachment 1 (page 8 -11) and Attachment 4 (pages 15-34).

**Voting Results:**

Shares represented at the time of voting: 70,125,728

| Voting Results                                    | % of the total represented share present |
|---|--|
| Votes in favor: 65,544,996 votes(1,326,375 votes) | 93.46%                                   |
| Votes against: 79,399 votes(79,399 votes)         | 0.11%                                    |
| Votes invalid: 0 votes(0 votes)                   | 0.00%                                    |
| Votes abstained: 4,501,333 votes(4,501,333 votes) | 6.41%                                    |

\* including votes casted electronically (numbers in brackets)

**Resolution:**

The above proposal be and hereby was approved as proposed.

**Report No. 2:** **Proposed by the Board of Directors**  
**Subject: 2024 Loss Compensation. Approval is respectfully requested.**

**Explanation:**(1)The Audit Committee of the Company has reviewed the 2024 Loss Compensation Statement which approved by the Board of Directors on March 11th 2025. Please refer to the Attachment 5 (page 35).

**Voting Results:**

Shares represented at the time of voting: 70,125,728

| Voting Results                                    | % of the total represented share present |
|---|--|
| Votes in favor: 65,527,726 votes(1,309,105 votes) | 93.44%                                   |
| Votes against: 93,404 votes(93,404 votes)         | 0.13%                                    |
| Votes invalid: 0 votes(0 votes)                   | 0.00%                                    |
| Votes abstained: 4,504,598 votes(4,504,598 votes) | 6.42%                                    |

\* including votes casted electronically (numbers in brackets)

**Resolution:**

The above proposal be and hereby was approved as proposed.

**V. Discussion Items**

**Report No. 1:** **Proposed by the Board of Directors**  
**Subject: To amend " The Articles of Incorporation ". Resolution is respectfully requested.**

**Explanation:** To cooperate with the actual operation of the company , it is proposed to amend some articles of the company's "The Articles of Incorporation" ,Comparison Table for Amendments is attached hereto as Attachment 6 (page 36).

**Voting Results:**

Shares represented at the time of voting: 70,125,728

| Voting Results                                    | % of the total represented share present |
|---|--|
| Votes in favor: 65,442,425 votes(1,223,804 votes) | 93.32%                                   |
| Votes against: 82,230 votes(82,230 votes)         | 0.11%                                    |
| Votes invalid: 0 votes(0 votes)                   | 0.00%                                    |
| Votes abstained: 4,601,073 votes(4,601,073 votes) | 6.56%                                    |

\* including votes casted electronically (numbers in brackets)

**Resolution:**

The above proposal be and hereby was approved as proposed.

**Report No. 2:**

**Proposed by the Board of Directors**

**Subject:**To amend "Procedures for Endorsements and Guarantees". Resolution is respectfully requested.

**Explanation:** To cooperate with the actual operation of the company , it is proposed to amend some articles of the company's "Procedures for Endorsements and Guarantees" ,Comparison Table for Amendments is attached hereto as Attachment 7 (page 37).

**Voting Results:**

Shares represented at the time of voting: 70,125,728

| Voting Results                                    | % of the total represented share present |
|---|--|
| Votes in favor: 65,463,210 votes(1,244,589 votes) | 93.35%                                   |
| Votes against: 65,357 votes(65,357 votes)         | 0.09%                                    |
| Votes invalid: 0 votes(0 votes)                   | 0.00%                                    |
| Votes abstained: 4,597,161 votes(4,597,161 votes) | 6.55%                                    |

\* including votes casted electronically (numbers in brackets)

**Resolution:**

The above proposal be and hereby was approved as proposed.

**Report No. 3:**

**Proposed by the Board of Directors**

**Subject:**Discussion on Private Placement of Common Shares Resolution is respectfully requested.

**Explanation:**1. To strengthen operating capital, repay bank loans, improve the financial structure, or meet other funding needs arising from the Company's future diversified business development (including but not limited to reinvestments and working capital for new businesses), the Company proposes to conduct a private placement of common shares in accordance with Article 43-6 of the Securities and Exchange Act. The total number of privately placed shares shall not exceed 30,000,000 shares, each with a par value of NT\$10, to be issued in one or two tranches within one year from the date of the shareholders' meeting resolution.

2. Type of Securities to Be Issued:

The private placement shall consist of no more than 30,000,000 common shares, each with a par value of NT\$10.

3. Basis and Reasonableness of Pricing:

(1) The actual issuance price of the privately placed common shares shall be no less than 80% of the reference price and shall not be lower than par value. The pricing date and final price shall be authorized by the shareholders' meeting for the Board of Directors to determine based on the specific investors and market conditions at the time of issuance.

(2) The reference price for the private placement shall be the higher of the following two:

- A. The simple arithmetic average closing price of the Company's common shares for either 1, 3, or 5 business days before the pricing date, adjusted for ex-rights and ex-dividends, and adding back any capital reduction.
- B. The simple arithmetic average closing price of the Company's common shares for the 30 business days before the pricing date, similarly adjusted.

(3) Reasonableness of the Pricing:

The terms of issuance take into account the three-year transfer restriction imposed by the Securities and Exchange Act and the stringent qualification requirements for investors. The pricing is also based on the "Regulations Governing the Offering and Issuance of Securities by Public Companies" and relevant FSC interpretations. Therefore, the pricing mechanism is deemed reasonable and does not materially harm shareholders' interests.

4. Selection of Specific Investors:

- (1) The Company has not yet finalized any specific investors. The selection will be limited to qualified parties as defined in Article 43-6 of the Securities and Exchange Act, the FSC's ruling No. 1120383220 dated September 12, 2023, and other relevant regulations. Eligible investors include, but are not limited to, insiders, related parties, or strategic investors who can directly or indirectly contribute to the Company's future operations and are familiar with its business.

(2) Purpose of Selecting Investors:

As no specific investors have been finalized, the Board of Directors shall be authorized to empower the Chairman to select investors who can directly or indirectly benefit the Company's operations and are qualified under applicable laws.

(3) If the Investors Are Insiders or Related Parties:

- A. Selection Method and Purpose: Investors must contribute directly or indirectly to the Company's operations and have a certain degree of understanding of the business.
- B. Necessity: To improve profitability, strengthen the financial structure, and ensure sustainable operations, while maintaining management stability, the Company intends to raise capital through a private placement to qualified persons to improve its overall financial health.
- C. Expected Benefits: The capital injection is expected to provide stable, long-term funding, reduce reliance on bank financing, lower interest expenses, and enhance the flexibility of capital utilization.
- D. Reference: A list of potential insider or related-party investors can be found on page 38 of this Handbook.

(4) If the Investors Are Strategic Investors:

- A. Selection Method and Purpose: The Company seeks investors who can directly or indirectly contribute to future operations and are knowledgeable about the Company's business.
- B. Necessity: To enhance profitability, strengthen the financial structure, and maintain sustainable operations, the Company aims to engage strategic investors whose experience, technology, expertise, or market channels can improve overall performance.
- C. Expected Benefits: Introducing strategic investors via private placement may help secure lower-cost and long-term capital and enhance the Company's operations and shareholder value through their expertise

and resources.

#### 5. Necessity and Rationale for the Private Placement

- (1) Reasons for Not Conducting a Public Offering: In view of the timeliness and feasibility of fund-raising, as well as uncertainties in the capital market, the Company intends to adopt a private placement approach to raise funds from specific investors in order to effectively lower capital costs.
- (2) Private Placement Quota: The Company proposes to issue common shares through private placement, with a total amount not exceeding 30,000,000 shares, each with a par value of NT\$10.
- (3) Use of Proceeds and Expected Benefits:  
The private placement is to be carried out in one or two tranches within one year from the date of the shareholders' meeting resolution:

| Tranche           | Use of Proceeds   | Expected Benefits   |
|-------------------|---|---|
| First /<br>Second | To enhance operating capital, repay bank loans, improve the financial structure, or fund other capital needs arising from future business diversification (including but not limited to reinvestment and working capital for new business development). | To obtain stable and long-term funding, reduce reliance on bank financing, lower interest expenses, and improve flexibility in capital utilization. |

#### 6. Rights and Obligations of the Private Placement Common Shares

The rights and obligations of the privately placed common shares shall be identical to those of the existing issued common shares of the Company. However, in accordance with the Securities and Exchange Act, these shares may not be resold within three years from the delivery date, except under circumstances stipulated in Article 43-8 of the Act. After the three-year restriction period, the Board of Directors is authorized to determine, based on prevailing circumstances, whether to apply for retroactive public issuance and listing on the Taipei Exchange, provided that a letter of approval has been obtained from the TPEX confirming compliance with listing standards.

#### 7. Authorization for the Private Placement Plan

Except for the private placement pricing ratio, all matters related to this private placement—including the actual number of shares to be issued, the actual issue price, selection of investors, pricing reference date, issuance terms, project items, total amount to be raised, use of proceeds and its schedule, expected benefits, and other relevant matters—shall be proposed to the shareholders' meeting for authorization to the Board of Directors, who may adjust, determine, and implement the issuance plan based on market conditions. In the event of amendments due to changes in laws or regulations, competent authority directives, business needs, or objective circumstances, the Board of Directors shall also be fully authorized to act accordingly. In addition to the aforementioned authorizations, following approval of this proposal by the shareholders' meeting, it is further proposed that the Board of Directors authorize the Chairman to represent the Company in signing, negotiating, and amending all documents and matters necessary for this private placement of securities.

#### **Voting Results:**

Shares represented at the time of voting: 70,125,728

| Voting Results | % of the total represented share |
|----------------|----------------------------------|
|----------------|----------------------------------|

|   |         |
|---|---------|
|   | present |
| Votes in favor: 65,426,424 votes(1,207,803 votes) | 93.29%  |
| Votes against: 197,943 votes(197,943 votes)       | 0.28%   |
| Votes invalid: 0 votes(0 votes)                   | 0.00%   |
| Votes abstained: 4,501,361 votes(4,501,361 votes) | 6.41%   |

\* including votes casted electronically (numbers in brackets)

**Resolution:**

The above proposal be and hereby was approved as proposed.

**Report No.4: Proposed by the Board of Directors**  
**Subject: Discussion on Authorize Related-Party Transactions. Resolution is respectfully requested.**

**Explanation:** 1. In accordance with Article 15 of the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”, as amended and promulgated by the Financial Supervisory Commission (FSC) on January 28, 2022 under Letter No. Jin-Guan-Zheng-Fa-1110380465, and Article 15 of the Company’s “Procedures for the Acquisition and Disposal of Assets”, it is proposed that the shareholders' meeting authorize the Company to engage in transactions with related parties as detailed in explanation 2 below.

2. The estimated related party transactions, their nature, and the projected transaction amounts are listed below. For related evaluation information, please refer to pages 39–40.

| Estimated Counterparty         | Estimated Counterparty | Estimated Counterparty | Estimated Counterparty |
|--------------------------------|------------------------|------------------------|------------------------|
| Weiyang Construction Co., Ltd. | Construction Contract  | Zaborin Project        | NT\$1,684,917 thousand |

3. Upon approval of this proposal by the shareholders’ meeting, it is proposed that the Chairman be authorized to execute the relevant contracts and handle all subsequent related matters in accordance with the details outlined in explanation 2 above.

**Supplementary explanation:**

1. According to the letter from the OTC Markets No. 1140201292 dated June 11, 2015, the following is an explanation of the relevant handling matters.

Relevant information for assessing the reasonableness of the pre-set transaction conditions for acquiring real estate or its right-of-use assets from related parties in accordance with Articles 16 and 17:

(1) According to Article 16, the total amount of the transaction price of the related party plus the necessary capital interest and the costs that the buyer should bear according to law is NT\$2,297,277,226, which is greater than the transaction price of NT\$1,684,917,556. Therefore, the transaction costs are still reasonable.

(2) Article 17 does not apply.

The valuation report issued by the professional appraiser or the opinion of the accountant obtained in accordance with the provisions of the preceding article:

The valuation amount of China Real Estate Appraisers is NT\$1,702,497,936.

The valuation amount of China Credit Real Estate Appraisers is NT\$1,799,621,100.

2. In this case, the Chairman was originally authorized to handle relevant matters. However, since the Chairman is an interested party, the authorization is changed to the Vice Chairman to sign the contract and subsequent related matters in accordance with the above Explanation 2.

**Voting Results:**

Shares represented at the time of voting: 70,125,728

| Voting Results                                    | % of the total represented share present |
|---|--|
| Votes in favor: 65,432,095 votes(1,213,474 votes) | 93.30%                                   |
| Votes against: 95,049 votes (95,049 votes)        | 0.13%                                    |
| Votes invalid: 0 votes(0 votes)                   | 0.00%                                    |
| Votes abstained: 4,598,584 votes(4,598,584 votes) | 6.55%                                    |

\* including votes casted electronically (numbers in brackets)

**Resolution:**

The above proposal be and hereby was approved as proposed.

**VI.Election Items****Report No. 1:**

**Proposed by the Board of Directors**

**Subject: Proposal for the Re-election of Directors. Election is respectfully requested.**

**Explanation:** 1. The term of office for the current directors of the Company will expire on October 20, 2025. It is proposed to hold a full re-election of directors in advance during the 2025 Annual General Meeting of Shareholders. Pursuant to the Company's Articles of Incorporation, seven directors (including three independent directors) shall be elected under the candidate nomination system.

2. The current directors shall be discharged effective on the date of the new election. The term of office for the newly elected directors shall commence on June 25, 2025, and end on June 24, 2028, for a term of three years.

3. For the list of director (including independent director) candidates and related information, please refer to pages 41–42.

**Election Results:**

List of elected directors (including independent directors)

| Shareholder account number (ID NO.) | Category             | Name  | Elected Votes    |
|-------------------------------------|----------------------|---|------------------|
| 37738                               | Director             | Lin, Tsung-Lin  | 89,303,942 Votes |
| 36082                               | Director             | Tung, Shang-Yu  | 71,636,817 Votes |
| 35438                               | Director             | Linju Investment Co., Ltd.<br>Representative: Lin, Yi-Zhen  | 71,460,233 Votes |
| 35438                               | Director             | Linju Investment Co., Ltd.<br>Representative: Zhang, Yu-Xin | 71,265,306 Votes |
| F1*****9                            | Independent Director | Wu, Zhi-Chi   | 51,481,133 Votes |
| A1*****3                            | Independent Director | Gong, Xin-Jie   | 51,293,488 Votes |
| A1*****2                            | Independent Director | Chen, Li-Yun  | 50,552,291 Votes |

**VII.Other Motions****Report No. 1:**

**Proposed by the Board of Directors**

**Subject: Proposal to Lift Non-Competition Restrictions on Newly Elected Directors and Their Representatives. Resolution is respectfully requested.**

- Explanation:** 1. In accordance with Article 209 of the Company Act, a director must disclose to the shareholders' meeting the material content of any activities that may fall within the scope of the company's business and obtain permission for such activities.
2. In accordance with the Company Act, if it is necessary for a director to engage in competing activities without harming the company's interests, it is proposed to remove the non-compete restriction for newly appointed directors and their representatives. For details on the directors' (including independent directors') concurrent positions in other companies, please refer to page 43.

**Voting Results:**

Shares represented at the time of voting: 70,125,728

| Voting Results                                    | % of the total represented share present |
|---|--|
| Votes in favor: 65,363,227 votes(1,144,606 votes) | 93.20%                                   |
| Votes against: 97,804 votes(97,804 votes)         | 0.13%                                    |
| Votes invalid: 0 votes(0 votes)                   | 0.00%                                    |
| Votes abstained: 4,664,697 votes(4,664,697 votes) | 6.65%                                    |

\* including votes casted electronically (numbers in brackets)

**Resolution:**

The above proposal be and hereby was approved as proposed.

**VIII. Questions and Motions:** None.

**IX. Other records:** None.

**X. Adjournment:** Meeting ended at 11:33 am



## FALCON MACHINE TOOLS CO., LTD.

### Business Report

We hereby present a summary report on the operating results for the year 2024 and the business plan for the year 2025:

#### I. Operating Performance in 2024

##### (1) Consolidated financial results:

The Ministry of Finance's Customs Administration has released the preliminary import and export trade statistics for Taiwan from January to December 2024. According to the Taiwan Association of Machinery Industry, the cumulative export value of machine tools for the year 2024 was \$2.218 billion, an decrease of 14.8% compared to the same period in 2023. Of these exports, the export value of metal cutting machine tools was approximately \$1.834 billion, an decrease of 16.8% compared to the same period in 2023, while the export value of metal forming machine tools was \$383 million, an decrease of 3.7% compared to the same period in 2023.

Our company's net operating income for the year 2024 was NTD 1.193 billion, which is a 7.52% decrease from the net operating income of NTD 1.290 billion in 2023. However, in terms of profit and loss, we had a loss of NTD 55.632 million in 2024, compared to a profit of NTD 115.652 million in 2023, a decrease of 148.10%

The comparison for operating income and surplus/deficit between 2024 and 2023 is as follows:

Unit:NT\$ Thousands

| Item                    | 2024      | 2023      | Increase(Decrease)in<br>amount | Percentage Change (%) |
|-------------------------|-----------|-----------|--------------------------------|-----------------------|
| Net Profit              |           |           |                                |                       |
| Operating Costs         | 1,193,689 | 1,290,783 | (97,094)                       | (7.52%)               |
| Operating Margin        | 878,102   | 924,668   | (46,566)                       | (5.04%)               |
| Operating Expenses      | 315,587   | 366,115   | (50,528)                       | (13.80%)              |
| Operating Profit        | 380,586   | 404,473   | (23,887)                       | (5.91%)               |
| (loss)                  | (64,999)  | (38,358)  | (26,641)                       | 69.45%                |
| Net income              | 20,052    | 208,100   | (188,048)                      | (90.36%)              |
| Pre-tax income          | (44,947)  | 169,742   | (214,689)                      | (126.48%)             |
| Net income after<br>tax | (55,632)  | 115,652   | (171,284)                      | (148.10%)             |

##### (2) Budget implementation:

Based on the "Guidelines for Processing Public Financial Forecast Information of Publicly Traded Companies," our company is not required to disclose financial forecast information for the fiscal year 2024, so there is no data available regarding the budget execution status for the year 2024.

##### (3) Profitability Analysis:

| ITEM  | 2024   | 2023    |
|---|--------|---------|
| Non-operating income and expenses(NT\$)           | 20,052 | 208,100 |
| Return on total assets (%)                        | (2.64) | 3.02    |
| Return on equity (%)                              | (4.02) | 10.39   |
| Ratio of Operating Income to paid-in capital (%)  | (5.68) | (3.59)  |
| Ratio of income before tax to paid-in capital (%) | (3.93) | 15.88   |
| Net Profit Margin (%)                             | (4.66) | 8.96    |
| Earnings per share (NT\$)                         | (0.49) | 1.44    |

##### (4) Research and development status:

1. The ratio of research and development expenses to current year operating income for the past two years of our company is shown below:

| Year | 2024 | 2023 |
|------|------|------|
|------|------|------|

|                               |        |        |
|-------------------------------|--------|--------|
| R&D Expenses (NT\$ Thousands) | 59,107 | 56,527 |
| Percentage of Revenue(%)      | 4.95   | 4.38   |

## 2. Research and development achievements:

Product development is crucial for a company's long-term operations and sustainable growth. Company is committed to continuously developing new products and commercializing them. Regardless of the economic environment, we never stop our pace of product development. In recent years, the primary R&D achievements include the completion of the rotary table grinding machine development, obtaining the ISO 14955 Green Machine Tool EU certification, and receiving the Golden Label for Green Machine Tools from the Association. Additionally, the company has continued the optimization of the precision surface grinding machine. Recent product developments include the vertical grinding center, double-sided grinding machine, precision mold processing machine, smart automation aluminum wheel production line, non-circular piston outer-elliptical vertical lathe, shaft groove grinding machine, fixed beam gantry grinder, moving beam gantry grinder, and other new models, or optimizations of existing models. These developments are aimed at meeting the growing demand for high-precision machining in industries such as semiconductors, IT, automotive/electric vehicles, aerospace, global oil and energy industries, mold manufacturing, and the continuous growth of sectors like railways and shipbuilding. The company is actively positioning itself to meet new trends in high-tech machine tool development, including smart automation, high precision, large-scale, and high-speed cutting technologies, with a focus on high-value-added solutions. In addition to continuously improving existing products, the company is also actively investing in the development of energy-saving and carbon-reducing equipment. Our goal is to achieve carbon neutrality and net-zero emissions. In response to customer needs, we provide customized services and offer tailor-made equipment and comprehensive (Turn Key) processing solutions. Going forward, the company's main R&D plans will focus on the smart machine communication system (iMCS) and new material processing equipment, providing customers with materials processing solutions and equipment integration solutions to enhance product value.

The company currently holds 14 patents within the patent term. The patent layout covers the development of structure, control system, and intelligent automation technology for the milling and grinding of vehicles, as well as the manufacturing technology of fixtures.

## II. **Business Plan for year 2025**

### (1) Business Objectives

After thorough communication among the management team, Falcon Co., Ltd. has established the following three major operational policies for the year 2025: prioritizing revenue and profitability through effective management, streamlining and optimizing talent cultivation and training, and tracking and controlling profitability. The three operational policies are as follows:

1. Digitization/AI of Knowledge Base
2. Forward-Looking Product and Marketing Strategy Planning
3. Information Security Blueprint Development
4. Proactive Expansion into New Businesses, Including Real Estate and Agency Sales

### (2) Important Production and Sales Policies

1. In response to globalization and global marketing, it is crucial to understand and cater to the needs of local market users. This requires not only working closely with distributors, but also actively training international talents to rapidly adopt new technologies and provide support to both distributors and customers, ultimately ensuring the achievement of business objectives.

2. Continuing with a greater focus on online marketing and the utilization of social media

platforms in advertising and marketing efforts. This will accelerate companies' digital transformation in their marketing strategies.

3. Our goal is to have grinding machine orders account for more than 40% of sales and achieve a multiple-fold growth in sales. To accomplish this, we will share and replicate successful case studies of grinding machines and standardize special attachments.
4. Our objective is to create a more service-oriented manufacturing industry. To achieve this, we will strengthen our sales and service centers, and ensure that pre-sales, during-sales, and after-sales services are in place. We will also enhance our customized production technology to reach our goals. Additionally, we will continue to expand market demand through international Turn Key Solutions
5. To prevent similar issues from recurring in the future, we will propose and implement measures accordingly. We will actively sale inventory, establish clearance strategies, and reduce the amount of stagnant inventory.
6. We will establish and maintain a comprehensive sales and service maintenance manual to improve the execution rate of service calls. We will review and adjust the inventory of commonly used sales and service parts for mass production machines every quarter, and ensure effective management of the inventory value. This will improve the delivery efficiency of sales and service parts.
7. We will continue to implement our quality policy by enhancing our intelligent technology, demonstrating stable quality, continuous improvement, and prioritizing service efficiency to meet customer needs. We will also strengthen our international brand and achieve our quality goals for 2023, which includes targets for internal and external failure costs, claims execution rate, and the number of customer complaints.
8. We will implement self-inspection checklists and create standard assembly instructions to prevent defective products from entering the production site. This will help establish basic data for smart manufacturing SOPs and standard work hours.
9. According to the production and sales schedule, we will establish a machine process breakdown and assign specific roles and responsibilities to ensure standardized operating skills and achieve our production goals. We will also ensure the proper execution of the return material process.
10. Establishment of digitalization/ai of knowledge base for each department
11. Implementation of esg initiatives
12. We will capitalize on our management team's expertise and resources to expand our business operations in the real estate sector, including offering real estate agency services, developing self-built properties, and partnering in joint real estate projects.

(3) Business Objectives for Year 2025:

Considering the impact of COVID-19, the depreciation of the Japanese yen, and the improvement of functionality and quality in Chinese machine tools on our business goals and the overall industry, as well as the global economic recovery, rising raw material prices, supply chain constraints, and the heating up of inflation in major economies, which intensifies the pressure to exit from loose monetary policies, and the increase in tariffs under the Trump administration in the United States, will affect the global economy. We anticipate selling approximately 756 units of our products under the parent company and a total of approximately 965 units under the entire group in the fiscal year 2025. We will continue to focus on creating and increasing the added value of our products, such as processing electric vehicles, semiconductor industry, medical, 3C, and 5G industry equipment, and strive to achieve our vision of "becoming the only choice for the best machine tools.

### **III. Development Strategy**

- (1) Adhering to the business philosophy of "Steady management, striving for perfection, gaining international recognition, and sharing prosperity," we will strive to achieve our vision of "becoming the only choice for the best machine tools.

- (2) We will deepen our presence in the machine tool industry, embrace AIOT, and continuously innovate and develop high-precision, high-efficiency, high-quality, and highly intelligent machine tool products. We will strengthen our position as a leader in the grinding machine market and achieve industrial upgrading.
- (3) Our marketing, design, application, and sales and service departments should be responsive and understand market demands and changes to provide high-quality customized services. We will enhance machining technology, application technology, fixture design, and manufacturing, and strengthen pre-, during-, and post-sales customer service to improve customer satisfaction, meet their needs, and create favorable brands like "CHEVALIER."
- (4) We will pay attention to and master changes and fluctuations in the market environment and rapidly evolving technology, effectively control risks, adjust the scope of product applications and industries, and improve processing equipment to meet the demand for new materials. We will continue to implement performance management with the spirit of FPS.
- (5) We will promote strategic alliances in the machine tool industry for mutual benefit and actively participate in industry-government-academia-research cooperation to develop key technologies for processing new materials.
- (6) We will cultivate the real estate sales and development business to establish a new source of profit for the company.

#### **IV. The Impact of the External Competitive Environment, Regulatory Environment, and Macroeconomic Conditions**

- (1) Geopolitical factors (e.g., the Russia-Ukraine war) are causing customers to have concerns about future equity and after-sales service, as well as restrictions on product exports, leading to a decline in sales and impacting the global economy.
- (2) Depreciation of the Japanese Yen has made Taiwanese products relatively less competitive. On the other hand, the improvement in the quality and the continual price reduction of Chinese-made products have made the operating environment for Taiwanese machine tools increasingly challenging.
- (3) The Ongoing Tariff Barriers Policy implemented by the United States raises concerns about its long-term effects on prices, and its impact on Taiwan remains a significant challenge.
- (4) The frequency and severity of natural disasters related to climate change are increasing globally, heavily impacting the supply of bulk commodities and likely exacerbating price volatility. Attention to Environmental, Social, and Governance (ESG) issues will continue to deepen and be emphasized.

Falcon is continuously enhancing its management practices and employee training to establish a strong foundation for transformation. The management team is dedicated to changing traditional mindsets and approaches, improving management efficiency, continuously and effectively reducing production costs, and mastering the research and development of new material processing technologies. They are producing a variety of highly competitive processing machines. Additionally, they are set to launch a project near the High-Speed Rail Tainan Station called the "Geometry Museum of Zaborin," aimed at ensuring a competitive edge in the market and boosting profitability.

Sincerely yours,

Falcon Machine Tools CO., LTD.

Chairman:

Lin Tsung-Lin

Director:

Tung Shang-Yu

Account Manager:

Chang Shun-Fu

## **Audit Committee's Review Report**

The Board of Directors has prepared the Company's 2024 business report, financial statements, and proposal for loss compensation. The CPAs Chen, Zheng-Chu and Hong, Guo-Sen from the CPA firm of Ernst & Young were retained to audit FALCON MACHINE TOOLS' financial statements and has issued an audit report relating to the financial statements. The business report, financial statements, and loss compensation proposal have been reviewed by the Audit Committee and no irregularities were found. We hereby report as above according to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act. Please kindly approve.

Sincerely,

2025 Annual General Shareholders' Meeting of Falcon Machine Tools Co., Ltd.

Convener of the Audit Committee  
Wu, Zhi-Chi  
May 11, 2025

**FALCON MACHINE TOOLS CO., LTD.**  
**2023 The Private Placement Resolved By The Annual General Shareholders Meeting**

|   |   |   |                       |   |   |
|---|---|---|-----------------------|---|---|
| Project   | First Private Placement of Common Stock in 2023   |   |                       |   |   |
| Date of Issued  | December 21, 2023   |   |                       |   |   |
| Types of Private Placement Securities                 | Common Stock  |   |                       |   |   |
| Date and Amount Approved by the Shareholders' Meeting | At the shareholders' meeting on June 21, 2023, the company resolved to issue common stock through a private placement for a cash capital increase within Taiwan, not exceeding 30,000 thousand shares. The shareholders' meeting authorized the board of directors to execute this within one year from the date of the shareholders' meeting resolution, either in one go or in two separate instances   |   |                       |   |   |
| Basis and Rationality for Price Setting               | <p>1. The price for this private placement is set according to the pricing principles decided at the shareholders' meeting on June 21, 2023. The pricing day is set for November 9, 2023, and is calculated based on the higher of the following two criteria:</p> <p>(1) The simple arithmetic average of the closing prices of the common stock on the one, three, and five business days prior to the pricing day, adjusted for bonus issue rights and dividends, and readjusted for reverse stock splits, with respective prices of \$19.80, \$19.68, and \$19.44. The selected price is \$19.44, which is the average closing price of the stock one business day prior, adjusted for bonus issue rights and dividends, and readjusted for reverse stock splits.</p> <p>(2) The simple arithmetic average of the closing prices of the common stock over the thirty business days prior to the pricing day, adjusted for bonus issue rights and dividends, and readjusted for reverse stock splits, is \$19.20.</p> <p>(3) Based on the higher of the two criteria above, \$19.44 is chosen as the reference price. After comprehensive consideration, the actual private placement price is set at \$15.56 per share, which is not less than 80% of the reference price.</p> <p>2. The method of pricing this private placement of common shares, as described above, is deemed reasonable.</p> |   |                       |   |   |
| Method of Selecting Specific Persons                  | The selection of specific persons is conducted in accordance with Article 43-6 of the Securities and Exchange Act and the regulations of the Financial Supervisory Commission (FSC) dated June 13, 2002, under order number (91) Tai-Cai-Zheng-Yi No. 0910003455, which limit the selection to specific persons as stipulated   |   |                       |   |   |
| Reasons for Conducting a Private Placement            | Considering factors such as capital market conditions, timeliness of fundraising, issuance costs, and equity stability.   |   |                       |   |   |
| Completion Date of Payment of Purchase Price          | 17 <sup>th</sup> November, 2023   |   |                       |   |   |
| Applicant Information                                 | Private Placement Recipients  | Qualification Criteria  | Subscription Quantity | Relationship with the Company                 | Involvement in Company Operations             |
|   | Lin, Tsung-Lin  | Accordance with Article 43-6 of the Securities and Exchange Act | 8,200,000 Shares      | Chairman of Company                           | Involved in Company Operations and Management |
|   | Tung, Shang-Yu  |   | 1,000,000 Shares      | Vice Chairman and General Manager of Company. | Involved in Company Operations and Management |

|  |   |  |                  |   |    |
|--|---|--|------------------|---|----|
|  | Luqi Investment Co., Ltd.   |  | 5,000,000 Shares | Person in charge is the spouse of the legal representative of company | NO |
|  | Hou, Chia-Chang   |  | 1,000,000 Shares | NO  | NO |
|  | Chen, Ching-Yi  |  | 1,000,000 Shares | NO  | NO |
|  | Chen, Chien-Liang   |  | 500,000 Shares   | NO  | NO |
|  | Wu, Chen-Chung  |  | 500,000 Shares   | NO  | NO |
|  | Cheng, Hsiao-Chin   |  | 3,000,000 Shares | NO  | NO |
|  | Lin Sen Investment Co., Ltd.  |  | 3,000,000 Shares | NO  | NO |
|  | Lu, Chin-Fa   |  | 1,500,000 Shares | NO  | NO |
|  | Kuo, Tai-Yin  |  | 600,000 Shares   | NO  | NO |
|  | Kuo, Hung-I   |  | 700,000 Shares   | NO  | NO |
|  | Kuo, Hung-Yu  |  | 700,000 Shares   | NO  | NO |
|  | Hsiao, Tsung-I  |  | 1,000,000 Shares | NO  | NO |
|  | Cai Fu Limited Company  |  | 1,800,000 Shares | NO  | NO |
|  | Sun, Kuang-Chi  |  | 200,000 Shares   | NO  | NO |
|  | Ou, Shu-Ling  |  | 50,000 Shares    | NO  | NO |
|  | Chang, Yu-Tung  |  | 50,000 Shares    | NO  | NO |
|  | Hou, Sheng-Yuan   |  | 100,000 Shares   | NO  | NO |
|  | Chen, Mei-Chun  |  | 100,000 Shares   | NO  | NO |
| Actual subscription price  | NT\$ 15.56  |  |                  |   |    |
| Difference between actual subscription price and reference price   | The actual subscription price is 80.04% of the reference price of \$19.44   |  |                  |   |    |
| Impact of conducting private placement on shareholder equity       | The purpose of raising funds through the issuance of privately placed securities by the company is to enhance operational capital, improve operational and debt repayment capabilities, optimize financial structure, and reduce interest expenses. These benefits are expected to have a positive impact on shareholder equity. Therefore, the issuance of privately placed securities should not significantly affect shareholder equity. |  |                  |   |    |
| The utilization status and progress of the private placement funds | As of the third quarter of 2024, a total of NT\$466,800,000 has been utilized, with all actions completed.  |  |                  |   |    |
| The visible benefits resulting from the private placement          | 1. Enhancing operational liquidity by augmenting working capital, bolstering cash reserves, and increasing financial flexibility.<br>2. Improving financial structure by boosting liquidity ratios and reducing debt-to-equity ratios.  |  |                  |   |    |

## **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  |          | 1,055,757    | 28  | 776,030      | 27  |
| 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  |          | 1,401,196    | 36  | 747,681      | 26  |
| Total liabilities  |          | 2,456,953    | 64  | 1,523,711    | 53  |
| Interests attributable to parent company owner                       | 6(14)    |              |     |              |     |
| 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  |          | 49,508       | 1   | 183,821      | 6   |
| 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  |          | (8,622)      | (0) | (25,225)     | (1) |
| Total equity   |          | 1,362,805    | 36  | 1,405,659    | 47  |
| Total liabilities and equity   |          | \$3,819,758  | 100 | \$2,929,370  | 100 |

(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   | (2,665)    | 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.)

## **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's 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 recognised 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   |         | 757,832      | 23  | 554,758      | 22  |
| 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   |         | 1,211,801    | 36  | 582,677      | 23  |
| Total liabilities   |         | 1,969,633    | 59  | 1,137,435    | 45  |
| Equity attributable to the parent company   | 4,6(13) |              |     |              |     |
| Capital   |         |              |     |              |     |
| 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   |         | 49,508       | 2   | 183,821      | 7   |
| 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   |         | (8,622)      | (0) | (25,225)     | (1) |
| Total equity  |         | 1,362,805    | 41  | 1,405,659    | 55  |
| Total liabilities and equity  |         | \$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 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   | 5183,984  | 5753,432  |
| 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-curren  | (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.)

**FALCON MACHINE TOOLS CO., LTD.**  
**2023 Statement of Profit Distribution**

Unit: NT\$

| Item   | Total          |
|--|----------------|
| Beginning Undistributed Earnings                           | 11,184,216     |
| Add (Loss):  |                |
| Net Profit and Loss After Tax for the Current Year         | ( 55,631,990 ) |
| Re-measurement of Defined Benefit Plans                    | 6,822,928      |
| Revolving Special Surplus Reserve - Other Equity Deduction | 45,293,488     |
| Ending Undistributed Earnings                              | 7,668,642      |

Chairman:  
Lin, Tsung-Lin

General Manager:  
Tung, Shang-Yu

Accounting Supervisor:  
Chang, Shun-Fu

**FALCON MACHINE TOOLS CO., LTD.**  
**Comparison Table Illustrating the Original and Amended Text of the “The Articles of Incorporation”**

| Amended Text   | Original Text   | Explanation   |
|--|---|---|
| <p>Article 29:<br/> If the company makes a profit in the year, no less than 2% should be appropriated as employee remuneration, and the Board of Directors will resolve to distribute it in the form of shares or in cash; no more than 5% should be appropriated as director remuneration by resolution of the Board of Directors. Proposals on the distribution of employee remuneration and director remuneration shall be reported to the shareholders' meeting. However, if the company still has accumulated losses, it shall reserve the compensation amount in advance, and allocate employee remuneration and director remuneration in proportion to the preceding paragraph.<br/> <u>At least 10% of the employee remuneration amount mentioned above should be allocated to grassroot employees.</u><br/> (Omitted)</p> | <p>Article 29:<br/> If the company makes a profit in the year, no less than 2% should be appropriated as employee remuneration, and the Board of Directors will resolve to distribute it in the form of shares or in cash; no more than 5% should be appropriated as director remuneration by resolution of the Board of Directors. Proposals on the distribution of employee remuneration and director remuneration shall be reported to the shareholders' meeting. However, if the company still has accumulated losses, it shall reserve the compensation amount in advance, and allocate employee remuneration and director remuneration in proportion to the preceding paragraph.<br/> (Omitted)</p> | <p>In compliance with the amendment to Article 14, Paragraph 6 of the Securities and Exchange Act</p> |
| <p>Article 34:<br/> These Articles of Incorporation were resolved on March 6, 1978.<br/> (First to thirty sixth amendment omitted)<u>The thirty-seventh amendment was on June 25, 2024.</u><br/> <u>The thirty-eighth amendment was on June 25, 2025.</u></p>  | <p>Article 34:<br/> These Articles of Incorporation were resolved on March 6, 1978.<br/> (First to thirty sixth amendment omitted)<u>The thirty-seventh amendment was on June 25, 2024.</u></p>   | <p>Addition of the number of revisions.</p>   |

**FALCON MACHINE TOOLS CO., LTD.**  
**Comparison Table Illustrating the Original and Amended Text of the**  
**“Procedures for Endorsements and Guarantees”**

| Amended Text  | Original Text   | Explanation   |
|---|---|---|
| <p>Article 6:<br/>(I to VI omitted)<br/>VII. Setting limits for endorsement guarantees to external parties:<br/>1. The total amount of endorsement guarantees shall be limited to <u>five times</u> of the latest financial statement net worth.<br/>2. The amount of endorsement guarantee for a single enterprise shall be limited to <u>four times</u> of the latest financial statement net worth.<br/>3. For the total amount of long-term investments in a single enterprise, the amount of endorsement guarantee, and the amount of financial loans, the limit shall be <u>six times</u> of the Company's latest financial statement net worth</p> | <p>Article 6:<br/>(I to VI omitted)<br/>VII. Setting limits for endorsement guarantees to external parties:<br/>1. The total amount of endorsement guarantees shall be limited to <u>eighty percent</u> of the latest financial statement net worth.<br/>2. The amount of endorsement guarantee for a single enterprise shall be limited to <u>seventy percent</u> of the latest financial statement net worth.<br/>3. For the total amount of long-term investments in a single enterprise, the amount of endorsement guarantee, and the amount of financial loans, the limit shall be <u>one hundred and twenty percent</u> of the Company's latest financial statement net worth</p> | <p>In line with future operational needs and in reference to industry peers, this is revised based on Article 5, Paragraph 3 of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies.</p> |
| <p>Article 14:<br/>This procedure was established on May 19, 1995.<br/>(First to ninth amendment omitted)<u>Tenth Amendment on June 25, 2024.</u><br/><u>Eleventh Amendment on June 25, 2025.</u></p>   | <p>Article 14:<br/>This procedure was established on May 19, 1995.<br/>(First to ninth amendment omitted)<br/><u>Tenth Amendment on June 25, 2024.</u></p>  | <p>Addition of the number of revisions.</p>   |

# **FALCON MACHINE TOOLS CO.,LTD.**

## **List of Potential Subscribers for the 2025 Private Placement of Common Shares (including insiders or related parties)**

| Potential Subscribers             | Relationship with the Company                                      |
|-----------------------------------|--|
| Lin, Tsung-Li                     | Chairman of the Company; major shareholder holding 7.77%           |
| Tung, Shang-Yu                    | Vice Chairman and General Manager of the Company                   |
| Linju Investment Co., Ltd         | Corporate Director of the Company; major shareholder holding 9.41% |
| Lin, Yi-Zhen                      | Representative of the Corporate Director                           |
| Zhang, Yu-Xin                     | Representative of the Corporate Director                           |
| Guangshang Investment Co., Ltd.   | Related party of the Company                                       |
| Qingjingning Investment Co., Ltd. | Related party of the Company                                       |
| Luqi Investment Co., Ltd          | Related party of the Company                                       |

If the subscriber is a juristic person, provide the names of its top 10 shareholders, their shareholding ratios, and their relationship with the Company.

| Potential Subscribers             | Top 10 Shareholders               | Shareholding% | Relationship with the Company                                    |
|-----------------------------------|-----------------------------------|---------------|--|
| Linju Investment Co., Ltd         | Lin, Tsung-Lin                    | 0.01%         | Chairman of the Company  |
|                                   | Guangshang Investment Co., Ltd.   | 31.25%        | Related party of the Company                                     |
|                                   | Qingjingning Investment Co., Ltd. | 37.49%        | Related party of the Company                                     |
|                                   | Luqi Investment Co., Ltd          | 31.25%        | Related party of the Company                                     |
| Guangshang Investment Co., Ltd.   | Tung, Shang-Yu                    | 23%           | Vice Chairman and General Manager of the Company                 |
|                                   | Tung, Zhao-Ling                   | 22%           | None   |
|                                   | Tung, Zhao-Ying                   | 28%           | None   |
|                                   | Tung, Lin Mei-Gui                 | 27%           | None   |
| Qingjingning Investment Co., Ltd. | Lin, Tsung-Lin                    | 99.84%        | Chairman of the Company  |
|                                   | Wu He-Bei                         | 0.16%         | None   |
| Luqi Investment Co., Ltd          | Hua Qi-Xiang                      | 100%          | Spouse of the representative of the Company's corporate director |

**FALCON MACHINE TOOLS CO.,LTD.**

**Evaluation Form for Construction Contract to Be Signed with Related Parties**

For the current Zaborin project, the Company intends to invite Weiyang Construction Co., Ltd. to participate in the bidding or quotation process.

**I. Purpose, Necessity, and Expected Benefits of the Acquisition or Disposal of Assets:**

**1. Purpose and Necessity:**

In response to construction project requirements, the Company plans to contract out a construction project.

**2. Expected Benefits:**

To effectively control construction quality and progress, and to delegate sales in order to generate profits.

**II. Reason for Selecting a Related Party as the Transaction Counterparty**

The proposed counterparty, **Weiyang Construction Co., Ltd.**, is the construction firm under Qingjinglin Group's architectural team, with extensive experience in undertaking construction projects and a proven record in quality and schedule control.

The Group has previously undertaken projects such as "Chang Sheng", "Dream Park", "Ai Mei New Era" by Sandi Group, "Pingshi Transfer Station", and the Anliao Haoshi and Liuan Haoshi social housing projects awarded in 2024.

For the current Zaborin project, the Company intends to invite Weiyang Construction Co., Ltd. to participate in the bidding or quotation process. After completing the relevant internal control procedures, the Company considers this party to be the most suitable choice in terms of coordination and cooperation, and will enter into a construction contract with them.

**III. Evaluation Information on Reasonableness of the Transaction Terms in Accordance with Articles 16 and 17 When Acquiring Real Estate or Use Rights from Related Parties:**

(1) According to Article 16, the total amount of the transaction price of the related party plus the necessary capital interest and the costs that the buyer should bear according to law is NT\$2,297,277,226, which is greater than the transaction price of NT\$1,684,917,556. Therefore, the transaction costs are still reasonable.

(2) Article 17 does not apply.

**IV. Information on the Related Party's Original Acquisition Date and Price, Transaction Counterparty, and Their Relationship with the Company and the Related Party:**

Not applicable, as this is a construction contract award.

**V. Forecasted Monthly Cash Inflows and Outflows for the Next Year from the Expected Contract Signing Date and Evaluation of the Necessity and Reasonableness of the Fund Usage:**

1. The Company's projected monthly cash flow statement for the next year is attached.

**2. Evaluation of Necessity and Reasonableness:**

This is a necessary construction contract for the Company's project. Payments will be made according to the budget and construction progress. The use of funds is deemed reasonable.

**VI. Valuation Report Issued by a Professional Appraiser or Opinion from a CPA in Accordance with the Previous Article**

The valuation amount of China Real Estate Appraisers is NT\$1,702,497,936.

The valuation amount of China Credit Real Estate Appraisers is NT\$1,799,621,100.

**VII. Restrictions and Other Important Terms of the Transaction:**

Not applicable.



**FALCON MACHINE TOOLS CO.,LTD.**  
**Projected Cash Flow Statement for the Coming Fiscal Year**

Unit: NT\$ thousands

| Item/Month             | 2025/3  | 2025/4  | 2025/5  | 2025/6  | 2025/7  | 2025/8  | 2025/9  | 2025/10 | 2025/11 | 2025/12 | 115/1   | 115/2   |
|------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Beginning Cash Balance | 124,250 | 127,360 | 176,177 | 113,410 | 37,032  | 40,497  | 43,437  | 53,361  | 504,911 | 488,985 | 391,628 | 403,568 |
| Add: Cash Inflows      | 181,452 | 125,862 | 124,041 | 103,298 | 119,227 | 135,052 | 117,500 | 556,088 | 116,088 | 116,088 | 116,088 | 91,000  |
| Less: Cash Outflows    | 178,342 | 77,045  | 186,808 | 179,676 | 115,762 | 132,113 | 107,577 | 104,538 | 132,014 | 213,446 | 104,148 | 104,149 |
| Ending Cash Balance    | 127,360 | 176,177 | 113,410 | 37,032  | 40,497  | 43,437  | 53,361  | 504,911 | 488,985 | 391,628 | 403,568 | 390,419 |

**FALCON MACHINE TOOLS CO.,LTD.**  
**List of Director (Including Independent Director) Candidates**

| Category             | Name of Candidate  | Shareholding (Shares) | Major Education & Experience   | Has Served as Independent Director for Three Consecutive Terms |
|----------------------|--|-----------------------|--|--|
| Director             | Lin, Tsung-Lin   | 100,000               | <b>Education:</b><br>Department of Forestry, National Pingtung University of Science and Technology<br><b>Experience:</b><br>Chairman of Qingjinglin Assets Co., Ltd.<br>Chairman of Qingjinglin Real Estate Co., Ltd.<br>Chairman of Qingjinglin Development Co., Ltd.<br>Chairman of Sun Young International Architecture Group<br>Chairman of Qingyong International Industrial CO., LTD  | Not applicable   |
| Director             | Tung, Shang-Yu   | 2,000                 | <b>Education:</b><br>Department of Industrial Engineering and Management, National Kaohsiung University of Applied Sciences<br><b>Experience:</b><br>Chairman of Guangshang Construction Co., Ltd.<br>Chairman of Guangshang Investment Co., Ltd.  | Not applicable   |
| Director             | Linju Investment Co., Ltd. Representative: Lin, Yi-Zhen  | 10,600,000            | <b>Education:</b><br>Master in Business Administration (MBA), Long Island, University, US<br>Department of Accounting, New York University<br><b>Experience:</b><br>Assistant Manager, Better Life Group Co., LTD.<br>Manager, Better Life Group Travel Service Co., Ltd<br>Assistant Vice President, Private Banking, Taishin International Bank (Hong Kong)<br>Senior Investment Manager, Wealth Management, Taishin International Bank<br>Wealth Management Manager, Standard Chartered Bank (UK) | Not applicable   |
| Director             | Linju Investment Co., Ltd. Representative: Zhang, Yu-Xin | 10,600,000            | <b>Education:</b><br>Department of Business Administration, Cheng Siu University<br><b>Experience:</b><br>Executive Assistant of Sun Young International Architecture Group  | Not applicable   |
| Independent Director | Wu, Zhi-Chi  | -                     | <b>Education:</b><br>Department of Accounting, Shih Chien University N<br><b>Experience:</b><br>Managing Partner of Comettrue Consulting   | No   |

| Category             | Name of Candidate | Shareholding (Shares) | Major Education & Experience  | Has Served as Independent Director for Three Consecutive Terms |
|----------------------|-------------------|-----------------------|---|--|
|                      |                   |                       | Limited<br>Independent Director of Cen Link Co., Ltd<br>Director of Song Yu Financial Advisory Co., Ltd.<br>Manager, Audit Department, Baker Tilly Clock & CO<br>Assistant Manager, Audit Department, PwC Taiwan<br>Independent Director of Far EasTone Telecommunications Co., Ltd.  |  |
| Independent Director | Gong, Xin-Jie     | -                     | <b>Education:</b><br>Master of Laws, Minnesota State University<br>Department of Law, National ChengChi University<br><b>Experience:</b><br>Lawyer at Global Network Commerce L<br>Director of Longhe Enterprise Management Advisory Co., Ltd.<br>Independent Director of Ji-Haw Industrial Co., Ltd.<br>Lawyer at Chien Yeh Law Offices<br>Lawyer at Chen & Lin Attorneys-at-Law   | No   |
| Independent Director | Chen, Li-Yun      | -                     | <b>Education:</b><br>PhD in Economics, Xiamen University<br>Department of Accounting / EMBA, National Chengchi University<br><b>Experience:</b><br>Chairman of Yuan Kon Health & Lifestyle Co., Ltd.<br>Independent Director of Sea Mild Biotech<br>Lecturer on Business Planning, Trading Department, Taiwan Stock Exchange<br>Inspector and Lecturer, Listing Department / Trading Department, Taiwan Stock Exchange<br>Chairman of Dihong Management Consulting Co., Ltd | No   |

## FALCON MACHINE TOOLS CO.,LTD.

### Schedule of Concurrent Positions Held by Directors (Including Independent Directors) at Other Companies

| Title                | Name           | Schedule of Concurrent Positions  |
|----------------------|----------------|---|
| Director             | Lin, Tsung-Lin | Chairman of Sun Bo International Co., Ltd.<br>Chairman of Sun Young International Architecture Group<br>Chairman of Sun Wei Investment Co., Ltd.<br>Chairman of Tai Lin Development Co., Ltd.<br>Chairman of Qingyong International Industrial CO., LTD<br>Chairman of Qingjingtien Investment Co., Ltd.<br>Chairman of Qingjingning Investment Co., Ltd.<br>Chairman of Qingjinglin Real Estate Co., Ltd.<br>Chairman of Qingjinglin Investment Co., Ltd.<br>Chairman of Qingjinglin Development Co., Ltd.<br>Chairman of Qingjinglin Assets Co., Ltd.<br>Chairman of Jingsen Real Estate Co., Ltd.<br>Chairman of Linju Investment Co., Ltd.<br>Chairman of Hsiangyang International Development Co., Ltd.<br>Director of Everich Construction Co., Ltd.<br>Supervisor of Qingjingning Construction Co., Ltd.<br>Supervisor of Rui Young Construction |
| Director             | Tung, Shang-Yu | Chairman of Guangshang Construction Co., Ltd.<br>Chairman of Guangshang Investment Co., Ltd.<br>Chairman of Guangcheng Advertising Business Co., Ltd.<br>Chairman of Guangcheng International Industrial Co., Ltd.<br>Chairman of Guangcheng Advertising Co., Ltd.<br>Chairman of Liancheng Advertising Business Co., Ltd.<br>Supervisor of Linju Investment Co., Ltd.  |
| Independent Director | Wu, Zhi-Chi    | Independent Director of Cen Link Co., Ltd.<br>Director of Song Yu Financial Advisory Co., Ltd.  |
| Independent Director | Gong, Xin-Jie  | Chairman of Longhe Enterprise Management Advisory Co., Ltd. Independent Director of Ji-Haw Industrial Co., Ltd.   |
| Independent Director | Chen, Li-Yun   | Chairman of Yuan Kon Health & Lifestyle Co., Ltd.<br>Independent Director of Sea Mild Biotech   |

# FALCON MACHINE TOOLS CO., LTD.

## Articles of Incorporation (Original Version)

### Chapter 1 General Provisions

- Article 1 The Company shall be incorporated under the Company Act of the Republic of China, and its name shall be Falcon Machine Tools Co., Ltd.
- Article 2 The Company's businesses are as follows:
- (1) CB01010 Mechanical Equipment Manufacturing
  - (2) CB01990 Other Machinery Manufacturing
  - (3) CC01010 Manufacture of Power Generation, Transmission and Distribution Machinery
  - (4) CC01990 Other Electrical Engineering and Electronic Machinery Equipment Manufacturing
  - (5) CC01110 Computer and Peripheral Equipment Manufacturing
  - (6) CD01060 Aircraft and Parts Manufacturing
  - (7) CE01010 General Instrument Manufacturing
  - (8) CE01990 Other Optics and Precision Instrument Manufacturing
  - (9) CP01010 Hand Tools Manufacturing
  - (10) E604010 Machinery Installation
  - (11) I501010 Product Designing
  - (12) F113010 Wholesale of Machinery
  - (13) F113020 Wholesale of Electrical Appliances
  - (14) F113030 Wholesale of Precision Instruments
  - (15) F113050 Wholesale of Computers and Clerical Machinery Equipment
  - (16) F113990 Wholesale of Other Machinery and Tools
  - (17) F114070 Wholesale of Aircraft and Component Parts Thereof
  - (18) F213010 Retail Sale of Electrical Appliances
  - (19) F213030 Retail Sale of Computers and Clerical Machinery Equipment
  - (20) F213040 Retail Sale of Precision Instruments
  - (21) F213080 Retail Sale of Machinery and Tools
  - (22) F213990 Retail Sale of Other Machinery and Tools
  - (23) F214070 Retail Sale of Aircraft and Component Parts Thereof
  - (24) F401010 International Trade
  - (25) ZZ99999 All business activities that are not prohibited or restricted by law, except those that are subject to special approval is not allowed.
  - (26) E801010 Indoor Decoration
  - (27) H701010 Housing and Building Development and Rental
  - (28) H703090 Real Estate Business
  - (29) H703100 Real Estate Leasing
  - (30) H704041 Real Estate Consignment Brokerage
  - (31) I401010 General Advertisement Service
  - (32) I503010 Landscape and Interior Designing
- Article 3 The Company shall have its head office in Changhua County, the Republic of China, and may, pursuant to a resolution adopted at the meeting of the Board of Directors, set up branch offices within or outside the territory of the Republic of China when deemed necessary.
- Article 4 Public announcements of the Company shall be made according to Article 28 of the Company Act.

### Chapter 2 Capital Stock

- Article 5 The registered total capital of the Company shall be two billion New Taiwan Dollars (NT\$2,000,000,000), divided into two hundred million (200,000,000) shares, with a par value of ten New Taiwan Dollars (NT\$10) per share. The Board of Directors authorizes the shares to be issued in installments. The shares may be issued in installments, and the Board of Directors is authorized to handle it in accordance with the Company Act and relevant laws and regulations. The total amount of shares in the preceding paragraph is NT\$50 million reserved for the issuance of stock warrant certificates and subscription shares of special stock with stock warrants totaling 5 million shares.
- Article 5-1 The company may transfer to employees at a price lower than the average price of the actually repurchased shares, or issue stock warrants to employees at a price lower than the closing price on the issue date, upon the approval of a shareholders' meeting attended by shareholders representing more than half of the total number of issued shares, and with the consent of more than two-thirds of the voting rights of the attending shareholders.
- Article 6 The Company's shares shall bear the signatures or personal seals of directors who represent the Company, and be issued upon approvals from relevant competent authorities in accordance with the law. The shares can also be issued without printing a consolidated share certificate, but shall be registered and numbered by centralized securities depository enterprises.
- Article 7 Deleted.

- Article 8 Deleted.
- Article 9 Shareholders handle stock transfers, set rights pledge, report loss, succession, gift, report of loss of seal, change or address change, etc., unless otherwise provided by laws and securities regulations, in accordance with the “Regulations Governing the Administration of Shareholder Services of Public Companies.”
- Article 10 Deleted.
- Article 11 Registration for transfer of shares shall be suspended 60 days immediately before the date of annual general shareholders’ meeting, and 30 days immediately before the date of any special shareholders’ meeting, or within 5 days before the day on which dividend, bonus, or any other benefit is scheduled to be paid by the Company.

### **Chapter 3 Shareholders’ Meeting**

- Article 12 Shareholders’ meetings of the Company are of two types: (1) Annual General Shareholders’ Meetings – which shall be convened by the Board of Directors within 6 months after the end of each fiscal year, and the Board of Directors shall notify all shareholders 30 days before the meeting; (2) Special Shareholders’ Meetings – which shall be convened whenever necessary in accordance with the relevant laws, rules and regulations of the Republic of China.  
The company’s shareholders’ meeting can be held in the form of virtual conference or other methods announced by the central competent authority. The adoption of virtual conferencing shall comply with relevant regulations such as the conditions, operating procedures, unless otherwise provided by the competent securities authority.
- Article 13 If a shareholder is unable to attend the shareholders’ meeting for any reason, he or she may, in accordance with Article 177 of the Company Act, issue a power of attorney and appoint a proxy to attend the meeting.
- Article 14 The shareholders’ meeting shall be presided by the Chairman of the Board of Directors of the Company, unless otherwise provided by the Company Act. In case the Chairman is on leave or otherwise cannot exercise his duty and authority for any reason, the Chairman shall appoint a director to act as his deputy; otherwise, the directors shall elect from among themselves a chairman to preside over the shareholders’ meeting. If a shareholders’ meeting is convened by a person other than the Board of Directors, the shareholders’ meeting shall be chaired by that convener. If there are two or more conveners for a shareholders’ meeting, one of them shall be elected to chair the meeting.
- Article 15 Except as otherwise provided by other laws or regulations, each share is entitled to one voting right.
- Article 16 Except as otherwise provided by the laws and regulations, the resolutions of shareholders’ meetings shall be adopted at the meeting with the consent of more than half of the voting rights of the present shareholders, when the meeting is attended by shareholders in person or by proxy representing more than half of the total issued and outstanding capital stock of the Company.
- Article 17 The resolutions of the shareholders’ meeting shall be recorded in the minutes, and such minutes shall be signed by or sealed with the chop of the Chairman of the meeting. Shareholders shall be notified of the minutes within 20 days after the meeting. The minutes specified above shall be distributed in the form of an announcement. The minutes shall record the essentials of the proceedings and their results, and be kept in the company together with the signature book of the attending shareholders and the power of attorney for attendance in accordance with Article 183 of the Company Act.

### **Chapter 4 Directors**

- Article 18 The Company shall have seven to nine Directors, who shall be elected by the system for nominating candidates. The number of directors is authorized and resolved by the Board of Directors. The directors are selected by at the shareholders’ meeting from the list of director candidates, and the term of office is three years; re-elected Directors may serve consecutive terms. During the term of office of a director, the company may purchase liability insurance for him/her in respect of the compensation liability that he/she should bear in accordance with the law in the scope of his business. There shall be at least three independent Directors among the number of Directors to be elected referred to in the preceding paragraph, and the independent Directors shall represent at least one-fifth of the Board. The independent Directors shall be elected at the shareholders’ meeting using the candidate nomination system and from among a list of candidates. The restrictions on professional qualifications, share ownership, concurrent positions held, recognition of independence, the manner of nomination and method of election, attendance by proxy, and other related matters shall comply with applicable laws and regulations prescribed by the competent authority.  
The total holding ratio of all directors shall be handled in accordance with the regulations of the securities competent authority.
- Article 19 When the vacancy of directors reaches one-third, the board of directors shall convene a shareholder meeting for by-election according to law, and the term of office shall be limited to the term of the replacement.
- Article 20 When a director’s term of office expires and it is too late to be re-elected, his/her duties shall be extended until the re-elected director takes office.
- Article 21 The board of directors are organized directors. With the attendance of more than two-thirds of the

directors and the consent of more than half of the directors present, a chairman is elected among the directors by each other, and a vice-chairman is elected in the same manner. The company's affairs are carried out in accordance with the laws, articles of corporation, resolutions of the shareholders' meeting and the board meetings.

Article 22 The company's business policy and other important matters shall be resolved by the Board of Directors. Except for the first meeting of every term of the board of directors in accordance with Article 203 of the Company Act, the board meeting shall be convened and chaired by the chairman. When the chairman is for any reason unable to exercise the powers of the chairperson, he/she shall appoint one of the directors to act as chair. Where the chairman does not make such a designation, the directors shall select from among themselves one person to serve as chair. Directors shall attend the board meeting in person. If a director cannot attend in person, he/she may entrust other directors to attend the meeting on behalf of him/her in accordance with Article 205 of the Company Act. When the meeting of the board of directors is held, if it is a virtual conference, the directors who participate in the meeting through video conference are deemed to be present in person.

Article 22-1 A written notice of the reasons for a board meeting shall be given to each director and supervisor before 7 days before the meeting is convened. In emergency circumstances, however, a board meeting may be called on shorter notice.

The notice to be given under the preceding paragraph may be affected by means of writing or electronic transmission (e-mail or fax) with the prior consent of the recipients.

Article 23 The discussion of the board meeting shall be recorded in the minutes, and such minutes shall be signed by or sealed with the chop of the Chairman of the meeting. Directors shall be notified of the minutes within 20 days after the meeting. The minutes shall record the essentials of the proceedings and their results, and be kept in the company together with the signature book of the attending directors and the power of attorney for attendance in accordance with Article 183 of the Company Act.

Article 24 The Company shall form an Audit Committee, which is composed of all Independent Directors. Details including number of members, terms, responsibilities, and rule of meeting shall be stipulated separately in the Organization Rules of Audit Committee in accordance with the rules in the "Regulations Governing the Exercise of Powers by Audit Committees of Public Companies".

Article 24-1 The remuneration of Chairman, Vice Chairman, and Directors of the Company is authorized to be determined by the Board of Directors according to the degree of participation in the company's operations and the value of their contributions, and may be paid at such level as generally adopted by the enterprises of the same industry.

#### **Chapter 5 Managerial Officials and Staff**

Article 25 The company shall have one general manager and several managers, whose appointment and dismissal shall be made by the Board of Directors with the consent of more than half of all directors. However, the appointment and dismissal of managers shall be nominated by the general manager first.

Article 26 The company may employ consultants and important staff upon resolution of the Board of Directors.

Article 27 Deleted.

#### **Chapter 6 Accounting**

Article 28 After the end of each fiscal year, the following reports shall be prepared by the Board of Directors, and be submitted to the shareholders' meeting for acceptance.

1. Business Report. 2. Financial Statements. 3. Proposal Concerning Appropriation of Profits or Covering of Losses.

Article 29 If the company makes a profit in the year, no less than 2% should be appropriated as employee remuneration, and the Board of Directors will resolve to distribute it in the form of shares or in cash; no more than 5% should be appropriated as director remuneration by resolution of the Board of Directors. Proposals on the distribution of employee remuneration and director remuneration shall be reported to the shareholders' meeting. However, if the company still has accumulated losses, it shall reserve the compensation amount in advance, and allocate employee remuneration and director remuneration in proportion to the preceding paragraph.

If there is a surplus in the company's annual final accounts, in addition to paying taxes in accordance with the law, the accumulated losses should be made up first, and then 10% of the balance should be withdrawn as the statutory surplus reserve (but not limited when the statutory surplus reserve has reached the paid-in capital of the company). The rest will be appropriated or reversed in accordance with laws and regulations. If there is still a balance, with accumulated undistributed surplus, the company may, if necessary, retain the distributable surplus without distributing it. A distribution proposal shall be submitted to the shareholders' meeting for resolution.

The company's corporate life cycle is in the "growth period." Based on capital expenditures, business expansion needs, and complete financial planning for sustainable development, the company's dividend policy will distribute stock dividends and cash dividends to shareholders in accordance with the company's future capital expenditure budget and capital needs. Among them, the cash dividend ratio shall not be lower than 10% of the total shareholder dividends.

#### **Chapter 7 Supplementary Provisions**

|            |  |
|------------|--|
| Article 30 | The company may act as a guarantor for related peers in the same industry.   |
| Article 31 | Pursuant to Article 13 of the Company Act, the amount of the company's reinvestment may exceed 40% of the paid-in capital, and the Board of Directors shall be authorized to implement it.   |
| Article 32 | The organizational charter and by-laws of the Company shall be separately adopted by the Board of Directors.   |
| Article 33 | For matters not provided for in the Articles of Incorporation, it shall be handled in accordance with the Company Act or other relevant laws and regulations of the Republic of China.   |
| Article 34 | These Articles of Incorporation were resolved on March 6, 1978.<br>The first amendment was on March 23, 1978.<br>The second amendment was on June 25, 1979.<br>The third amendment was on May 20, 1982.<br>The fourth amendment was on October 20, 1982.<br>The fifth amendment was on June 24, 1983.<br>The sixth amendment was on August 10, 1984.<br>The seventh amendment was on May 27, 1987.<br>The eighth amendment was on November 5, 1988.<br>The ninth amendment was on October 6, 1989.<br>The tenth amendment was on June 1, 1991.<br>The eleventh amendment was on July 9, 1991.<br>The twelfth amendment was on April 23, 1992.<br>The thirteenth amendment was on May 25, 1992.<br>The fourteenth amendment was on February 22, 1993.<br>The fifteenth amendment was on October 20, 1994.<br>The sixteenth amendment was on November 7, 1994.<br>The seventeenth amendment was on June 10, 1995.<br>The eighteenth amendment was on May 30, 1996.<br>The nineteenth amendment on March 4, 1997.<br>The twentieth amendment was on May 31, 1997.<br>The twenty-first amendment was on May 18, 1998.<br>The twenty-second amendment was on May 19, 1999.<br>The twenty-third amendment was on June 16, 2000.<br>The twenty-fourth amendment was on May 31, 2001.<br>The twenty-fifth amendment was on June 28, 2002.<br>The twenty-sixth amendment was on June 25, 2004.<br>The twenty-seventh amendment was on June 29, 2005.<br>The twenty-eighth amendment was on June 23, 2006.<br>The twenty-ninth amendment was on June 25, 2008.<br>The thirtieth amendment was on June 19, 2009.<br>The thirty-first amendment was on June 15, 2012.<br>The thirty-second amendment was on June 18, 2014.<br>The thirty-third amendment was on June 22, 2016.<br>The thirty-fourth amendment was on June 23, 2020.<br>The thirty-fifth amendment was on July 7, 2021.<br>The thirty-sixth amendment was on June 21, 2023.<br>The thirty-seventh amendment was on June 25, 2024. |



## **FALCON MACHINE TOOLS CO., LTD.**

### **Rules and Procedures of Shareholders' Meeting**

#### **Article 1:**

To establish a strong governance system and sound supervisory capabilities for this Corporation's board of directors and to strengthen management capabilities, these Rules are adopted pursuant to Article 5 of Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.

#### **Article 2:**

The rules of procedure for the Corporation's shareholders' meeting shall be in accordance with the provisions of these Rules, unless otherwise stipulated by laws or the Articles of Incorporation.

#### **Article 3:**

Unless otherwise provided by laws or regulations, the Corporation's shareholders' meetings shall be convened by the Board of Directors.

The Corporation shall hold a virtual shareholders' meeting, unless otherwise provided in the Regulations Governing the Administration of Shareholder Services of Public Companies, which shall be specified in the articles of corporation and shall be resolved by the board of directors. The virtual shareholders' meeting shall be conducted by the resolution of the board of directors with the attendance of more than two-thirds of the directors and the consent of more than half of the directors present.

Changes to how the Corporation convenes its shareholders' meeting shall be resolved by the board of directors, and shall be made no later than mailing of the shareholders meeting notice.

The Corporation shall prepare electronic versions of the shareholders meeting notice and proxy forms, and the origins of and explanatory materials relating to all proposals, including proposals for ratification, matters for deliberation, or the election or dismissal of directors or supervisors, and upload them to the Market Observation Post System (MOPS) before 30 days before the date of a regular shareholders' meeting or 15 days before the date of a special shareholders' meeting. The Corporation shall prepare electronic versions of the shareholders' meeting agenda and supplemental meeting materials and upload them to the MOPS before 21 days before the date of the regular shareholders' meeting or 15 days before the date of the special shareholders meeting. If, however, the Corporation has the paid-in capital of NT\$10 billion or more as of the last day of the most current fiscal year, or total shareholding of foreign shareholders and PRC shareholders reaches 30% or more as recorded in the register of shareholders of the shareholders' meeting held in the immediately preceding year, transmission of these electronic files shall be made by 30 days before the regular shareholders' meeting. In addition, 15 days before the date of the shareholders' meeting, the Corporation shall also have prepared the shareholders' meeting agenda and supplemental meeting materials and made them available for review by shareholders at any time. The meeting agenda and supplemental materials shall also be displayed at the Corporation and the professional shareholder services agent designated thereby.

The Corporate shall make the meeting agenda and supplemental meeting materials in the preceding paragraph available to shareholders for review in the following manner on the date of the shareholders meeting:

1. For physical shareholders meetings, to be distributed on-site at the meeting.
2. For hybrid shareholders meetings, to be distributed on-site at the meeting and shared on the virtual meeting platform.
3. For virtual-only shareholders meetings, electronic files shall be shared on the virtual meeting platform.

The reasons for convening a shareholders meeting shall be specified in the meeting notice and public announcement. With the consent of the addressee, the meeting notice may be given in electronic form.

Election or dismissal of directors, amendments to the articles of incorporation, reduction of capital, application for the approval of ceasing its status as a public company, approval of competing with the company by directors, surplus profit distributed in the form of new shares, reserve distributed in the form of new shares, the dissolution, merger, or demerger of the corporation, or any matter under Article 185, paragraph 1 of the Company Act, Articles 26-1 and 43-6 of the Securities Exchange Act, Articles 56-1 and 60-2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers shall be set out and the essential contents explained in the notice of the reasons for convening the shareholders meeting. None of the above matters may be raised by an extraordinary motion.

Where re-election of all directors as well as their inauguration date is stated in the notice of the reasons for convening the shareholders meeting, after the completion of the re-election in said meeting such inauguration date may not be altered by any extraordinary motion or otherwise in the same meeting.

A shareholder holding one percent or more of the total number of issued shares may submit to the Corporation a proposal for discussion at a regular shareholders meeting. The number of items so proposed is limited to one only, and no proposal containing more than one item will be included in the meeting agenda. When the circumstances of any subparagraph of Article 172-1, paragraph 4 of the Company Act apply to a proposal put forward by a shareholder, the board of directors may exclude it from the agenda.

A shareholder may propose a recommendation for urging the corporation to promote public interests or fulfill its social responsibilities, provided procedurally the number of items so proposed is limited only to one in accordance with Article 172-1 of the Company Act, and no proposal containing more than one item will be included in the meeting agenda.

Prior to the book closure date before a regular shareholders meeting is held, the Corporation shall publicly announce its acceptance of shareholder proposals in writing or electronically, and the location and time period for their submission; the period for submission of shareholder proposals may not be less than 10 days.

Shareholder-submitted proposals are limited to 300 words, and no proposal containing more than 300 words will be included in the meeting agenda. The shareholder making the proposal shall be present in person or by proxy at the regular shareholders meeting and take part in discussion of the proposal. Prior to the date for issuance of notice of a shareholders meeting, the Corporation shall inform the shareholders who submitted proposals of the proposal screening results, and shall list in the meeting notice the proposals that conform to the provisions of this article. At the shareholders meeting the board of directors shall explain the reasons for exclusion of any shareholder proposals not included in the agenda.

**Article 4:**

For each shareholders meeting, a shareholder may appoint a proxy to attend the meeting by providing the proxy form issued by the Corporation and stating the scope of the proxy's authorization.

A shareholder may issue only one proxy form and appoint only one proxy for any given shareholders' meeting, and shall deliver the proxy form to the Corporation before five days before the date of the shareholders meeting. When duplicate proxy forms are delivered, the one received earliest shall prevail unless a declaration is made to cancel the previous proxy appointment.

After a proxy form has been delivered to the Corporation, if the shareholder intends to attend the meeting in person or to exercise voting rights by correspondence or electronically, a written notice of proxy cancellation shall be submitted to this Corporation before two business days before the meeting date. If the cancellation notice is submitted after that time, votes cast at the meeting by the proxy shall prevail.

If, after a proxy form is delivered to the Corporation, a shareholder wishes to attend the shareholders meeting online, a written notice of proxy cancellation shall be submitted to this Corporation two business days before the meeting date. If the cancellation notice is submitted after that time, votes cast at the meeting by the proxy shall prevail.

**Article 5: (Principles determining the time and place of a shareholders' meeting)**

The venue for a shareholders' meeting shall be the premises of the Corporation, or a place easily accessible to shareholders and suitable for a shareholders meeting. The meeting may begin no earlier than 9 a.m. and no later than 3 p.m. Full consideration shall be given to the opinions of the independent directors with respect to the place and time of the meeting.

The restrictions on the place of the meeting shall not apply when the Corporation convenes a virtual-only shareholders' meeting.

**Article 6: (Preparation of documents such as the attendance book)**

The Corporation shall specify in its shareholders' meeting notices the time during which attendance registrations for shareholders, solicitors and proxies (collectively "shareholders") will be accepted, the place to register for attendance, and other matters for attention.

The time during which shareholder attendance registrations will be accepted, as stated in the preceding paragraph, shall be at least 30 minutes prior to the time the meeting commences. The place at which attendance registrations are accepted shall be clearly marked and a sufficient number of suitable personnel assigned to handle the registrations. For virtual shareholders' meetings, shareholders may begin to register on the virtual meeting platform 30 minutes before the meeting starts. Shareholders completing registration will be deemed as attending the shareholders' meeting in person.

Shareholders shall attend shareholders' meetings based on attendance cards, sign-in cards, or other certificates of attendance. The Corporation may not arbitrarily add requirements for other documents beyond those showing eligibility to attend presented by shareholders. Solicitors soliciting proxy forms shall also bring identification documents for verification.

The Corporation shall furnish the attending shareholders with an attendance book to sign, or attending shareholders may hand in a sign-in card in lieu of signing in.

The Corporation shall furnish attending shareholders with the meeting agenda book, annual report, attendance card, speaker's slips, voting slips, and other meeting materials. Where there is an election of directors, pre-printed ballots shall also be furnished.

When the government or a juristic person is a shareholder, it may be represented by more than one representative at a shareholders' meeting. When a juristic person is appointed to attend as proxy, it may designate only one person to represent it in the meeting.

In the event of a virtual shareholders meeting, shareholders wishing to attend the meeting online shall register with the Corporation two days before the meeting date.

In the event of a virtual shareholders meeting, this Corporation shall upload the meeting agenda book, annual report and other meeting materials to the virtual meeting platform at least 30 minutes before the meeting starts, and keep this information disclosed until the end of the meeting.

**Article 6-1: (Convening virtual shareholders meetings and particulars to be included in shareholders meeting notice)**

To convene a virtual shareholders meeting, the Corporation shall include the follow particulars in the shareholders meeting notice:

1. How shareholders attend the virtual meeting and exercise their rights.
2. Actions to be taken if the virtual meeting platform or participation in the virtual meeting is obstructed due to natural disasters, accidents, or other force majeure events, at least covering the following particulars:
  - A. To what time the meeting is postponed or from what time the meeting will resume if the above obstruction continues and cannot be removed, and the date to which the meeting is postponed or on which the meeting will resume.
  - B. Shareholders not having registered to attend the affected virtual shareholders meeting shall not attend the postponed or resumed session.
  - C. In case of a hybrid shareholders' meeting, when the virtual meeting cannot be continued, if the total number of shares represented at the meeting, after deducting those represented by shareholders attending the virtual shareholders' meeting online, meets the minimum legal requirement for a shareholder meeting, then the shareholders' meeting shall continue. The shares represented by shareholders attending the virtual meeting online shall be counted towards the total number of shares represented by shareholders present at the meeting, and the shareholders attending the virtual meeting online shall be deemed abstaining from voting on all proposals on meeting agenda of that shareholders' meeting.
  - D. Actions to be taken if the outcome of all proposals has been announced and extraordinary motion has not been carried out.
3. To convene a virtual-only shareholders' meeting, appropriate alternative measures available to shareholders with difficulties in attending a virtual shareholders' meeting online shall be specified.

**Article 7: (The chair and non-voting participants of a shareholders' meeting)**

If a shareholders' meeting is convened by the board of directors, the meeting shall be chaired by the chairperson of the board. When the chairperson of the board is on leave or for any reason unable to exercise the powers of the chairperson, the vice chairperson shall act in place of the chairperson; if there is no vice chairperson or the vice chairperson also is on leave or for any reason unable to

exercise the powers of the vice chairperson, the chairperson shall appoint one of the managing directors to act as chair, or, if there are no managing directors, one of the directors shall be appointed to act as chair. Where the chairperson does not make such a designation, the managing directors or the directors shall select from among themselves one person to serve as chair.

When a managing director or a director serves as chair, as referred to in the preceding paragraph, the managing director or director shall be one who has held that position for six months or more and who understands the financial and business conditions of the company. The same shall be true for a representative of a juristic person director that serves as chair.

It is advisable that shareholders' meetings convened by the board of directors be chaired by the chairperson of the board in person and attended by a majority of the directors, at least one supervisor in person, and at least one member of each functional committee on behalf of the committee. The attendance shall be recorded in the meeting minutes.

If a shareholders' meeting is convened by a party with power to convene but other than the board of directors, the convening party shall chair the meeting. When there are two or more such convening parties, they shall mutually select a chair from among themselves.

The Corporation may appoint its attorneys, certified public accountants, or related persons retained by it to attend a shareholders' meeting in a non-voting capacity.

**Article 8: (Documentation of a shareholders meeting by audio or video)**

The Corporation, beginning from the time it accepts shareholder attendance registrations, shall make an uninterrupted audio and video recording of the registration procedure, the proceedings of the shareholders' meeting, and the voting and vote counting procedures.

The recorded materials of the preceding paragraph shall be retained for at least one year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the recording shall be retained until the conclusion of the litigation.

Where a shareholders' meeting is held online, the Corporation shall keep records of shareholder registration, sign-in, check-in, questions raised, votes cast and results of votes counted by the Corporation, and continuously audio and video record, without interruption, the proceedings of the virtual meeting from beginning to end.

The information and audio and video recording in the preceding paragraph shall be properly kept by the Corporation during the entirety of its existence, and copies of the audio and video recording shall be provided to and kept by the party appointed to handle matters of the virtual meeting.

**Article 9:**

Attendance at shareholders' meetings shall be calculated based on numbers of shares. The number of shares in attendance shall be calculated according to the shares indicated by the attendance book and sign-in cards handed in, and the shares checked in on the virtual meeting platform, plus the number of shares whose voting rights are exercised by correspondence or electronically.

The chair shall call the meeting to order at the appointed meeting time and disclose information concerning the number of nonvoting shares and number of shares represented by shareholders attending the meeting.

However, when the attending shareholders do not represent a majority of the total number of issued shares, the chair may announce a postponement, provided that no more than two such postponements, for a combined total of no more than one hour, may be made. If the quorum is not met after two postponements and the attending shareholders still represent less than one third of the total number of issued shares, the chair shall declare the meeting adjourned. In the event of a virtual shareholders' meeting, the Corporation shall also declare the meeting adjourned at the virtual meeting platform.

If the quorum is not met after two postponements as referred to in the preceding paragraph, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Article 175, paragraph 1 of the Company Act; all shareholders shall be notified of the tentative resolution and another shareholders' meeting shall be convened within one month. In the event of a virtual shareholders' meeting, shareholders intending to attend the meeting online shall re-register to the Corporation in accordance with Article 6.

When, prior to conclusion of the meeting, the attending shareholders represent a majority of the total number of issued shares, the chair may resubmit the tentative resolution for a vote by the shareholders' meeting pursuant to Article 174 of the Company Act.

**Article 10:**

If a shareholders' meeting is convened by the board of directors, the meeting agenda shall be set by the board of directors. Votes shall be cast on each separate proposal in the agenda (including extraordinary motions and amendments to the original proposals set out in the agenda). The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders meeting.

The provisions of the preceding paragraph apply mutatis mutandis to a shareholders' meeting convened by a party with the power to convene that is not the board of directors.

The chair may not declare the meeting adjourned prior to completion of deliberation on the meeting agenda of the preceding two paragraphs (including extraordinary motions), except by a resolution of the shareholders' meeting. If the chair declares the meeting adjourned in violation of the rules of procedure, the other members of the board of directors shall promptly assist the attending shareholders in electing a new chair in accordance with statutory procedures, by agreement of a majority of the votes represented by the attending shareholders, and then continue the meeting.

The chair shall allow ample opportunity during the meeting for explanation and discussion of proposals and of amendments or extraordinary motions put forward by the shareholders; when the chair is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the chair may announce the discussion closed, call for a vote, and schedule sufficient time for voting.

**Article 11:**

Before speaking, an attending shareholder must specify on a speaker's slip the subject of the speech, his/her shareholder account number (or attendance card number), and account name. The order in which shareholders speak will be set by the chair.

A shareholder in attendance who has submitted a speaker's slip but does not actually speak shall be deemed to have not spoken.

When the content of the speech does not correspond to the subject given on the speaker's slip, the spoken content shall prevail. Except with the consent of the chair, a shareholder may not speak more than twice on the same proposal, and a single speech may not exceed 5 minutes. If the shareholder's speech violates the rules or exceeds the scope of the agenda item, the chair may terminate the speech.

When an attending shareholder is speaking, other shareholders may not speak or interrupt unless they have sought and obtained the consent of the chair and the shareholder that has the floor; the chair shall stop any violation.

When a juristic person shareholder appoints two or more representatives to attend a shareholders' meeting, only one of the representatives so appointed may speak on the same proposal.

After an attending shareholder has spoken, the chair may respond in person or direct relevant personnel to respond.

Where a virtual shareholders' meeting is convened, shareholders attending the virtual meeting online may raise questions in writing at the virtual meeting platform from the chair declaring the meeting open until the chair declaring the meeting adjourned. No more than two questions for the same proposal may be raised. Each question shall contain no more than 200 words. The regulations in paragraphs 1 to 5 do not apply.

#### **Article 12: (Calculation of voting shares and recusal system)**

Voting at a shareholders' meeting shall be calculated based the number of shares.

With respect to resolutions of shareholders' meetings, the number of shares held by a shareholder with no voting rights shall not be calculated as part of the total number of issued shares.

When a shareholder is an interested party in relation to an agenda item, and there is the likelihood that such a relationship would prejudice the interests of the Corporation, that shareholder may not vote on that item, and may not exercise voting rights as proxy for any other shareholder.

The number of shares for which voting rights may not be exercised under the preceding paragraph shall not be calculated as part of the voting rights represented by attending shareholders.

With the exception of a trust enterprise or a shareholder services agent approved by the competent securities authority, when one person is concurrently appointed as proxy by two or more shareholders, the voting rights represented by that proxy may not exceed three percent of the voting rights represented by the total number of issued shares. If that percentage is exceeded, the voting rights in excess of that percentage shall not be included in the calculation.

#### **Article 13:**

A shareholder shall be entitled to one vote for each share held, except when the shares are restricted shares or are deemed non-voting shares under Article 179, paragraph 2 of the Company Act.

When the Corporation holds a shareholder meeting, it shall adopt exercise of voting rights by electronic means and may adopt exercise of voting rights by correspondence. When voting rights are exercised by correspondence or electronic means, the method of exercise shall be specified in the shareholders' meeting notice. A shareholder exercising voting rights by correspondence or electronic means will be deemed to have attended the meeting in person, but to have waived his/her rights with respect to the extraordinary motions and amendments to original proposals of that meeting; it is therefore advisable that the Corporation avoid the submission of extraordinary motions and amendments to original proposals.

A shareholder intending to exercise voting rights by correspondence or electronic means under the preceding paragraph shall deliver a written declaration of intent to the Corporation two days before the date of the shareholders' meeting. When duplicate declarations of intent are delivered, the one received earliest shall prevail, except when a declaration is made to cancel the earlier declaration of intent.

After a shareholder has exercised voting rights by correspondence or electronic means, in the event the shareholder intends to attend the shareholders' meeting in person or online, a written declaration of intent to retract the voting rights already exercised under the preceding paragraph shall be made known to the Corporation, by the same means by which the voting rights were exercised, two business days before the date of the shareholders meeting. If the notice of retraction is submitted after that time, the voting rights already exercised by correspondence or electronic means shall prevail. When a shareholder has exercised voting rights both by correspondence or electronic means and by appointing a proxy to attend a shareholders' meeting, the voting rights exercised by the proxy in the meeting shall prevail.

Except as otherwise provided in the Company Act and in the Corporation's articles of incorporation, the passage of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders. At the time of a vote, for each proposal, the chair or a person designated by the chair shall first announce the total number of voting rights represented by the attending shareholders, followed by a poll of the shareholders. After the conclusion of the meeting, on the same day it is held, the results for each proposal, based on the numbers of votes for and against and the number of abstentions, shall be entered into the MOPS.

When there is an amendment or an alternative to a proposal, the chair shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. When any one among them is passed, the other proposals will then be deemed rejected, and no further voting shall be required.

Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the chair, provided that all monitoring personnel shall be shareholders of the Corporation.

Vote counting for shareholders meeting proposals or elections shall be conducted in public at the place of the shareholders' meeting. Immediately after vote counting has been completed, the results of the voting, including the statistical tallies of the numbers of votes, shall be announced on-site at the meeting, and a record made of the vote.

When the Corporation convenes a virtual shareholders' meeting, after the chair declares the meeting open, shareholders attending the meeting online shall cast votes on proposals and elections on the virtual meeting platform before the chair announces the voting session ends or will be deemed abstained from voting.

In the event of a virtual shareholders' meeting, votes shall be counted at once after the chair announces the voting session ends, and results of votes and elections shall be announced immediately.

When the Corporation convenes a hybrid shareholders' meeting, if shareholders who have registered to attend the meeting online in accordance with Article 6 decide to attend the physical shareholders' meeting in person, they shall revoke their registration two days before the shareholders' meeting in the same manner as they registered. If their registration is not revoked within the time limit, they may only attend the shareholders' meeting online.

When shareholders exercise voting rights by correspondence or electronic means, unless they have withdrawn the declaration of intent and attended the shareholders meeting online, except for extraordinary motions, they will not exercise voting rights on the original proposals or make any amendments to the original proposals or exercise voting rights on amendments to the original proposal.

**Article 14:**

The election of directors at a shareholders' meeting shall be held in accordance with the applicable election and appointment rules adopted by the Corporation, and the voting results shall be announced on-site immediately, including the names of those elected as directors and the numbers of votes with which they were elected, and the names of directors not elected and number of votes they received.

The ballots for the election referred to in the preceding paragraph shall be sealed with the signatures of the monitoring personnel and kept in proper custody for at least one year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the ballots shall be retained until the conclusion of the litigation.

**Article 15:**

Matters relating to the resolutions of a shareholders' meeting shall be recorded in the meeting minutes. The meeting minutes shall be signed or sealed by the chair of the meeting and a copy distributed to each shareholder within 20 days after the conclusion of the meeting. The meeting minutes may be produced and distributed in electronic form.

The Corporation may distribute the meeting minutes of the preceding paragraph by means of a public announcement made through the MOPS.

The meeting minutes shall accurately record the year, month, day, and place of the meeting, the chair's full name, the methods by which resolutions were adopted, and a summary of the deliberations and their voting results (including the number of voting rights), and disclose the number of voting rights won by each candidate in the event of an election of directors. The minutes shall be retained for the duration of the existence of the Corporation.

Where a virtual shareholders' meeting is convened, in addition to the particulars to be included in the meeting minutes as described in the preceding paragraph, the start time and end time of the shareholders' meeting, how the meeting is convened, the chair's and secretary's name, and actions to be taken in the event of disruption to the virtual meeting platform or participation in the meeting online due to natural disasters, accidents or other force majeure events, and how issues are dealt with shall also be included in the minutes.

When convening a virtual-only shareholder meeting, other than compliance with the requirements in the preceding paragraph, the Corporation shall specify in the meeting minutes alternative measures available to shareholders with difficulties in attending a virtual-only shareholders' meeting online.

**Article 16: (Public disclosure)**

On the day of a shareholders' meeting, the Corporation shall compile in the prescribed format a statistical statement of the number of shares obtained by solicitors through solicitation, the number of shares represented by proxies and the number of shares represented by shareholders attending the meeting by correspondence or electronic means, and shall make an express disclosure of the same at the place of the shareholders' meeting. In the event a virtual shareholders' meeting, the Corporation shall upload the above meeting materials to the virtual meeting platform at least 30 minutes before the meeting starts, and keep this information disclosed until the end of the meeting.

During this Corporation's virtual shareholders' meeting, when the meeting is called to order, the total number of shares represented at the meeting shall be disclosed on the virtual meeting platform. The same shall apply whenever the total number of shares represented at the meeting and a new tally of votes is released during the meeting.

If matters put to a resolution at a shareholders' meeting constitute material information under applicable laws or regulations or under Taiwan Stock Exchange Corporation (or Taipei Exchange Market) regulations, the Corporation shall upload the content of such resolution to the MOPS within the prescribed time period.

**Article 17: (Maintaining order at the meeting place)**

Staff handling administrative affairs of a shareholders' meeting shall wear identification cards or arm bands.

The chair may direct the proctors or security personnel to help maintain order at the meeting place. When proctors or security personnel help maintain order at the meeting place, they shall wear an identification card or armband bearing the word "Proctor."

At the place of a shareholders' meeting, if a shareholder attempts to speak through any device other than the public address equipment set up by the Corporation, the chair may prevent the shareholder from so doing.

When a shareholder violates the rules of procedure and defies the chair's correction, obstructing the proceedings and refusing to heed calls to stop, the chair may direct the proctors or security personnel to escort the shareholder from the meeting.

**Article 18: (Recess and resumption of a shareholders meeting)**

When a meeting is in progress, the chair may announce a break based on time considerations. If a force majeure event occurs, the chair may rule the meeting temporarily suspended and announce a time when, in view of the circumstances, the meeting will be resumed.

If the meeting venue is no longer available for continued use and not all of the items (including extraordinary motions) on the meeting agenda have been addressed, the shareholders' meeting may adopt a resolution to resume the meeting at another venue.

A resolution may be adopted at a shareholders' meeting to defer or resume the meeting within five days in accordance with Article 182 of the Company Act.

**Article 19: (Disclosure of information at virtual meetings)**

In the event of a virtual shareholders' meeting, the Corporation shall disclose real-time results of votes and election immediately after the end of the voting session on the virtual meeting platform according to the regulations, and this disclosure shall continue at least 15 minutes after the chair has announced the meeting adjourned.

**Article 20: (Location of the chair and secretary of virtual-only shareholders' meeting)**

When the Corporation convenes a virtual-only shareholders' meeting, both the chair and secretary shall be in the same location, and the chair shall declare the address of their location when the meeting is called to order.

**Article 21: (Handling of disconnection)**

If the virtual meeting platform or participation in the virtual meeting is obstructed due to natural disasters, accidents or other force majeure events before the chair has announced the meeting adjourned, and the obstruction continues for more than 30 minutes, the meeting shall be postponed to or resumed on another date within five days, in which case Article 182 of the Company Act shall not apply.

For a meeting to be postponed or resumed as described in the preceding paragraph, shareholders who have not registered to participate in the affected shareholders' meeting online shall not attend the postponed or resumed session.

For a meeting to be postponed or resumed under the first paragraph, the number of shares represented by, and voting rights and election rights exercised by the shareholders who have registered to participate in the affected shareholders' meeting and have successfully signed in the meeting, but do not attend the postpone or resumed session, at the affected shareholders' meeting, shall be counted towards the total number of shares, number of voting rights and number of election rights represented at the postponed or resumed session.

During a postponed or resumed session of a shareholders' meeting held under the first paragraph, no further discussion or resolution is required for proposals for which votes have been cast and counted and results have been announced, or list of elected directors.

When the Corporation convenes a hybrid shareholders' meeting, and the virtual meeting cannot continue as described in first paragraph, if the total number of shares represented at the meeting, after deducting those represented by shareholders attending the virtual shareholders' meeting online, still meets the minimum legal requirement for a shareholder meeting, then the shareholders' meeting shall continue, and not postponement or resumption thereof under the first paragraph is required.

Under the circumstances where a meeting should continue as in the preceding paragraph, the shares represented by shareholders attending the virtual meeting online shall be counted towards the total number of shares represented by shareholders present at the meeting, provided these shareholders shall be deemed abstaining from voting on all proposals on meeting agenda of that shareholders' meeting.

When postponing or resuming a meeting according to the first paragraph, the Corporation shall handle the preparatory work based on the date of the original shareholders meeting in accordance with the requirements listed under Article 44-20, paragraph 7 of the Regulations Governing the Administration of Shareholder Services of Public Companies.

For dates or period set forth under Article 12, second half, and Article 13, paragraph 3 of Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies, and Article 44-5, paragraph 2, Article 44-15, and Article 44-17, paragraph 1 of the Regulations Governing the Administration of Shareholder Services of Public Companies, the Corporations shall handle the matter based on the date of the shareholders' meeting that is postponed or resumed under the first paragraph.

**Article 22: (Handling of digital divide)**

When convening a virtual-only shareholders meeting, the Corporation shall provide appropriate alternative measures available to shareholders with difficulties in attending a virtual shareholders meeting online. Except for the circumstances stipulated in Item 6, Article 44-9, of the Regulations Governing the Administration of Shareholder Services of Public Companies, at least shareholders shall be provided with connection equipment and necessary assistance, and the period during which shareholders may apply to the Corporation and other relevant notices shall be specified.

**Article 23:**

These Rules shall take effect after having been submitted to and approved by a shareholders' meeting. Subsequent amendments thereto shall be effected in the same manner.

**Article 24:**

These Rules were established on June 21, 2023.

## FALCON MACHINE TOOLS CO., LTD.

### Director Election Procedures

**Article 1:**

Except as otherwise provided by law and regulation or by this Corporation's articles of incorporation, elections of directors shall be conducted in accordance with these Procedures.

**Article 2:**

The election of the company's board of directors will be conducted at the shareholders' meeting.

**Article 3:**

Any person with the ability to act may be elected as an independent director or a non-independent director of the company in accordance with the provisions of this regulation. The qualifications for independent directors and non-independent directors shall be handled in accordance with relevant laws and regulations.

**Article 4:**

The number of directors of the company shall be in accordance with the number specified in the company's Articles of Incorporation. The election of directors shall be conducted in accordance with the candidate nomination system as stipulated in Article 192-1 of the Company Act.

**Article 5:**

The election of directors shall be conducted by means of cumulative voting with open ballots. Voters may use the serial number of their attendance certificates printed on the ballots to represent their identification. Each share carries voting rights equal to the number of directors to be elected, which may be concentrated on one candidate or distributed among several candidates. The election of directors shall be conducted jointly for both independent and non-independent directors, with the votes counted and elected separately.

**Article 6:**

The number of directors will be as specified in this Corporation's articles of incorporation, with voting rights separately calculated for independent and non-independent director positions. Those receiving ballots representing the highest numbers of voting rights will be elected sequentially according to their respective numbers of votes. When two or more persons receive the same number of votes, thus exceeding the specified number of positions, they shall draw lots to determine the winner, with the chair drawing lots on behalf of any person not in attendance. If candidates are simultaneously elected as directors, they shall decide among themselves who shall assume office. Any vacancy shall be filled by the next highest vote-getter.

**Article 7:**

The Board of Directors shall print ballots equal in number to the director seats to be filled. Each ballot shall bear the company seal and list the serial number of the voter's attendance certificate and the number of voting rights, and shall be distributed to the shareholders attending the shareholders' meeting.

**Article 8:**

Prior to the start of voting, the chairperson shall appoint a number of ballot scrutineers and counters to perform all relevant tasks.

**Article 9:**

The ballot box shall be prepared by the Board of Directors and shall be publicly inspected and verified by the scrutineers prior to the voting.

**Article 10:**

Deleted

**Article 11:**

A ballot is invalid under any of the following circumstances:

1. The ballot was not prepared by a person with the right to convene.
2. A blank ballot is placed in the ballot box.
3. The writing is unclear and indecipherable or has been altered.
4. The candidate whose name is entered in the ballot does not conform to the director candidate list.
5. Other words or marks are entered in addition to the number of voting rights allotted.

**Article 12:**

The voting rights shall be calculated on site immediately after the end of the poll, and the results of the calculation, including the list of persons elected as directors and the numbers of votes with which they were elected, shall be announced by the chair on the site.

**Article 13:**

The board of directors of this Corporation shall issue notifications to the persons elected as directors.

**Article 14:**

The matters not provided for in these Rules shall be handled in accordance with the Company Act and other applicable laws and regulations.

**Article 15:**

These Procedures, and any amendments hereto, shall be implemented after approval by a shareholders meeting.

These Rules were established on June 28, 2002.

The first amendment was on June 18, 2014.

The second amendment was on July 7, 2021.

## FALCON MACHINE TOOLS CO., LTD.

### Procedures for Endorsements and Guarantees (Before Amendment)

- Article 1: All matters related to endorsement guarantees of the Company shall be processed in accordance with the provisions of this procedure, except as otherwise provided by financial-related laws and regulations.
- Article 2: The content of endorsement guarantees referred to in this procedure is as follows:
- I. Financing Endorsement Guarantee:
    1. Discounting of Commercial Bills for Financing.
    2. Endorsement or guarantee for financing purposes of other companies.
    3. Issuance of bills to non-financial institutions for collateral for the purpose of financing the Company.
  - II. Customs Endorsement Guarantee: Refers to endorsement guarantees for matters related to customs of the Company or other companies.
  - III. Other Endorsement Guarantees: Refers to endorsement guarantee matters that cannot be classified into the above two categories.
- When the Company provides movable or immovable property as collateral for loans to other companies, it shall also process it in accordance with this operation procedure.
- The financial statements of the Company are prepared in accordance with International Financial Reporting Standards. The "latest financial statement net worth" referred to in this procedure refers to the equity attributable to the owners of the parent company as stated in the balance sheet prescribed by the Financial Reporting Standards for Securities Issuers.
- Article 3: The objects of endorsement guarantee shall be limited to one of the following:
- I. Companies with business transactions.
  - II. Companies directly or indirectly holding more than fifty percent of the voting shares.
  - III. Companies directly or indirectly holding more than fifty percent of the voting shares of the company.
  - IV. Companies that, based on joint investment or joint construction relationships, jointly provide guarantees according to contract provisions, or jointly provide guarantees between industries as required by contracts for undertaking projects, or as joint guarantors of performance bonds for pre-sale house sales contracts in accordance with the Consumer Protection Act, shall not be subject to the restrictions of this article and may provide endorsement guarantees.
- For companies in which the company directly or indirectly holds more than ninety percent of the voting shares, endorsement guarantees may be arranged only after approval by the company's board of directors, and the amount thereof shall not exceed ten percent of the company's latest financial statement net worth. However, endorsement guarantees between companies in which the company directly or indirectly holds one hundred percent of the voting shares are not subject to this limit.
- If the object of the endorsement guarantee is a subsidiary with a net worth less than half of the paid-in capital, relevant control measures for subsequent actions shall be specified.
- Article 4: The Company's personnel shall report the endorsement guarantee balances of the Company and its subsidiaries for the previous month to the responsible department by the 10th day of each month. After approval by the relevant authority, the information shall be posted online for public announcement.
- Article 5: If the endorsement guarantee balance of the Company reaches one of the following criteria, it shall be announced and reported within two days from the date of occurrence:
- I. The endorsement guarantee balance of the Company and its subsidiaries reaches more than fifty percent of the latest financial statement net worth of the Company. In addition to announcement and reporting, it shall also be explained at the shareholders' meeting regarding its necessity and reasonableness.
  - II. The endorsement guarantee balance of a publicly listed company and its subsidiaries for a single enterprise reaches more than twenty percent of the latest financial statement net worth of the publicly listed company.
  - III. The endorsement guarantee balance of the Company and its subsidiaries for a single enterprise reaches more than NT\$10 million, and the total of the endorsement guarantee, the investment accounted for using the equity method, and the balance of financial loans to the enterprise reaches more than thirty percent of the latest financial statement net worth of the Company.
  - IV. If the Company or its subsidiaries increase the amount of endorsement guarantee by more than NT\$30 million and reach more than five percent of the latest financial statement net worth of the Company.
- For subsidiaries of the Company that are not domestic publicly listed companies, matters subject to the fourth item above shall be handled by the Company.
- Article 6: The endorsement guarantee operation procedure is as follows:
- I. When a guaranteed company requests an endorsement, it shall submit a signed statement explaining the



purpose and total amount of the endorsement along with the bill to the General Manager's Office of the Company for endorsement review.

II. The General Manager's Office shall conduct credit investigation and risk assessment for the company to be financed, and the assessment items are as follows:

1. Whether the reasons for requiring the endorsement are sufficient.
2. Whether the amount of funds lent to the guaranteed company is necessary based on its financial condition.
3. The impact on the company's operational risks, financial condition, and shareholder interests.
4. Whether collateral should be obtained and the assessed value of the collateral.
5. Attachment of endorsement guarantee risk assessment records.

III. The assessment records shall be submitted to the Chairman by the General Manager's Office for approval.

IV. After approval by the Board of Directors, the guaranteed company shall be notified to proceed with the relevant procedures for endorsement guarantee.

1. Seal with the company's seal.
2. After photocopying both sides of the endorsed bill, keep it on file.
3. Register in the "Endorsement Guarantee and Cancellation Register" to control the endorsement amount; the establishment of the register shall include detailed entries such as the endorsement object, amount, date of board approval or chairman's decision, endorsement date, and assessment items.

V. If the Chairman disagrees with the endorsement of the bill, the General Manager's Office shall provide a written explanation of the reasons for not endorsing the bill and return the bill to the guaranteed company.

VI. Decision-making rules for endorsement guarantees

| Decision-making Scope | Authority to Decide | Notes  |
|-----------------------|---------------------|--|
| Below NT\$50 million  | Chairman            | 1. The Board of Directors authorizes the Chairman to make decisions.<br>2. Retroactive approval by the Board of Directors is required. |
| Above NT\$50 million  | Board of Directors  | After obtaining approval from the Board of Directors.  |

VII. Setting limits for endorsement guarantees to external parties:

1. The total amount of endorsement guarantees shall be limited to eighty percent of the latest financial statement net worth.
2. The amount of endorsement guarantee for a single enterprise shall be limited to seventy percent of the latest financial statement net worth.
3. For the total amount of long-term investments in a single enterprise, the amount of endorsement guarantee, and the amount of financial loans, the limit shall be one hundred and twenty percent of the Company's latest financial statement net worth.

Article 7: The Company shall use the company seal registered with the Ministry of Economic Affairs as the dedicated seal for endorsement guarantees. The company seal and checks shall be kept separately by designated personnel, and shall only be affixed or issued through certain procedures. Any changes to the custodian of the endorsement guarantee-related seal shall be reported to and approved by the Board of Directors, and the same applies to changes. When providing guarantees for foreign companies, the guarantee letter issued by the Company shall be signed by the authorized person authorized by the Board of Directors.

Article 8: The Company shall assess or recognize contingent losses from endorsement guarantees and disclose endorsement guarantee information appropriately in the financial statements, and provide relevant information to the auditors for necessary audit procedures.

Article 9: When processing endorsement guarantee matters, it shall carefully assess whether they comply with the provisions of the Company's endorsement guarantee operation procedure and, along with the assessment records, proceed after approval by the Board of Directors. When necessary, the Chairman may be authorized by the Board of Directors to make decisions within a certain limit, and shall subsequently seek retrospective approval from the most recent Board of Directors meeting.

If there is a need to exceed the limit due to business needs and it meets the conditions stipulated in the Company's endorsement guarantee operation procedure, it shall be approved by the Board of Directors and endorsed by more than half of the directors for joint guaranteeing of potential losses incurred by the Company exceeding the limit, and the endorsement guarantee operation procedure shall be revised and submitted for retrospective approval by the shareholders' meeting; if the shareholders' meeting does not agree, a plan shall be formulated to eliminate the excess within a certain period.

Article 10: If the circumstances change, resulting in the endorsement guarantee not meeting the requirements or

exceeding the limit, the Company shall formulate improvement plans, submit them to the Audit Committee, simultaneously submit them to the independent directors, and complete the improvements according to the plan schedule.

Article 11: When managers and responsible personnel violate the Company's endorsement guarantee operation procedure, they shall be given a major demerit record or be dismissed if the circumstances are serious, or be given a warning record or a minor demerit record if the circumstances are minor.

Article 12: Control Procedures for Endorsement Guarantee of Subsidiaries

I. When a subsidiary intends to handle or provide guarantees to others, it must be approved by the Company's Board of Directors before proceeding.

II. When a subsidiary of the Company intends to provide endorsement guarantees to others, it shall establish "Endorsement Guarantee Operation Procedures" in accordance with the law, which shall be implemented after approval by the Board of Directors, and revised accordingly.

III. When a subsidiary of the Company provides endorsement guarantees to others, it shall process it in accordance with its own "Endorsement Guarantee Operation Procedures," and shall submit a written summary of the balance, objects, and deadlines for endorsement guarantees for the previous month to the Company by the 5th day of each month.

Article 13: This operation procedure shall be approved by the Audit Committee and submitted for resolution by the Board of Directors, and then submitted for approval by the shareholders' meeting. If any director expresses dissent and has a record or written statement, the Company shall submit the dissent to the Audit Committee and submit it for discussion at the shareholders' meeting, and the same applies to revisions.

If the Company has appointed independent directors, when submitting this operation procedure to the Board of Directors for discussion as stipulated above, the opinions of the independent directors shall be fully considered, and if there are dissenting or reserved opinions among the independent directors, they shall be recorded in the minutes of the Board of Directors meeting.

If the Company has established an Audit Committee, when formulating or revising the endorsement guarantee operation procedure, the approval of more than half of all members of the Audit Committee is required, and a resolution of the Board of Directors shall be obtained.

If the approval of more than half of all members of the Audit Committee is not obtained, it may be implemented with the consent of more than two-thirds of all directors, and the decision of the Audit Committee shall be recorded in the minutes of the Board of Directors meeting. The "full members of the Audit Committee" and the "all directors" refer to the actual serving members.

Article 14: This procedure was established on May 19, 1995.

First Amendment on February 14, 1997.

Second Amendment on April 8, 1998.

Third Amendment on February 27, 2003.

Fourth Amendment on June 23, 2006.

Fifth Amendment on June 19, 2009.

Sixth Amendment on June 18, 2010.

Seventh Amendment on June 17, 2013.

Eighth Amendment on June 25, 2019.

Ninth Amendment on July 7, 2021.

Tenth Amendment on June 25, 2024.

