

**Stock Code:4513**



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

## **2024 Annual Report**

**Please visit the following website to access the information of this year's annual report**

**Taiwan Stock Exchange Market Observation Post System:**

**<http://mops.twse.com.tw>**

**Company website:**

**<https://www.chevaliertw.com/zh-tw>**

**Printed on April 27, 2025**

## **1. Spokesperson**

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Title: Financial Department Deputy Director

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## **Deputy spokesperson**

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## **2. Headquarters and Factory**

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## **4. Auditors**

Ernst & Young Accounting Firm

Auditors: Chen, Zheng-Chu and Hong, Guo-Sen

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TEL: +886-4-2259-8999

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## **5. Overseas Securities Exchange: Not applicable**

## **6. Company website:**<https://www.chevaliertw.com>

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## I. Letter to Shareholders

### Dear Shareholders,

Welcome to the 2025 annual shareholders' meeting. We extend our gratitude to all shareholders for their support and patronage. We hereby present a summary report on the operating results for the year 2024 and the business plan for the year 2025:

#### 1.1 2024 Business Report

##### 1.1.1 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, a decrease of 14.8% compared to the same period in 2023. Of these exports, the export value of metal cutting machine tools was approximately \$18.34, a decrease of 16.8% compared to the same period in 2023, while the export value of metal forming machine tools was \$383 million, a decrease of 3.7% compared to the same period in 2023.

Our company's net operating income for the year 2024 was NTD 1.293 billion, which is a 7.52% decrease from the net operating income of NTD 1.29 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, representing a decline 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 amount	Percentage Change (%)
Net Profit	1,193,689	1,290,783	(97,094)	(7.52%)
Operating Costs	878,102	924,668	(46,566)	(5.04%)
Operating Margin	315,587	366,115	(50,528)	(13.80%)
Operating Expenses	380,586	404,473	(23,887)	(5.91%)
Operating Profit (loss)	(64,999)	(38,358)	(26,641)	69.45%
Net income	20,052	208,100	(188,048)	(90.36%)
Pre-tax income (loss)	(44,947)	169,742	(214,689)	(126.48%)
Net income after tax (loss)	(55,632)	115,652	(171,284)	(148.10%)

##### 1.1.2 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.

##### 1.1.3 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

#### 1.1.4 Research and development status:

I. 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\$thousand)	59,107	56,527
Percentage of Revenue (%)	4.95	4.38

#### II. Research and development achievements:

Product development is the lifeblood of the Company's long-term operations and sustainable growth. Regardless of economic cycles, our commitment to innovation and product development has never ceased. Over the past year, our major R&D milestones include the successful development of a rotary surface grinding machine, the acquisition of the EU ISO 14955 certification for green machine tools, and the receipt of the Golden Green Label awarded by the Machinery Association. We also continued with the optimization of precision surface grinders. In recent years, the Company has successively developed a wide range of products, including vertical grinding centers, double-end grinding machines, precision mold machining centers, intelligent automated production lines for aluminum alloy wheels, vertical lathes for non-circular piston machining, specialized grinding machines for spline shafts, fixed-beam and moving-beam gantry grinders, among others. These new models or optimized versions of existing machines are designed to meet the increasing demand for high-precision machining in industries such as semiconductors, IT, automotive and electric vehicles, aerospace, global energy, mold manufacturing, as well as railway and marine industries. We are strategically aligned with the development trend of high-value-added machine tools, focusing on intelligent automation, high precision, large-scale machining, and high-speed cutting technologies. In addition to continuous improvements on existing product lines, the Company is also actively engaged in the development of green, energy-saving, and carbon-reducing equipment, contributing to the global goal of carbon neutrality and net-zero emissions. To meet diverse customer needs, we offer customized solutions and turnkey processing systems. Looking forward, our primary R&D focus will include intelligent machine communication systems (iMCS) and new material processing equipment. These efforts aim to provide customers with both material processing and equipment integration solutions, thereby enhancing product value.

As of now, the Company holds 14 valid patents. Our patent strategy encompasses structural innovation in turning, milling, and grinding technologies, the development of control systems, intelligent automation, and jig/fixture manufacturing technologies.

## 1.2 Business Plan for year 2025

### 1.2.1 Business Objectives for year 2025

After thorough communication among the management team, Falcon Co., Ltd. has established the following four key management guidelines for year 2025. These guidelines are based on efficient management practices aimed at enhancing work productivity, streamlining, and optimizing talent development and training and prioritizing profit monitoring and control. The four strategic directions are as follows:

- (1) Digitalization and AI Integration of the Knowledge Base
- (2) Forward-Looking Product and Marketing Strategy Planning
- (3) Establish Information Security Blueprint
- (4) Active Expansion into New Business Areas including Real Estate and Sales Agency Services

### 1.2.2 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.

### 1.2.2 Business Objectives for Year 2025:

Considering the Company's operational goals and the continued influence of multiple external factors—including the lingering impact of the COVID-19 pandemic, the depreciation of the Japanese yen, and improvements in the quality and functionality of machine tools produced in China—the overall industry environment remains challenging. Additionally, with the global economy on a steady path to recovery, rising raw material prices and persistent supply chain bottlenecks have fueled inflation in major economies, accelerating the pressure to phase out accommodative monetary policies. Furthermore, tariff increases under the U.S. Trump administration expected to further impact

the global economic landscape. For year 2025, the parent company projects unit sales of approximately 756 units, while consolidated unit sales across the group expected to reach around 965 units. The Company remains committed to enhancing the added value of its products by focusing on equipment tailored to the processing needs of high-growth industries such as electric vehicles (EVs), semiconductors, medical devices, 3C (computers, communications, and consumer electronics), and 5G. Guided by our vision of becoming “the only choice for the most user-friendly machine tools,” we will continue to innovate and deliver solutions that meet evolving market demands.

In the real estate sales agency segment, the Company will focus on projects that closely aligned with consumer needs, competitively priced, and feature distinctive product characteristics. In the construction sector, new projects will plan based on regional development trends, aiming to launch offerings that meet market demand and generate high added value, thereby increasing the Company’s sources of profitability.

### **1.3 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.

### **1.4 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.

Falcon Machine Tools CO., LTD.

Chairman:  
Lin, Tsung-Lin

## II. Corporate Governance Report

### 2.1 Directors, Supervisors and Management Team

#### 2.1.1 Information on Directors and Supervisors

Date: April 27th, 2024; Unit: Shares

Job Title	Nationality or place of registration	Name	Gender/Age	Date of election / appointment to current term	Term of office	Commencement date of first term	No. of shares held at time of election		No. of shares currently held		Shares currently held by spouse and minor children		Shares held through nominees		Principal work experience and academic qualifications	Other officer(s), director(s), or supervisor(s) with which the person has a relationship of spouse or relative within the second degree		
							No. of Shares	Shareholding ratio	No. of Shares	Shareholding ratio	No. of Shares	Shareholding ratio	No. of Shares	Shareholding ratio		Job Title	Name	Relationship
Chairman		Lin, Tsung-Lin	Male 51-60	2022.10.21	3	2022.10.21	100,000	0.13%	8,882,070	7.77%	0	0%	0	0%	1. Department of Forestry, National Pingtung University of Science and Technology	NO	NO	NO
Vice Chairman		Tung, Shang-Yu	Male 51-60	2022.10.21	3	2022.10.21	2,000	0.00%	1,349,270	1.18%	0	0%	0	0%	1. Department of Industrial Engineering and Management	NO	NO	NO
Corporate Director /Representative	R.O.C	Linju Investment Co., Ltd.	-	2022.10.21	3	2022.10.21	8,300,000	10.77%	10,765,270	9.41%	0	0%	0	0%	Not available	NO	NO	NO
		Tammy Lin	Female 51-60	2022.10.21	3	2022.10.21	0	0%	0	0%	0	0%	0	0%	1. Masters in business administration (MBA), Long Island, University, US 2. Department of Accounting, New York University	NO	NO	NO
		Zhang, Yu-xin	Female 21-30	2022.10.21	3	2022.10.21	0	0%	0	0%	191,220	0.17%	0	0%	1. Department of Business Administration, Cheng Siu University	NO	NO	NO
		Wu, Zhi-Chi	Male 41-50	2022.10.21	3	2022.10.21	0	0%	0	0%	0	0%	0	0%	1. Department of Accounting, Shih Chien University	NO	NO	NO
Independent Director		Gong, Xin-Jie	Male 41-50	2022.10.21	3	2022.10.21	0	0%	0	0%	0	0%	0	0%	1. Master of Laws, Minnesota State University 2. Department of Law, National ChengChi University	NO	NO	NO
		Chen, Li-Yun	Male 61-70	2022.10.21	3	2022.10.21	0	0%	0	0%	0	0%	0	0%	1. PhD in Economics, Xiamen University 2. Executive Master of Business Administration (EMBA), National Chengchi University	NO	NO	NO

Note 1: Position held by the director of this company and other companies as follows:

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**Lin, Tsung-Lin**

Chairman of Sun Xin Construction Co., Ltd.  
Chairman of Sun Bo International Co., Ltd.  
Chairman of Sun Young International Architecture Group  
Chairman of Ching Chien Investment Co., Ltd.  
Chairman of Yue Yang International Industrial Co., Ltd.  
Chairman of Tai Lin Development Co., Ltd.  
Chairman of Qingyong International Industrial CO., LTD  
Chairman of Qingjingtien Investment Co., Ltd.  
Chairman of Qingjingning Investment Co., Ltd.  
Chairman of Qingjinglin Real Estate Co., Ltd.  
Chairman of Qingjinglin Investment Co., Ltd.  
Chairman of Qingjinglin Development Co., Ltd.  
Chairman of Qingjinglin Assets Co., Ltd.  
Chairman of Yangji Co., Ltd.  
Chairman of Jingsen Real Estate Co., Ltd.  
Chairman of Lin Coffee Co., Ltd.  
Chairman of Linju Investment Co., Ltd.  
Chairman of Linyu International Industrial Co., Ltd.  
Chairman of Hsiangyang International Development Co., Ltd.  
Chairman of Feng He Construction Co., Ltd.  
Director of Tsang Fu Development & Construction Co., Ltd.  
Director of Jia Hsiang Development & Construction Co., Ltd.  
Supervisor of Qingjingning Construction Co., Ltd.  
Supervisor of Rui Young Construction  
Supervisor of Ching Lin Construction Co., Ltd.  
Supervisor of Wei Yang Construction Co., Ltd.

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**Tung, Shang-Yu**

Chairman of Guangshang Construction Co., Ltd.  
Chairman of Guangshang Investment Co., Ltd.  
Chairman of Guangcheng Advertising Business Co., Ltd.  
Chairman of Guangcheng International Industrial Co., Ltd.  
Chairman of Guangcheng Advertising Co., Ltd.  
Chairman of Liancheng Advertising Business Co., Ltd.  
Chairman of Shang Yi Investment Co., Ltd.  
Chairman of Shang Wei Real Estate Co., Ltd.  
Supervisor of Linju Investment Co., Ltd.  
Director of Falcon Machine Tools Co., Ltd.

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**Tammy Lin**

Special Assistant to the General Manager of Falcon Machine Tools Co., Ltd.  
Deputy Spokesperson of Falcon Machine Tools Co., Ltd.

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**Zhang Yu-Xin**

Executive Assistant of Sun Young International Architecture Group

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**Wu, Zhi-Chi**

Managing Partner of Cometrue Consulting Limited  
Director of Song Yu Financial Advisory Co., Ltd.  
Independent Director of Far EasTone Telecom munications Co., Ltd.  
Independent Director of Cen Link Co., Ltd.

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**Gong, Xin-Jie**

Lawyer at Global Network Commerce Legal  
Chairman of Longhe Enterprise Management Advisory Co., Ltd.  
Independent Director of Ji-Haw Industrial Co., Ltd.

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**Chen, Li-Yun**

Chairman of Yuan Kon Health & Lifestyle Co., Ltd.  
Chairman of Dihong Management Consulting Co., Ltd.  
Independent Director of Sea Mild Biotech

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1.4.1 Major shareholders of the corporate shareholders:

Name of corporate shareholders	Major shareholders of the corporate shareholder
Lin-Ju Investment Co., Ltd.	Lin, Tsung-Lin (0.01), Guang Shang Investment Co., Ltd. (31.25), Qing Jing Ning Investment Co., Ltd. (37.49), Lucchi Investment Co., Ltd (31.25)

1.4.2 Major shareholders of the Company's major institutional shareholders:

Name of corporate shareholders	Major shareholders of the corporate shareholder
Guang Shang Investment Co., Ltd.	Tung, Shang-Yu (23), Tung, Zhao-Ling(22), Tung, Zhao-Ying(28), Tung, Lin Mei-Gui(27)
Qing Jing Ning Investment Co., Ltd.	Lin, Tsung-Lin(99.84), Wu He-Bei(0.16)
Lucchi Investment Co., Ltd	Hua Qi-Xiang (100)

## 2.1.2 Professional qualifications and independence analysis of directors and supervisors:

Name	Criteria	Professional Qualifications	Independence Analysis	Number of independent directorships held in other publicly listed companies
Chairman: Lin,Tsung-Lin		<ul style="list-style-type: none"> <li>· Possesses working experience in commerce, legal person, finance, accounting, or corporate business operations.</li> <li>· Graduated from the Department of Forestry at National Pingtung University of Science and Technology.</li> <li>· Currently serves as Chairman of the Company, as well as Chairman of Sun Young International Architecture Group and Qing Yang International Industrial Co., Ltd.</li> <li>· None of the circumstances specified in Article 30 of the Company Act apply.</li> </ul>	Not Applicable	NO
Vice Chairman: Tung,Shang-Yu		<ul style="list-style-type: none"> <li>· Possesses working experience in commerce, legal person, finance, accounting, or corporate business operations.</li> <li>· Graduated from the Department of Industrial Engineering and Management at National Kaohsiung University of Science and Technology.</li> <li>· Current serves as Vice Chairman and General Manager of the company, as well as Chairman of Guangshang Construction Co., Ltd.</li> <li>· None of the circumstances specified in Article 30 of the Company Act apply.</li> </ul>	Not Applicable	NO
Director: Tammy Lin		<ul style="list-style-type: none"> <li>· Possesses working experience in commerce, legal person, finance, accounting, or corporate business operations.</li> <li>· Graduated with a Master's degree in Business Administration from Long Island University in the United States, and a Bachelor's degree in Accounting from New York University.</li> <li>· Formerly held positions as a Senior Investment Manager in the Wealth Management division of Tai Shin Bank, and as an Assistant Manager at Better Life Group Co., LTD.</li> <li>· Currently serving as Executive Assistant in the General Manager's Office and Deputy Spokesperson for the company.</li> <li>· None of the circumstances specified in Article 30 of the Company Act apply.</li> </ul>	Not Applicable	NO
Director: Zhang,Yu-xin		<ul style="list-style-type: none"> <li>· Possesses working experience in commerce, legal person, finance, accounting, or corporate business operations.</li> <li>· Graduated from the Department of Business Administration at Cheng Shiu University of Science and Technology.</li> <li>· Currently serving as Executive Assistant at Sun Young International Architecture Group</li> <li>· None of the circumstances specified in Article 30 of the Company Act apply.</li> </ul>	Not Applicable	NO
Independent Director: Wu,Zhi-Chi		<ul style="list-style-type: none"> <li>· Possesses working experience in commerce, legal person, finance, accounting, or corporate business operations.</li> <li>· Graduated from the Department of Accounting at Shih Chien University and obtained a CPA certificate</li> <li>· None of the circumstances specified in Article 30 of the Company Act apply.</li> </ul>	<ul style="list-style-type: none"> <li>· Company's independent director satisfies the criteria for independence</li> <li>· Requires that the director, their spouse, and relatives up to the second degree have not held positions as directors, supervisors, or employees in our company or related entities; do not possess any shares in our company and have not held positions as directors, supervisors, or employees in companies that have significant relationships with our company.</li> <li>· Not received any remuneration for providing business, legal, financial, accounting, or other services to our company or its related entities in the last two years</li> </ul>	2
Independent Director: Gong,Xin-Jie		<ul style="list-style-type: none"> <li>· Possesses working experience in commerce, legal person, finance, accounting, or corporate business operations.</li> <li>· Graduated with a Master of Laws degree from the University of Minnesota Law School, and obtained a Bachelor of Laws degree from National Chengchi University. Also obtained a lawyer's certificate.</li> <li>· Currently servings as a lawyer at Global Network Commerce Legal, as well as an Independent Director of Ji-Haw Industrial Co., Ltd.</li> <li>· None of the circumstances specified in Article 30 of the Company Act apply.</li> </ul>		1
Independent Director: Chen,Li-Yun		<ul style="list-style-type: none"> <li>· Possesses working experience in commerce, legal person, finance, accounting, or corporate business operations.</li> <li>· Graduated with a PhD in Economics from Xiamen University and an EMBA degree from National Chengchi University.</li> <li>· Formerly worked as a trainer at the Listing Department/Business Department of the Securities and Futures Bureau.</li> <li>· Currently serves as an independent director at Sea Mild Biotechnology Co., Ltd</li> <li>· None of the circumstances specified in Article 30 of the Company Act apply.</li> </ul>		1

### 2.1.3 Board Diversity and Independence

#### I. Board Diversity:

The Company is committed to strengthening the composition of its Board of Directors by promoting diversity in terms of professional expertise, industry experience, gender, and independence. Moving forward, the Company will continue to invite suitable candidates to join the Board in line with its strategic direction and in response to changing internal and external circumstances. This approach aims to ensure a more balanced and effective board structure.

To achieve sound corporate governance, the Company's current Board is composed of members from diverse backgrounds, including senior management, industry professionals, and experts in finance, business, and accounting. Each member brings unique insights and experience to the table, enabling the Board to fulfill its responsibilities, which include defining the Company's vision and values, promoting good governance, guiding business strategies, monitoring management performance, and overseeing the Company's overall operations across economic, social, and environmental dimensions. The Board also aims to safeguard the rights and interests of stakeholders and enhance long-term corporate value.

The Company focuses its business development in the machine tool and real estate sectors, aiming to become a benchmark for operational excellence. Among the current Board members, Chairman Lin Tsung-Lin has extensive experience in the Company's core industries, with a strong grasp of market dynamics and an inclusive leadership style. Directors Tung Shang-Yu and Lin Yi-Chen are part of the executive team and have deep familiarity with the Company's operations, bringing strengths in strategic management, investment analysis, and international market insight.

Among the two female board members, Director Chang Yu-Hsin offers expertise in operational management and human resources. All independent directors possess strong industry knowledge and global perspectives: Independent Director Chen Feng-Yun is knowledgeable in industrial and economic trends; Independent Director Kung Hsin-Chieh brings legal and business management expertise; and Independent Director Wu Tzu-Chi offers a multidisciplinary background in finance, accounting, auditing, and information technology.

#### II. Board Independence:

The company has a board of 7 directors, including 3 independent directors. The independent directors serve for no more than three consecutive terms to maintain their independence and ability to objectively perform their duties. Furthermore, they have not been involved in any situations covered by the provisions of the third and fourth paragraphs of Article 26-3 of the Securities and Exchange Act.

## II. Information on the Management Team

Date: April,27 2025; Unit: Shares

Job Title	Name	Nationality	Gender	Date of appointment to position	Shares held		Shares held by spouse and minor children		Shares held through nominees		Principal work experience and academic qualifications	Position concurrently held in other companies at present	Other managerial officer(s) with which the person has a relationship of spouse or relative within the second degree			Remark(s) (Note)
					No. of Shares	Shareholding ratio	No. of Shares	Shareholding ratio	No. of Shares	Shareholding ratio			Job Title	Name	Relationship	
General Manager	Tung, Shang-Yu	Taiwan	Male	2022.10.21	1,349,270	1.18%	0	0%	0	0%	1.Department of Industrial Engineering and Management at National Kaohsiung University of Science and Technology. 2.Chairman of Guangshang Construction Co., Ltd.	Please refer to Pg9.	NO	NO	NO	NO
Vice General Manager	Chen, Shih-En	Taiwan	Male	2003.03.01	0	0.06%	55	0%	0	0%	1.Department of Mechanical Engineering 2.Chairman of Fulson Industrial Co. Ltd	1.Chairman of Fulson Industrial Co. Ltd 2.Director of Hwang Kang Machinery Co.Ltd	NO	NO	NO	NO
Deputy General Manager	Zhang, Ming-Lun	Taiwan	Male	1995.07.01	115,030	0.10%	19,430	0.02%	0	0%	1.Department of Information Engineering and Computer Science in Feng Chia University 2.Director of Focus CNC Co. Ltd	1.Director of Focus CNC Co. Ltd.	NO	NO	NO	NO
Deputy General Manager	Zhang, Che-Hua	Taiwan	Male	2015.01.01	0	0%	378	0%	0	0%	1.Master in Department of Automatic Control Engineering, Feng Chia University	NO	NO	NO	NO	NO
Deputy General Manager & Chief Financial Officer	Pei, Yu-Wen	Taiwan	Female	2022.08.15	6	0%	0	0%	0	0%	1.Master in Graduate Institute of Future Studies, Tamkang University 2.Bachelor's degree in accounting, Tamkang University 3.Deputy Manager, Audit Department, KPMG Taiwan 4.Chief Financial Officer, Ching Yang International Enterprise Co., Ltd. 3.Representative of Tai Ho Hsing Co., Ltd.	1.Legal Representative Director,Top Precision Imaging Corp. 2.Chief Financial Officer, Ching Yang International Enterprise Co., Ltd. 3.Representative of Tai Ho Hsing Co., Ltd.	NO	NO	NO	Note
Deputy General Manager	Feng, Chun-Chao	Taiwan	Male	2023.06.01	0	0%	0	0%	0	0%	1.Department of Food Processing Department, National Tseng-Wen Agricultural & Industrial High School. 2.Deputy General Manager of Tajjia Development and Construction Co., Ltd. 3.Consultant of Gao Hongyao Industrial Co., Ltd.	NO	NO	NO	NO	Note
Associates	Chen, Shih-Chang	Taiwan	Male	2018.03.01	11,799	0.01%	3,022	0%	0	0%	1.Graduated from Department of Agronomy, National Chiayi University	NO	NO	NO	NO	NO
Associates and Head of Finance and Accounting	Cheng, Shun-Fu	Taiwan	Male	2023.09.11	0	0%	0	%	0	%	1.Department of Finance at Chinese Culture University. 2.Financial Manager of Tekcore Co. Ltd, 3.Supervisor of Hwang Kang Machinery Co.Ltd	1.Supervisor of Hwang Kang Machinery Co.Ltd. 3.Representative in Focus CNC Co. Ltd.	NO	NO	NO	NO
Audit Supervisor	Hsu, Chao-Ying	Taiwan	Female	2016.08.11	0	0%	0	0%	0	0%	1.Department Bank and Insurance, Overseas Chinese University 3.Supervisor of Hwang Kang Machinery Co.Ltd	1.Supervisor of Fulson Industrial Co. Ltd. 2.Director of Hwang Kang Machinery Co.Ltd.	NO	NO	NO	NO

Note: Effective date of dismissal is July 1<sup>st</sup>, 2024

## 2.2 Remuneration paid to Director, General Manager and Deputy General Manager

### 2.2.1 Remuneration to Ordinary Directors and Independent Directors

Unit: NT\$ Thousands

Job Title   <
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1. The compensation policy for the company's independent directors implemented according to Article 24-1 of the company's articles of incorporation. This provision authorizes the board of directors to set their remuneration based on the extent of their participation in and contribution to the company's operations, while also considering the customary standards in the industry.

2. Except as disclosed in the above chart, remuneration to directors received due to the services provided to all companies listed in the financial statements (such as acting as advisors of parent companies/all companies /investees listed in the financial statements who are not an employee thereof) in the most recent year: 0

### Remuneration Range Table:

Ranges of remuneration paid to each of the Company's directors	Name of Directors			
	Sum of (A+B+C+D)		Sum of (A+B+C+D+E+F+G)	
	The company	All consolidated entities	The company	All consolidated entities
Less than NT\$ 1,000,000	Lin, Tsung-Lin, Tung, Shang-Yu, Tammy Lin, Zhang, Yu-Xin, Wu, Zhi-Chi, Gong, Xin-Jie, Chen, Li-Yun	Lin, Tsung-Lin, Tung, Shang-Yu, Tammy Lin, Zhang, Yu-Xin, Wu, Zhi-Chi, Gong, Xin-Jie, Chen, Li-Yun	Lin, Tsung-Lin, Tung, Shang-Yu, Zhang, Yu-Xin, Wu, Zhi-Chi, Gong, Xin-Jie, Chen, Li-Yun	Lin, Tsung-Lin, Tung, Shang-Yu, Zhang, Yu-Xin, Wu, Zhi-Chi, Gong, Xin-Jie, Chen, Li-Yun
NT\$1,000,000 (incl.) ~ NT\$2,000,000 (excl.)	NO	NO	Lin, Yi-Zhen	Lin, Yi-Zhen
NT\$2,000,000 ( NT\$3,500,000 (excl.)	NO	NO	NO	NO
NT\$3,500,000 ( NT\$5,000,000 (excl.)	NO	NO	NO	NO
NT\$5,000,000 ( NT\$10,000,000 (excl.)	NO	NO	NO	NO
NT\$10,000,000 ( NT\$15,000,000 (excl.)	NO	NO	NO	NO
NT\$15,000,000 ( NT\$30,000,000 (excl.)	NO	NO	NO	NO
NT\$30,000,000 ( NT\$50,000,000 (excl.)	NO	NO	NO	NO
NT\$50,000,000 ( NT\$100,000,000 (excl.)	NO	NO	NO	NO
NT\$100,000,000 or above	NO	NO	NO	NO
Total	7	7	7	7

\*The remuneration disclosed in this table is different from the income concept under the Income Tax Act. Therefore, the purpose of this table is for information disclosure only and not for tax purposes

## 2.2.2 Remuneration to General Manager(s) and Assistant General Manager(s)

Unit: NT\$ Thousands

Unit: NT\$ Thousand

Job Title	Name	Salary (A)		Retirement pay and pension (B)		Rewards and special disbursements (C)		Employee profit-sharing remuneration (D)				Sum of A+B+C+D and ratio to net income (%)		Remuneration received from investee enterprises other than subsidiaries or from the parent company (Note)
		The company	All consolidated entities	The company	All consolidated entities	The company	All consolidated entities	The company		All consolidated entities		The company	All consolidated entities	
								Amount in Cash	Amount in Stock	Amount in Cash	Amount in Stock			
Vice Chairman and CEO	Tung,Shang-Yu	0	0	0	0	0	0	0	0	0	0	0	0	None
Deputy General Manager (Note)	Pei,Yu-Wen	840	840	50	50	0	0	0	0	0	0	0.00	0.00	None
												890	890	
Deputy General Manager	Zhang,Ming-Lun	1,262	1,262	76	76	45	45	0	0	0	0	1,383	1,435	None
Deputy General Manager	Chen,Shi-En	1,512	1,512	91	91	0	0	0	0	0	0	1,603	1,603	None
Deputy General Manager	Zhang,Zhe-Hua	1,346	1,346	81	81	240	240	0	0	0	0	1,667	1,667	None
Deputy General Manager(Note)	Feng,Chun-Chao	910	910	55	55	0	0	0	0	0	0	965	965	None

Note: Date of assumption of duty is June 01, 2024

### Remuneration Range Table:

Ranges of remuneration paid to each of the Company's directors	Name of Directors	
	Sum of (A+B+C+D)	Companies in the consolidated financial statements
Less than NT\$ 1,000,000	Tung,Shang-Yu, Pei,Yu-Wen, Feng,Chun-Chao	Tung,Shang-Yu, Pei,Yu-Wen, Feng,Chun-Chao
NT\$1,000,000 (incl.)~NT\$2,000,000 (excl.)	Chang,Ming-lun, Chen,Shih-en, Chang,Zhe-hua	Chang,Ming-lun, Chen,Shih-en, Chang,Zhe-hua
NT\$2,000,000 ( NT\$3,500,000 (excl.)	None	None
NT\$3,500,000 ( NT\$5,000,000 (excl.)	None	None
NT\$5,000,000 ( NT\$10,000,000 (excl.)	None	None
NT\$10,000,000 ( NT\$15,000,000 (excl.)	None	None
NT\$15,000,000 ( NT\$30,000,000 (excl.)	None	None
NT\$30,000,000 ( NT\$50,000,000 (excl.)	None	None
NT\$50,000,000 ( NT\$100,000,000 (excl.)	None	None
NT\$100,000,000 or above	None	None
Total	6	6

\*The remuneration disclosed in this table is different from the income concept under the Income Tax Act. Therefore, the purpose of this table is for information disclosure only and not for tax purposes



### 2.2.3 Remuneration of the top five highest-paid managerial officers in a TWSE/TPEX-listed company

Unit: NT\$ Thousands

Unit: NT\$ Thousand

Job Title	Name	Salary (A)		Retirement pay and pension (B)		Rewards and special disbursements (C)		Employee profit-sharing remuneration (D)				Sum of A+B+C+D and ratio to net income (%)		Remuneration received from investee enterprises other than subsidiaries or from the parent company (Note)
		The company	All consolidated entities	The company	All consolidated entities	The company	All consolidated entities	The company		All consolidated entities		The company	All consolidated entities	
								Amount in Cash	Amount in Stock	Amount in Cash	Amount in Stock			
Deputy General Manager	Pei, Yu-Wen	840	840	50	50	0	0	0	0	0	0	890 (1.60)	890 (1.60)	None
Deputy General Manager	Zhang, Ming-Lun	1,262	1,262	76	76	45	45	0	0	0	0	1,383 (2.44)	1,435 (2.44)	None
Deputy General Manager	Chen, Shi-En	1,512	1,512	91	91	0	0	0	0	0	0	1,603 (2.88)	1,603 (2.88)	None
Deputy General Manager	Zhang, Zhe-Hua	1,346	1,346	81	81	240	240	0	0	0	0	1,667 (3.00)	1,667 (3.00)	None
Deputy General Manager	Feng, Chun-Chao	910	910	55	55	0	0	0	0	0	0	965 (1.73)	965 (1.73)	None

\* Note: Effective date of dismissal is July 1<sup>st</sup>, 2024

### 2.2.4 Names and Distributions of Employee Profit-Sharing Remuneration to Managerial Officers: The board of directors 2024 has not yet decided on the employee compensation before the annual report's printing date.

Unit: NT\$ thousands/%

	Job Title	Name	Stock Amount	Cash Amount	Total	Percentage of Total to Net Income After Tax (%)
Manager	Vice Chairman and CEO	Tung, Shang-Yu	0	0	0	0
	Deputy General Manager	Chen, Shi-En	0	0	0	0
	Deputy General Manager	Zhang, Ming-Lun	0	0	0	0
	Deputy General Manager	Zhang, Zhe-Hua	0	0	0	0
	Assistant Vice President	Chen, Shih-Chang	0	0	0	0
	Assistant Vice President	Chang, Shun-Fu	0	0	0	0

Note 1: Names and titles must be disclosed individually, but profit allocations can be shown in summary form.

Note 2: Refers to the most recent year's manager compensation (cash and stock) approved by the Board. If this year's amount can't be estimated, calculate based on last year's actual ratio. "Net income after tax" means the after-tax profit from the latest year, based on individual or separate financial statements under IFRS.

## 2.2.5 Comparison of Remuneration for Directors, Supervisors, President and Vice Presidents in the Most Recent Two Fiscal Years and Remuneration Policy for Directors, Supervisors, President and Vice Presidents

Unit: NT\$ thousands/%

Job Title	2024				2023			
	Total Remuneration		Ratio of Total Remuneration to Net Profit after Tax(%)		Total Remuneration		Ratio of Total Remuneration to Net Profit after Tax(%)	
	The company	All consolidated entities statements	The company	All consolidated entities statements	The company	All consolidated entities statements	The company	All consolidated entities statements
Directors	5,310	5,310	(9.54)	(9.54)	4,152	4,152	3.59	3.59
General Manager and Vice General Manager	6,508	6,508	(11.70)	(11.70)	7,345	7,345	6.35	6.35

※ Due to an after-tax net loss of NTD 55,632 billion in the year 2024, it is proposed that no dividends be distributed to shareholders. shareholder dividends, nor remuneration for directors and employees.

※ The net profit after taxes in 2023 was NTD115,652,000.

1. The Company's policy for remunerating its directors is formulated based on the Company Act and the Company's Articles of Incorporation. The remuneration of directors for the current year shall be limited to an amount not exceeding 5% of the current year's earnings and shall be paid in accordance with the Rules Governing the Compensation of Directors and Functional Members of the Company. The Company's operating strategy, profitability, future development and industry condition, as well as their participation in and contribution to the Company's operation, have also been considered to give them reasonable remuneration. The Compensation Committee then submits a proposal for such remuneration, which is passed at a board meeting before the policy takes effect.
2. The remuneration policy for the presidents, vice presidents and equivalent officers is based on the Company's Regulations for the Evaluation of Managerial Performance and Compensation, considering the Company's business strategy, profitability, performance and their contribution to the Company and other factors, and by reference to the market compensation levels. The Compensation Committee then submits a proposal for such remuneration, which is passed at a board meeting before the policy takes effect.

The said principles may be adjusted based on economic conditions, the Company's future development, and profitability and operating risks.

## 2.3 Status of Implementation of Cooperate Governance

### 2.3.1 Operation of the Board of Directors

- I. The board of directors held 6 meetings in the year 2024 with the attendance as follows: The overall average attendance rate was 94%.

Job Title	Name	No. of meetings attended in person	No. of meetings attended by proxy	In-person attendance rate (%)	Remarks
Chairman	Lin, Tsung-Lin	6	0	100%	None
Vice Chairman	Tung, Shang-Yu	6	0	100%	None
Director	Tammy Lin	6	0	100%	None
Director	Zhang, Yu-Xin	4	2	67%	None
Independent Director	Wu, Zhi-Chi	6	0	100%	None
Independent Director	Gong, Xin-Jie	6	0	100%	None
Independent Director	Chen, Li-Yun		0	100%	None

Other information required to be disclosed:

1. If any of the following circumstances exists, specify the board meeting date, meeting session number, content of the motion(s), the opinions of all the independent directors,

and the measures taken by the Company based on the opinions of the independent directors:

A. Any matters under Article 14-3 of the Securities and Exchange Act.

Date:2024/12/31

Board of Directors	Agenda & Resolution	Independent Directors' Opinion	Company's Response to Independent Directors' Opinion	Objections or Reservations from Independent Directors with Records or Written Statements
9 <sup>th</sup> session 9 <sup>th</sup> meeting 2024/01/26	<b>Agenda:</b> Establishment of the “Regulations for Directors’ and Employees’ Remuneration Allocation.” <b>Resolution:</b> Approved as proposed.	None	None	None
	<b>Agenda:</b> Amendment and renaming of certain provisions of the “Board Meeting Rules.” <b>Resolution:</b> Approved as proposed.	None	None	None
	<b>Agenda:</b> 2023 Year-End Bonus Distribution for Managerial Officers. <b>Resolution:</b> Approved as proposed. Recusal: Directors Tung, Shang-Yu and Lin, Yi-Zhen	None	None	None
	<b>Agenda:</b> 2024 Annual Budget Proposal. <b>Resolution:</b> Approved as proposed.	None	None	None
9 <sup>th</sup> session 10 <sup>th</sup> meeting 2024/03/11	<b>Agenda:</b> Proposal to Participate in the Kaohsiung MRT Houjing Station Development Project. <b>Resolution:</b> Approved as proposed.	None	None	None
	<b>Agenda:</b> Evaluation Report on the Independence and Suitability of the Certified Public Accountant. <b>Resolution:</b> Approved as proposed.	None	None	None
	<b>Agenda:</b> 2023 Internal Control System Statement. <b>Resolution:</b> Approved as proposed.	None	None	None
	<b>Agenda:</b> Partial Amendment to the “Endorsement and Guarantee Operational Procedures.” <b>Resolution:</b> Approved as proposed.	None	None	None
	<b>Agenda:</b> Proposal to Set the Agenda and Shareholder Proposal Procedures for the 2023 Annual General Shareholders’ Meeting. <b>Resolution:</b> Approved as proposed.	None	None	None
	<b>Agenda:</b> 2023 Earnings Distribution Proposal. <b>Resolution:</b> Approved as proposed.	None	None	None
9 <sup>th</sup> session 11 <sup>th</sup> meeting 2024/05/10	<b>Agenda:</b> Capital Increase via Earnings Transfer and Issuance of New Shares. <b>Resolution:</b> Approved as proposed.	None	None	None
	<b>Agenda:</b> Credit Facility Agreement with Financial Institutions. <b>Resolution:</b> Approved as proposed.	None	None	None
	<b>Agenda:</b> Approval of Audit Fees for 2024 and Pre-Approval Policy for Non-Assurance Services by Ernst & Young and its Affiliates. <b>Resolution:</b> Approved as proposed.	None	None	None
	<b>Agenda:</b> Acquisition of Real Estate. <b>Resolution:</b> Approved as proposed.	None	None	None
	<b>Agenda:</b> Addition to the 2024 Annual Shareholders’ Meeting Agenda. <b>Resolution:</b> Approved as proposed.	None	None	None
	<b>Agenda:</b> 2023 Directors’ and Employees’ Remuneration Proposal. <b>Resolution:</b> Approved as proposed.	None	None	None
	<b>Agenda:</b> Partial Amendment to the Articles of	None	None	None

Board of Directors	Agenda & Resolution	Independent Directors' Opinion	Company's Response to Independent Directors' Opinion	Objections or Reservations from Independent Directors with Records or Written Statements
	Incorporation. <b>Resolution:</b> Approved as proposed.			
9 <sup>th</sup> session 12 <sup>th</sup> meeting 2024/06/25	<b>Agenda:</b> Determination of the Record Date and Related Matters for Capital Increase via Earnings Transfer and Issuance of New Shares. <b>Resolution:</b> Approved as proposed.	None	None	None
	<b>Agenda:</b> Personnel Changes for Financial and Accounting Officers. <b>Resolution:</b> Approved as proposed.	None	None	None
9 <sup>th</sup> session 13 <sup>th</sup> meeting 2024/08/06	<b>Agenda:</b> Issuance of a Joint Guarantee Letter for Performance Bond. <b>Resolution:</b> Approved as proposed.	None	None	None
	<b>Agenda:</b> Proposal to Participate in the Kaohsiung MRT O10 Weiwaying Station Development Project. <b>Resolution:</b> Approved as proposed.	None	None	None
	<b>Agenda:</b> Loan Application to Financial Institutions. <b>Resolution:</b> Approved as proposed.	None	None	None
9 <sup>th</sup> session 14 <sup>th</sup> meeting 2024/11/11	<b>Agenda:</b> Application for New Credit Line from Financial Institutions. <b>Resolution:</b> Approved as proposed.	None	None	None
	<b>Agenda:</b> Establishment of Internal Control Procedure "Sustainability Information Management Operations." <b>Resolution:</b> Approved as proposed.	None	None	None
	<b>Agenda:</b> 2025 Internal Audit Plan. <b>Resolution:</b> Approved as proposed.	None	None	None
	<b>Agenda:</b> Amendment to the "Approval Authority Matrix." <b>Resolution:</b> Approved as proposed.	None	None	None
	<b>Agenda:</b> Company Endorsement and Guarantee for External Parties. <b>Resolution:</b> Approved as proposed.	None	None	None

B. Other than the matters, there were no board resolutions where independent directors expressed opposing or reserved opinions with records or written statements.

## II. Execution Status of Directors' Recusal from Resolutions Involving Conflicts of Interest:

2024/12/31					
ITEM	Date and session	Name of Director	Content of the motion	Cause for Recusal	Voting Participation
1	9 <sup>th</sup> session, 4 <sup>th</sup> meeting 2024/01/21	Tung, Shang-Yu	Resolution for the distribution of the annual bonus for the management personnel of the company for the year 2023.	Concurrently as Director	Abstained from discussion and voting

### III. Implementation of Evaluations of the Board of Directors:

Evaluation Cycle	Evaluation Period	Scope of evaluation	Method of evaluation	Evaluation Content
Once a year	2024/01/01~2024/12/31	Board of Director	Assessment of Corporate Governance Manager	<ol style="list-style-type: none"> <li>1. Enhance the degree of involvement in the company's operations.</li> <li>2. Improve the quality of board decisions.</li> <li>3. Review and optimize the composition and structure of the board of directors.</li> <li>4. Enhance the process of director selection and ongoing education.</li> <li>5. Strengthen the internal controls.</li> </ol>
Once a year	2024/01/01~2024/12/31	The Remuneration and Audit Committee	Evaluation of the Chairperson	<ol style="list-style-type: none"> <li>1. Enhance involvement in the company's operations</li> <li>2. Recognize the responsibilities of functional committees</li> <li>3. Improve the quality of functional committee decisions</li> <li>4. Review the composition and member selection of functional committees</li> <li>5. Strengthen the internal controls.</li> </ol>
Once a year	2024/01/01~2024/12/31	Individual Director	Performance evaluation of board members (self or peer)	<ol style="list-style-type: none"> <li>1. Grasp of the company's goals and mission</li> <li>2. Understanding of the duties and responsibilities of a director</li> <li>3. Involvement in the company's operations</li> <li>4. Management and communication of internal relationships</li> <li>5. Professionalism and ongoing education of directors</li> <li>6. Strengthen the internal controls.</li> </ol>

### IV. Evaluation of the targets that were adopted for strengthening of the functions of the board during the current and immediately preceding fiscal years (e.g., establishing an audit committee, increasing information transparency, etc.)

- (1) The Establishment of Corporate Governance Regulations: Besides the powers and responsibilities of the Board of Directors as specified in the Company's Articles of Incorporation, the Company also has established various regulations to strengthen the operation of the Board of Directors and corporate governance, which is "Board of Directors Meeting Regulations," "Code of Ethics," "Board of Directors Performance Evaluation Procedures," "Internal Handling Procedures for Significant Information," "Employee Code of Conduct," "Management Procedures for Preventing Insider Trading," and "Management Procedures for Shareholders' Meeting Souvenirs and Deposits. And in the 2023, the "Articles of Incorporation," "Internal Control System and Related Procedures" sections were revised, and the "Rules of Procedure for Shareholders Meetings " and "Salary and Compensation Remuneration Committee Organization Regulations" were redefined, all of which were approved by both the Board of Directors and the Shareholders' Meeting.
- (2) Board of Directors Performance Evaluation: To strengthen the efficiency of the Board of Directors' operation and implement corporate governance, the Company has established performance objectives and the Board of Directors Performance Evaluation Procedures, which apply to all members of the Board of Directors, functional committees, and individual directors. The procedures were established on March 24, 2020, in accordance with the Corporate Governance Best Practice Principles for Listed and OTC Companies. Each year, during December, each unit provides a questionnaire for Board members to complete. The completed questionnaire and related information concerning performance evaluation are provided to the Board of Directors for their reference.
- (3) Active Participation in Corporate Governance: In recent years, the Company has actively participated in strengthening corporate governance and enhancing the transparency of information disclosure. In 2024, the Company received a corporate governance evaluation ranking within the 51%–65% range. The Company continues to actively engage in governance improvement efforts to further strengthen its corporate governance capabilities.
- (4) Enhancing Board Functionality and Decision-Making Quality: To enhance the functionality and decision-making quality of the Board, the Company regularly holds

strategy meetings to keep directors informed about financial conditions, business status, and the development and implementation of major business strategies. In addition, quarterly operations meetings are held, where business units present reports to help directors gain insights into operations. During these meetings, directors also provide valuable guidance to management based on their professional expertise and experience.

- (5) Enhancing Information Transparency: The Company voluntarily discloses relevant information on its official website and the Market Observation Post System (MOPS), including applicable regulations and significant resolutions of the Board of Directors. These efforts facilitate shareholders' understanding of the Company's developments and enhance overall information transparency.

#### V. Board Performance Evaluation Implementation

Evaluation Cycle	Evaluation Period	Scope	Method	Evaluation Criteria
Conducted annually	2024.1.1-2024.12.31	Board of Directors	Internal self-evaluation by the Board	Participation in company operations, quality of board decisions, board composition and structure, director selection and ongoing training, internal control, etc.
Conducted annually	2024.1.1-2024.12.31	Individual Board Members	Self-evaluation by board members	Understanding of company goals and missions, awareness of director responsibilities, participation in company operations, internal relationship management and communication, professional knowledge and continuing education, internal control, etc.
Conducted annually	2024.1.1-2024.12.31	Functional Committees	Internal self-evaluation by committees	Participation in company operations, awareness of committee responsibilities, quality of decisions, committee composition and member selection, internal control, etc.

#### 2024 Board Performance Evaluation Results:

- (a) Average overall self-evaluation score of the Board of Directors: 4.91 out of 5
- (b) Average overall self-evaluation score of individual board members: 4.86 out of 5
- (c) Average overall self-evaluation score of functional committees: 4.92 out of 5

The Company conducted its 2024 internal annual board performance evaluation in December 2024 in accordance with the evaluation indicators and procedures specified in the "Board Performance Evaluation Policy." The evaluation covered the overall Board of Directors, individual board members, and functional committees. The results were compiled and scored based on the returned questionnaires and were reported to the Board of Directors on March 11, 2025. Detailed information has been disclosed on the Company's website.

### 2.3.2 Audit Committee Operations

- I. The term of the 2nd Audit Committee is from October 21, 2022, to October 20, 2025. A total of six meetings were held in 2024. The attendance record of each committee member for the year 2024 is as follows:

Title	Name	No. of meetings attended in person	No. of meetings attended by proxy	In-person attendance rate(%)	Remarks
Convenor	Wu, Zhi-Chi	6	0	100	None
Member	Gong, Xin-Jie	6	0	100	None
Member	Chen, Li-Yun	6	0	100	None

- II. Other information required to be disclosed:

(1) If any of the following circumstances exists, specify the board meeting date, meeting session number, content of the motion(s), the opinions of all the independent directors, and the measures taken by the Company based on the opinions of the independent directors:

A. Any matters under Article 14-5 of the Securities and Exchange Act.

Date: 2024/12/31

Term of Audit Committee Date of Meeting	Term of Board of Directors Date of Meeting	Proposal and Resolutions Result	Contents of the objections, reservations, or significant proposals by the independent director	Handling of the company's response to the opinions of the audit committee.
2 <sup>nd</sup> session 7 <sup>th</sup> meeting 2024/01/26	9 <sup>th</sup> session 9 <sup>th</sup> meeting 2024/01/26	Proposal: 2024 Annual Budget Plan of the Company Resolution: Approved as proposed.	None	The resolution was approved unanimously by all attending directors
2 <sup>nd</sup> session 8 <sup>th</sup> meeting 2024/03/11	9 <sup>th</sup> session 10 <sup>th</sup> meeting 2024/03/11	Proposal: 2023 Business Report and Financial Statements Resolution: Approved as proposed.	None	The resolution was approved unanimously by all attending directors
		Proposal: To Participate in the Development Project of Kaohsiung MRT Houjing Station Resolution: Approved as proposed.	None	The resolution was approved unanimously by all attending directors
		Proposal: Proposal to Establish the Policy and Procedures for the Pre-approval and Evaluation of Independence and Appropriateness of Non-Assurance Services Provided by EY Global and Its Affiliates Resolution: Approved as proposed.	None	The resolution was approved unanimously by all attending directors
		Proposal: Evaluation Report on the Independence and Appropriateness of the Certifying CPA and the 2023 Internal Control System Statement Resolution: Approved as proposed.	None	The resolution was approved unanimously by all attending directors
2 <sup>nd</sup> session 9 <sup>th</sup> meeting 2024/05/10	9 <sup>th</sup> session 11 <sup>th</sup> meeting 2024/05/10	Proposal: Proposal to Approve the 2022 Internal Control System Statement and Amendments to Certain Provisions of the Endorsement and Guarantee Operating Procedures Resolution: Approved as proposed.	None	The resolution was approved unanimously by all attending directors
		Proposal: Amendments to Certain Provisions of the "Internal Control System and Related Procedures" and 2023 Earnings Distribution Proposal Resolution: Approved as proposed.	None	The resolution was approved unanimously by all attending directors
		Proposal: Proposal for Capital Increase Through Retained Earnings	None	The resolution was approved

Term of Audit Committee Date of Meeting	Term of Board of Directors Date of Meeting	Proposal and Resolutions Result	Contents of the objections, reservations, or significant proposals by the independent director	Handling of the company's response to the opinions of the audit committee.
		and Issuance of New Shares for Endorsement and Guarantee Renewal Resolution: Approved as proposed.		unanimously by all attending directors
		Proposal: Credit Facility Agreements Between the Company and Financial Institutions Resolution: Approved as proposed.	None	The resolution was approved unanimously by all attending directors
		Proposal: Proposal to Conduct a Private Placement of Common Shares Resolution: Approved as proposed.	None	The resolution was approved unanimously by all attending directors
		Proposal: 2024 Audit Fees and Proposal Regarding the Pre-approval Process and General Policies for Non-Assurance Services Provided by EY Global and Its Affiliates Resolution: Approved as proposed.	None	The resolution was approved unanimously by all attending directors
		Proposal: Proposal for Acquisition of Real Estate by the Company Resolution: Approved as proposed.	None	The resolution was approved unanimously by all attending directors
		Proposal: Addition of New Discussion Items for the 2024 Annual General Meeting of Shareholders Resolution: Approved as proposed.	None	The resolution was approved unanimously by all attending directors
		Proposal: Addition of New Agenda Items for the 2024 Annual General Meeting of Shareholders Resolution: Approved as proposed.	None	The resolution was approved unanimously by all attending directors
		Proposal: 2023 Directors' and Employees' Remuneration Proposal Resolution: Approved as proposed.	None	The resolution was approved unanimously by all attending directors
		Proposal: Amendments to Certain Provisions of the Articles of Incorporation Resolution: Approved as proposed.	None	The resolution was approved unanimously by all attending directors
		Proposal: Proposal to Set the Record Date and Address Related Matters for Capital Increase through Retained Earnings and Issuance of New Shares Resolution: Approved as proposed.	None	The resolution was approved unanimously by all attending directors
2 <sup>nd</sup> session 10 <sup>th</sup> meeting 2024/06/25	9 <sup>th</sup> session 12 <sup>th</sup> meeting 2024/06/25	Proposal: Changes in the Company's Chief Financial Officer and Chief Accounting Officer Resolution: Approved as proposed.	None	The resolution was approved unanimously by all attending directors
		Proposal: 2023 Audit Fee for the Certifying CPA Proposal: Proposal for the Company to Apply for a Joint Guarantee Letter for Performance Bond Resolution: Approved as proposed.	None	The resolution was approved unanimously by all attending directors
2 <sup>nd</sup> session 11 <sup>th</sup> meeting 2024/08/06	2 <sup>nd</sup> session 13 <sup>th</sup> meeting 2024/08/06	Proposal: Proposal to Apply for Medium- to Long-Term Credit Facility from Financial Institutions Proposal: Proposal to Participate in the Kaohsiung MRT O10 Weiwuying Station Development Project Resolution: Approved as proposed.	None	The resolution was approved unanimously by all attending directors
		Proposal: Proposal for the Company to Apply for a Credit Facility from Financial Institutions Resolution: Approved as proposed.	None	The resolution was approved unanimously by all attending directors
2 <sup>nd</sup> session 12 <sup>th</sup> meeting 2024/11/11	2 <sup>nd</sup> session 14 <sup>th</sup> meeting 2024/11/11	Proposal: Proposal for the Company to Apply for a New Credit Facility from Financial Institutions Resolution: Approved as proposed.	None	The resolution was approved unanimously by all attending directors
		Proposal: Proposal to Establish the "Sustainability Information	None	The resolution was approved



Term of Audit Committee Date of Meeting	Term of Board of Directors Date of Meeting	Proposal and Resolutions Result	Contents of the objections, reservations, or significant proposals by the independent director	Handling of the company's response to the opinions of the audit committee.
		Management Procedures” under the Internal Control System Resolution: Approved as proposed.		unanimously by all attending directors
		Proposal: Proposal to Establish the Internal Audit Plan for 2025 Resolution: Approved as proposed.	None	The resolution was approved unanimously by all attending directors
		Proposal: Proposal to Amend the “Approval Authority Table” Resolution: Approved as proposed.	None	The resolution was approved unanimously by all attending directors
		Proposal: Proposal for the Company to Provide External Endorsements and Guarantees Resolution: Approved as proposed.	None	The resolution was approved unanimously by all attending directors

B. Other resolutions not approved by the Audit Committee but approved by at least two-thirds of all directors: None.

- (2) There is NO execution status of independent directors' abstention from voting on interested party transactions.
- (3) Communication between the independent directors and the internal audit supervisor and accountant regarding significant matters related to the company's financial and business status, including the methods and outcomes of such communication.
  - a. The communication policy between independent directors and the internal audit supervisor and accountant is as follows:
    - i. The policy of inviting the certified public accountant to attend the audit committee at least twice a year to report on the review or audit results of the financial statements of the company and its subsidiaries, as well as the results of internal control audits. The communication should be sufficient to discuss any significant adjustments or revisions related to legal amendments.
    - ii. If necessary, communicate with the accountant through meetings as required.
    - iii. The internal audit supervisor and independent directors should hold regular meetings at least once a quarter through the audit committee to report on the implementation of internal audits and the operation of internal controls. In the event of any significant abnormality, a meeting may be convened at any time.
    - iv. In addition to the regular meetings, the convener of the Audit Committee holds ad hoc discussions with the head of internal audit each quarter regarding the operation of the internal control system.
  - b. Summary of communication between the independent directors' board and the accountant in 2024:

The communication between the independent directors and the accountants of our company is good.

Date	Key Audit Matters	Opinion from	Execution results handling
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		Independent Director	
2024/03/11 Audit Committee	1.Presentation of the 2023 Financial Statement. 2.Discussion on assessment of the independence and competence of visa accountants.	None	Approved by the Audit Committee and submitted to the 10th meeting of the 9th Board of Directors on March 11, 2024 for discussion.
2024/05/10 Audit Committee	1. Discussion on the process and general policy for prior approval of non-assurance services provided by the certified public accountant firm and its related entities. 2. Presentation of the Q1 2024 Financial Statement.	None	Approved by the Audit Committee and reported at the 11th meeting of the 9th Board of Directors on May 10, 2024.
2024/08/06 Audit Committee	1.Presentation of the Q2 2024 Financial Statement.	None	Approved by the Audit Committee and reported to the 13th meeting of the 9th Board of Directors on August 6, 2024.
2024/11/11 Audit Committee	1.Presentation of the Q3 2024 Financial Statement	None	Approved by the Audit Committee and submitted to the 14th meeting of the 9th Board of Directors on March 11, 2024for discussion.

c. Summary of Communication between Independent Directors and Internal Audit Officers in year 2024:

Date	Key Audit Matters	Opinion from Independent Director	Execution results handling
2024/03/11 Audit Committee	1.Presentation of execution results of the audit operations for the fourth quarter of 2023. 2.Discussion on internal control statement for 2023.	None	1.Reviewed and approved by the audit committee and submitted for report by the board of directors. 2.Reviewed and approved by the audit committee and submitted for discussion by the board of directors.
2024/05/10 Audit Committee	1.Presentation of execution results of the audit operations for the first quarter of 2024. 2. Discussion on the Proposal to Amend Certain Provisions of the Articles of Incorporation.	None	1.Reviewed and approved by the audit committee and submitted for report by the board of directors. 2.Reviewed and approved by the audit committee and submitted for discussion by the board of directors.
2024/08/06 Audit Committee	1.Presentation of execution results of the audit operations for the second quarter of 2024.	None	1.Reviewed and approved by the audit committee and submitted for report by the board of directors.

<p>2024/11/11 Audit Committee</p>	<p>1.Presentation of execution results of the audit operations for the third quarter of 2024. 2.Formulate the internal audit plan for 2025. 3.Revise the "Authority Table".</p>	<p>None</p>	<p>1.Reviewed and approved by the audit committee and submitted for report by the board of directors. 2.Reviewed and approved by the audit committee and submitted for discussion by the board of directors. 3.Reviewed and approved by the audit committee and submitted for discussion by the board of directors.</p>
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### 2.3.3 Corporate Governance – Implementation Status and Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons

Evaluation Item	Implementation status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summary Description	
1.Has the Company established and disclosed its Corporate Governance Best-Practice Principles based on the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?		✓	Company has not yet formulated.	The company has not yet established its corporate governance best practices in accordance with the "Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies", and will do so in the future according to its business needs and legal regulations
<b>2.Shareholding Structure and Shareholders' Rights</b>				
(1)Does the Company have Internal Operation Procedures for handling shareholders' suggestions, concerns, disputes and litigation matters. If yes, have these procedures been implemented accordingly?	✓		(1)The company has established a spokesperson and a deputy spokesperson as a means of handling shareholder suggestions, questions, and disputes. The company has also set up relevant contact information and a stakeholder complaint mailbox on its website and in its annual report, to receive various inquiries and suggestions.	(1)None
(2)Does the Company know the identity of its major shareholders and the parties with ultimate control of the major shareholders?	✓		(2)The Company periodically discloses the list of ultimate controllers of its principal shareholders pursuant to the laws and regulations.	(2)None
(3)Has the Company built and implemented a risk management system and a firewall between the Company and its affiliates?	✓		(3)1.The company has developed and passed through the board of directors the "Supervision and Management Procedure for Subsidiaries." 2.All related parties of the company are direct or indirect subsidiaries holding more than 50% of the company's shares. Business dealings between the company and its related parties are treated as transactions with independent third parties. 3.The company has implemented strict operational procedures for managing fund lending, endorsement guarantees, transactions, and derivative transactions with its related parties.	(3)None
(4)Has the Company established internal rules prohibiting insider trading of securities based on undisclosed information?	✓		(4)To establish a sound internal mechanism for processing and disclosing significant information, prevent improper leakage of information, and ensure the consistency and accuracy of information released to the outside world, as well as to prevent insider trading, the company has developed the "Internal Procedures for Handling Significant Information" and the "Management Procedures for Preventing Insider Trading," which have been distributed to the directors and made available on the company's internal electronic bulletin board for managers and all employees to refer to at any time. In addition, the company revised the "Code of Ethics" on November 9, 2020, requiring all relevant parties to comply with the company's internal regulations and the provisions of the Securities Exchange Act regarding the prohibition of insider trading. All of the aforementioned documents are posted on the company's internal electronic bulletin board for relevant personnel to consult at any time.	(4)None
<b>3.Composition and Responsibilities of the board of directors</b>				
(1)Have a diversity policy and specific management objectives been adopted for the board and have they been fully implemented?	✓		(1)Company is dedicated to achieving diversity in the backgrounds of board members, including their professional expertise, experience, gender, and independence. Company will continue to invite suitable candidates to join the board to strengthen its balance in response to the company's development strategy and changes in the internal and external environment. The board members come from different fields and work backgrounds, including the management team, industry managers, and professionals with financial, business, and accounting backgrounds. They effectively fulfill their responsibilities as board members, including establishing and maintaining the company's vision and values, promoting corporate governance, and supervising and evaluating the management's policies and operational plans. Moreover, they are responsible for the company's overall performance in the economy, society, and environment, taking the perspective of stakeholders to enhance corporate governance and enterprise value. Board of directors is composed of 7 members, including 3 independent directors (43% of the total). Independent directors are limited to serving no more than three consecutive terms. Also, one of the director over 65 years old, 3 directors aged between 51 and 60, and 3 directors under 50 years old. To promote gender equality and improve women's participation in decision-making and the soundness of the board structure, company have 2 female directors (29% of the total). Our company is dedicated to building a strong presence in the fields of machine tools, real estate, and property, aspiring to become a model of business excellence. Examining the list of our board members, Chairman Lin, Tsung-Lin has extensive experience in the company's business domains, grasping the intricacies of industry operations and development. His leadership style is open, and he is receptive to diverse perspectives.Directors Tung, Shang-Yu and Lin, Yi-Zhen have joined our management team, bringing a deep understanding of our organization and business operations. They excel in operational	(1)None

Evaluation Item	Implementation status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summary Description	
			<p>management, investment judgment, and possess a keen understanding of the international market. Among our female members, Director Zhang, Yu-Xin specializes in operational management and human resources. Our independent directors also bring valuable expertise to the table. Independent Director Chen, Li-Yun is well-acquainted with the general industrial landscape and economic development trends. Independent Director Gong, Xin-Jie possesses expertise in law, corporate management, and relevant experience. Independent Director Wu, Zhi-Chi combines financial, accounting, auditing, and information technology expertise.</p> <p>The Company attaches importance to the diversity of the composition of the Board of Directors. The target of more than 29% of directorships being held by women is currently 15%; therefore, the implementation thereof exceeds the target. The elite directors of the Company were selected from the industry to participate in major investment projects related to the Company's business, assist the Company's financial, accounting and corporate governance businesses according to their expertise, and assist the Company in making favorable decisions through their diverse experience, which gives rise to extensive and professional advice. Diversification of the Board of Directors' members has been implemented as shown in Note 1.</p>	
(2)Has the Company voluntarily established other functional committees in addition to the remuneration committee and the audit committee?	✓		(2)Company has established a remuneration committee and an audit committee, and has formulated the "Organization Regulations of the Remuneration Committee" and the "Rules of Procedure of the Audit Committee". The importance of other types of functional committees will be evaluated in the future, and relevant policies will be formulated for their implementation.	(2)Established according to the needs of the company's future development and legal requirements.
(3)Has the Company established rules and methodology for evaluating the performance of its Board of Directors, implemented the performance evaluations on an annual basis, and submitted the results of performance evaluations to the board of directors and used them as reference in determining salary/compensation for individual directors and their nomination and additional office terms?	✓		(3)company has established the "Board of Directors Performance Evaluation Rules," which stipulates that the board of directors should conduct at least one performance evaluation per year through a self-evaluation questionnaire to enhance corporate governance. The performance evaluation is carried out at the end of each year to measure the effectiveness of the board's leadership and supervision of the company's operations and management, with the aim of providing feedback on the board's performance and increasing long-term shareholder value.	(3)None
(4)Does the Company regularly evaluate its external auditors' independence?	✓		(4)The company conducts an annual evaluation of the independence of its auditors as required by regulations. The auditors are asked to provide an "independence statement" and are checked for any relationships with the company's directors, supervisors, or executives, ensuring that they are not related parties. The company then uses its own auditor evaluation form to assess the auditors' independence in 6 areas: self-interest, self-evaluation, advocacy, familiarity, coercion, and audit quality indicators. The evaluation results are submitted to the board of directors for review. The auditor independence evaluation items are detailed in Note 2.	(4)None.
4.Does the TWSE/TPEX listed company have in place an adequate number of qualified corporate governance officers and has it appointed a chief corporate governance officer with responsibility corporate governance best practices (including but not limited to providing information necessary for directors and supervisors to perform their duties, aiding directors and supervisors in complying with laws and regulations, organizing board meetings and annual general meetings of shareholders as required by law, and compiling minutes of board meetings and annual general meetings)?	✓		<p>1.At the board meeting held on May 7, 2021, company passed a resolution to establish the position of corporate governance officer. This position is responsible for handling matters related to board of directors and shareholder meetings in accordance with the law, preparing minutes of board of directors and shareholder meetings, assisting directors in their appointment and continuing education, providing necessary information for directors to carry out their duties, assisting directors in complying with laws and regulations, and other matters as stipulated in the company's articles of incorporation or contracts.</p> <p>2.The current corporate governance officer of the company is Vice President Chen Shih-En, who meets the statutory qualification requirements for a corporate governance officer and has over three years of experience serving as a financial officer in publicly traded companies.</p> <p>3.The performance of the corporate governance officer in the year 2024 is as follows:</p> <p>(1) Board Performance Evaluation: The performance evaluation of the board of directors for the year 2024 has been completed to implement corporate governance and was submitted to the board of directors on March 11, 2025.</p> <p>(2) In response to regulatory revisions by the supervisory authorities, the company amended and passed revisions to the Company Articles and Internal Control System and Related Operations in the 2024; and redefined the Shareholders' Meeting Rules and the Salary and Compensation Committee Organization Regulations.</p> <p>(3) Corporate governance evaluation: The Company's ranking range in the 10th session of the 2023 corporate governance evaluation was between 51-65%.</p> <p>(4) Integrity management: All employees received integrity management year-end education and training in January 2024.</p> <p>(5) Communication with Investor : Shareholder's meeting was held on June 25, 2024, meeting notices, Proposals, and meeting minutes are prepared within the statutory deadline. Moreover, the Company held 6 board meetings in the year 2024, provided meeting materials and produced meeting minutes after each meeting. The Company promptly disclosed and announced significant information and decisions made by the board of directors. Overall, the Company has been transparent</p>	None.

Evaluation Item	Implementation status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summary Description	
			<p>and diligent in keeping its investors informed.</p> <p>(7) Assist independent directors, general directors, and corporate governance executives in developing annual training plans and arranging relevant courses. As of December 2024, all directors have completed their training courses, and the corporate governance executive has also fulfilled the required hours of training as of June 2024. Company optimizes the training plans continuously to ensure that the directors and corporate governance executives are up-to-date with their professional knowledge and skills.</p> <p>(8) Reporting system implementation: Company have established a "Code of Ethics and Confidentiality Agreement" that includes an independent reporting system such as a reporting mailbox or hotline. However, as of 2024, we have not received any reports or complaints.</p>	
5.Has the Company established channels for communicating with its stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.) and created a stakeholders section on its company website? Does the Company appropriately respond to stakeholders' questions and concerns on important corporate social responsibility issues?	✓		<p>The company has established effective communication channels with various stakeholders, such as customers, shareholders, partner banks, employees, suppliers, community, regulatory bodies, and others related to the company's interests. Additionally, the company website and annual report have a contact windows to address corporate social responsibility issues that stakeholders may be concerned about, and the company responds to these concerns after understanding them.</p> <p>The Company has a contact channel on its website designated to stakeholders; a mailbox also exists on the employee portal site, thus providing internal and external personnel with a means to make suggestions and file complaints to the Company. Information received shall be handled by the Auditing Office.</p>	None.
6.Has the Company appointed a professional shareholder services agent to handle matters related to its shareholder meetings?	✓		Company appoints the Capital Securities Corp Registrar Agency Dept. to handle shareholder meeting affairs.	None.
<b>7.Information Disclosure</b>				
(1) Has the Company established a corporate website to disclose information regarding its financials, business, and corporate governance status?	✓		(1)The company website has an investor relations section to disclose relevant public information and can also be accessed for this purpose. <a href="https://www.chevaliertw.com/zh-tw/investor-area/investor-2">https://www.chevaliertw.com/zh-tw/investor-area/investor-2</a>	(1)None.
(2) Does the Company use other information disclosure channels (e.g., maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investors conference etc.)?	✓		(2)Please visit Falcon Corporation's Chinese/English website: <a href="https://www.chevaliertw.com">https://www.chevaliertw.com</a>	(2)The establishment of an English website will depend on the company's development needs and legal requirements in the future.
(3) Does the company publish and report its annual financial report within two months after the end of the fiscal year, and publish and report its financial reports for the first, second, and third quarters as well as its operating statements for each month before the specified deadlines?		✓	(3)The company aims to provide investors with timely and accurate financial information. The annual financial report is submitted for approval by the Audit Committee and the Board of Directors within two months after the end of the fiscal year and is announced on the same day of approval in Market Observation Post System (MOPS). The first, second, and third quarterly financial reports are also submitted for approval by Audit Committee and the Board of Directors and are announced on the same day of approval in MOPS before the legal deadline. The monthly operating status of the company is also fully disclosed on the MOPS before the legal deadline.	(3)Depend on the company's development needs and legal requirements
8.Has the Company disclosed other information to facilitate a better understanding of its corporate governance best practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' continuing education, the implementation of risk management policies and risk evaluation standards, the implementation of customer relations policies, and purchasing liability insurance for directors and supervisors)?	✓		<p>(1) Employee rights: The company upholds the principles of integrity and social responsibility, while ensuring that the legal rights of employees are protected in compliance with labor laws.</p> <p>(2) Employee care: To promote employee satisfaction and engagement, the company offers a safety office, employee welfare committee, and labor-management committee, along with a range of education and training programs and welfare systems, aimed at building trust and mutual benefits.</p> <p>(3) Investor relations: The company has honored the stock agency department of China Trust Commercial Bank, as well as a dedicated shareholder services officer within the company, to handle any issues that may arise between the company and its shareholders.</p> <p>(4) Supplier Relationships: The company prioritizes the principles of equality and mutual benefit in its relationships with suppliers, fostering strong and collaborative partnerships.</p> <p>(5) Stakeholder Rights: The company has developed a "Code of Ethics" to regulate its stakeholders in accordance with the law. All stakeholders of the company uphold a strong sense of self-discipline and can recuse themselves from any conflicts of interest to ensure sound corporate governance. Stakeholders are entitled to communicate with the company and provide suggestions to protect their legitimate interests.</p> <p>(6) Continuing Education for Directors: The company periodically informs its directors of professional development courses organized by relevant organizations. In year 2024, the company's directors participated in professional development courses as shown in Table 1. Additionally, the directors regularly attend board meetings and provide valuable advice and guidance to the board.</p> <p>(7) Risk Management Policy and Standards Execution: The company has put in place several internal protocols and procedures, mandated by law, to evaluate and control relevant risks.</p> <p>(8) Execution of Customer Policies: The company has established a</p>	None.

Evaluation Item	Implementation status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summary Description	
			<p>specialized customer service department to handle after-sales services and complaints. Furthermore, products are insured to safeguard the rights and interests of both purchasers and vendors.</p> <p>(9) To protect the directors' liabilities : Company has purchased a liability insurance policy from the Taiwan branch of American International Group, CHUBB on April 15, 2025. The policy covers a sum insured of USD 5 million and is valid for one year until April 15, 2026.</p> <p>(10) Managers of the company participated in training and development programs: In the year 2024, the managers of the company participated in training and development programs related to corporate governance and other relevant areas. The details of their participation are provided in Table 2.</p>	
9. Please describe improvements that have already been made based on the Corporate Governance Evaluation results released for the most recent fiscal year by the Corporate Governance Center, Taiwan Stock Exchange, and specify the priority enhancement objectives and measures planned for any matters still awaiting improvement. (If the Company was not included among the companies evaluated for the given recent year, this item does not need to be completed.)		✓	<p>(1) Improvements Made:</p> <p>1. The Company's interim financial reports have all been approved by the Audit Committee and submitted to the Board of Directors for discussion and resolution.</p> <p>2. The Company has disclosed its annual greenhouse gas emissions, water consumption, and total waste generated over the past two years.</p> <p>(2) Priority Areas for Enhancement and Proposed Measures:</p> <p>1. Protection of Shareholders' Rights and Equitable Treatment: The Company shall disclose its adopted Corporate Governance Best-Practice Principles.</p> <p>2. Promotion of Sustainable Development: The Company plans to prepare a Sustainability Report and submit it to the Board of Directors for approval.</p> <p>3. Establishment of Written Procedures for Related Party Transactions: The Company shall establish written guidelines for financial and business interactions with related parties. Any material transactions shall be approved by the Board of Directors and reported to the shareholders' meeting.</p>	

Note 1: Diversification of the Board of Directors' members has been implemented as follows.

Title		Chairman	Vice Chairman	Director	Director	Independent Director	Independent Director	Independent Director
Name		Lin, Tsung-Lin	Tung, Shang-Yu	Lin, Yi-Zhen	Zhang, Yu-Xin	Wu, Zhi-Chi	Gong, Xin-Jie	Chen, Li-Yun
Gender		Male	Male	Female	Female	Male	Male	Male
Specialization	Management	✓	✓	✓	✓	✓	✓	✓
	Leadership in Decision-making	✓	✓	✓	✓	✓	✓	✓
	Industry Knowledge	✓	✓			✓	✓	✓
	Finance and Law			✓		✓	✓	✓
	Crisis Management	✓	✓	✓	✓	✓	✓	✓
	Marketing and Sales	✓	✓	✓	✓	✓	✓	✓
	Procurement	✓	✓	✓	✓			
	International Trade	✓	✓	✓	✓	✓		✓
	IT	✓				✓	✓	
	Green Energy and Environmental Protection	✓				✓	✓	✓

Note 2: Independent auditor's evaluation items.

Evaluation Item		Does it comply with independence
Self Interest	1. Direct or significant indirect financial relationship with the company	Yes
	2. Financing or guarantee transactions with the company or its directors and supervisors	Yes
	3. Assessment of the possibility of customer attrition	Yes
	4. Close business connection with company	Yes
	5. Potential Employment Relationship with company	Yes
	6. Related to audit cases or involve public expenses	Yes
Self-Evaluation	1. Members of the audit committee who have served as directors, officers or employees of the company, or held significant positions that could affect the audit cases, either currently or within the past two years	Yes
	2. The non-audit services provided to the Company will directly impact significant areas of the audit engagement	Yes
	3. Not obtained independent statements from accountants on a regular basis	Yes
Defense	1. Promoting or brokering the stocks or other securities issued by the Company	Yes
	2. Acting as a defense counsel for the Company or representing the Company to resolve conflicts with third parties	Yes
Familiarity	There is a familial relationship with individuals who hold positions as directors, supervisors, managers, or those who have a significant impact on the audit engagement with the Company	Yes
	A former co-auditor who has resigned within one year has taken a significant position as a director, supervisor, executive, or in a role that significantly affects the audit engagement of the Company	Yes
	Accepting significant gifts or presents from the Company, its directors, or employment	Yes
	Serving as an auditor for 7 consecutive years.	Yes
Coercion	Requesting the accountant to accept inappropriate choices in accounting policies or improper disclosures in financial statements made by management.	Yes
	To reduce fees, pressuring the accountant to improperly reduce necessary audit procedures.	Yes
Audit Quantity Indicators	First dimension: Professionalism	Yes
	Second dimension: Quality Checking	Yes
	Third dimension : Independence	Yes
	Fourth dimension : Supervision	Yes
	Fifth dimension : Innovative Capability	Yes

Table 1: Directors' Continuing Education in 2024

Title	Name	Study period		Sponsoring Organization	Course	Training Hours
		From	To			
Director	Lin, Tsung-Lin	2024/12/03	2024/12/03	Accounting Research and Development Foundation, R.O.C.	Revised "Guidelines for Establishing Internal Control Systems" and Compliance Practices Related to Financial Report Preparation	6.0
Director	Tung, Shang-Yu	2024/12/05	2024/12/05	The Institute of Internal Auditors-Chinese Taiwan	Corporate ESG Implementation and Integration with Internal Control – Applications and Case Studies	6.0
Director	Lin, Yi-Zhen	2024/06/04	2024/06/04	Securities and Futures Institute, R.O.C. Technological Development and Business Applications of ChatGPT	Discussion on Employee and Director Compensation – Starting from the Amendment to Article 14 of the Securities Exchange Act	3.0
		2024/10/25	2024/10/25		Technological Development and Business Applications of ChatGPT	3.0
Director	Zhang, Yu-Xin	2024/03/06	2024/03/06	Securities and Futures Institute, R.O.C. Functions and Prospects of the Carbon Exchange	How Non-Accounting Background Directors and Supervisors Should Review Financial Reports	3.0
		2024/05/23	2024/05/23		Functions and Prospects of the Carbon Exchange	3.0
Independent Director	Wu, Zhi-Chi	2024/01/29	2024/01/29	National Federation of Certified Public Accountants Associations of Taiwan	IFRS Sustainability Disclosure Standards	3.0
		2024/03/07	2024/03/07		Key Points and Common Issues in Corporate Income Tax Filing	7.0
		2024/08/13	2024/08/13	Taiwan Digital Governance Association	How Taiwanese Enterprises Can Respond to Changes in U.S.-China Relations	3.0
Independent Director	Gong, Xin-Jie	2024/11/15	2024/11/15	Taiwan Corporate Governance Association	Comprehensive Intellectual Property Protection Strategies – Using AI for New Approaches to Compliance Management	3.0
		2024/07/11	2024/07/11		ChatGPT: Disrupting Industry Trends	3.0
Independent Director	Chen, Li-Yun	2024/07/11	2024/07/11	Securities and Futures Institute, R.O.C.	Corporate Governance Trends and Corporate Sustainability Development	3.0

Table 2: Participation of Company Managers in Governance-Related Education and Training in 2024:

Title	Name	Course	Study period	Sponsoring Organization	Training Hours
General Manager	Tung, Shang-Yu	Corporate ESG Implementation and Integration with Internal Control – Applications and Case Studies	2024/12/05	Accounting Research and Development Foundation	6.0
Financial and Accounting Executive and Deputy General Manager	Chang, Shun-Fu	Professional Training Program for Issuers, Securities Firms, and Exchange Accounting Officers	2024/11/21 ~ 2024/11/22	Securities & Futures Institute	12.0
Corporate Governance Executive and Deputy General Manager	Chen, Shih-en	Climate Risk Identification Workshop and Net-Zero Carbon Emissions Awareness Seminar	2024/10/04	Taiwan Corporate Governance Association	6.0
		Climate Risk Identification Workshop and Net-Zero Carbon Emissions Awareness Seminar (Repeated Session)	2024/11/01	Accounting Research and Development Foundation	3.0
		Comprehensive Intellectual Property Protection Strategies – Using AI for New Approaches to Compliance Management	2024/11/15	Accounting Research and Development Foundation	3.0



#### 2.3.4 Composition, Responsibilities and Operations of the Remuneration Committee:

On August 25, 2021, the company established a "Remuneration Committee" and created the "Remuneration Committee Organization Regulations" on November 09, 2023. The purpose of this committee is to assist the Board of Directors in formulating and regularly reviewing policies, systems, standards, and structures for evaluating the performance and remuneration of directors and executives. The committee also conducts regular evaluations and sets remuneration for directors and executives

##### I. Member of Remuneration Committee

Date: 2024/04/27

Job Title	Qualification	Professional Qualifications and Experience	Independence Analysis	Number of other public companies at which the person concurrently serves as remuneration committee member
	Name			
Independent Director (Convener)	Wu, Zhi-Chi	<ul style="list-style-type: none"> <li>· Possesses working experience in commerce, legal person, finance, accounting, or corporate business operations.</li> <li>· Graduated from the Accounting Department of Shih Chien University and obtained CPA certification.</li> <li>· Serving as the Managing of Cometru Consulting Limited 、Independent Director of Global View Co. Ltd. and Independent Director of Cen Link Co. Ltd</li> <li>· None of the circumstances specified in Article 30 of the Company Act apply.</li> </ul>	<ul style="list-style-type: none"> <li>· Remuneration Committee member meets the independence criteria: °</li> <li>· The independent director, their spouse, and second-degree relatives have not served as directors, supervisors, or employees of our company or other related enterprises; they do not hold shares of our company and do not serve as directors, supervisors, or employees of specific related companies.</li> <li>· The independent director has not provided any business, legal, financial, accounting or other services to our company or any of our related enterprises in the past two years.</li> </ul>	2
Independent Director	Gong, Xin-Jie	<ul style="list-style-type: none"> <li>· Possesses working experience in commerce, legal person, finance, accounting, or corporate business operations.</li> <li>· Graduated with a Master of Laws degree from the University of Minnesota Law School, and obtained a Bachelor of Laws degree from National Chengchi University. Also obtained a lawyer's certificate.</li> <li>· Currently servings as a lawyer at Global Network Commerce Legal, as well as an Independent Director of Ji-Haw Industrial Co., Ltd.</li> <li>· None of the circumstances specified in Article 30 of the Company Act apply.</li> </ul>	<ul style="list-style-type: none"> <li>· Remuneration Committee member meets the independence criteria: °</li> <li>· The independent director, their spouse, and second-degree relatives have not served as directors, supervisors, or employees of our company or other related enterprises; they do not hold shares of our company and do not serve as directors, supervisors, or employees of specific related companies.</li> <li>· The independent director has not provided any business, legal, financial, accounting or other services to our company or any of our related enterprises in the past two years.</li> </ul>	1

Independent Director	Chen, Li-Yun	<ul style="list-style-type: none"> <li>· Possesses working experience in commerce, legal person, finance, accounting, or corporate business operations.</li> <li>· Graduated with a Ph.D. in economics from Xiamen University and an EMBA degree from National Chengchi University.</li> <li>· Former lecturer at the Listing and Business Department of the Taiwan Securities and Futures Bureau.</li> <li>· Current Independent Director of Sea Mild Biotech</li> <li>· None of the circumstances specified in Article 30 of the Company Act apply.</li> </ul>	<ul style="list-style-type: none"> <li>· Remuneration Committee member meets the independence criteria: °</li> <li>· The independent director, their spouse, and second-degree relatives have not served as directors, supervisors, or employees of our company or other related enterprises; they do not hold shares of our company and do not serve as directors, supervisors, or employees of specific related companies.</li> <li>· The independent director has not provided any business, legal, financial, accounting or other services to our company or any of our related enterprises in the past two years.</li> </ul>	1
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## II. Operations of the Remuneration Committee

The committee operates in accordance with the company's "Remuneration Committee Organization Regulations," which stipulate that at least two regular meetings must be held each year.

- (1) The sixth of Remuneration Committee has a total of 3 members.
- (2) The sixth audit committee's term runs from October 21, 2022 to October 20, 2025. In the year 2024, the sixth audit committee held 6 meeting, and the attendance of each committee member is as follows:

Title	Name	No. of meetings attended in person	No. of meetings attended by proxy	In-person attendance rate (%)	Remarks
Convenor	Wu, Zhi-Chi	6	0	100	None
Member	Gong, Xin-Jie	6	0	100	
Member	Chen, Li-Yun	6	0	100	

The discussion topics and resolution results of the remuneration committee, as well as the company's handling of members' opinions.

Date: 2024/12/31

Remuneration Committee Term Date of meeting	Board of Directors Term Date of meeting	Proposal	Resolution
6 <sup>th</sup> Session 4 <sup>th</sup> meeting 2024/01/26	9 <sup>th</sup> Session 9 <sup>th</sup> meeting 2024/01/26	Proposal to Establish the "Regulations for the Allocation of Director and Employee Compensation" 2023 Year-End Bonus Distribution for Managerial Officers	Remuneration Committee: All relevant proposals were approved by the attending committee members and submitted to the board of directors for resolution  Board of Directors: Approved by (Interested parties recused themselves in accordance with the law) attending directors
6 <sup>th</sup> Session 5 <sup>th</sup> meeting 2024/05/10	9 <sup>th</sup> Session 11 <sup>th</sup> meeting 2024/05/10	1. 2023 Directors' and Employees' Compensation Proposal 2. Proposal for Monthly Salary Adjustment for Directors and Independent Directors 3. Proposal for Fixed Monthly Salary Adjustment for Managerial Officers	

Other information required to be disclosed:

The remuneration committee resolved with no objections or reservations from members and no records or written statements.

## III. Scope of authority of the Remuneration Committee.

The committee shall exercise due care of a good administrator and faithfully perform the following duties, and submit its recommendations to the Board for discussion:

- (1) The Remuneration Committee should regularly review its organizational regulations and provide suggestions for any necessary amendments.
- (2) Develop and periodically review the performance evaluation criteria, annual performance goals, and policies, systems, standards, and structures of the Directors and senior executives' remuneration and disclose the content of the performance evaluation criteria in the annual report.
- (3) Periodically evaluate the achievement of performance goals for the Company's Directors and senior executives and based on the evaluation results obtained from the performance evaluation criteria, determine the content and amount of their remuneration. The remuneration of the Directors and senior executives shall be disclosed in the annual report in accordance with the regulations.

### 2.3.5 Promotion of Sustainable Development – Implementation Status and Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons

Evaluation Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons																
	YES	NO	Summary Description																	
1.Has the Company established a governance framework for promoting sustainable development, and established an exclusively (or concurrently) dedicated unit to be in charge of promoting sustainable development? Has the board of directors authorized senior management to handle related matters under the supervision of the board?	✓		The company established the ESG Sustainable Management Project Team on March 21, 2022, with the Corporate Governance Officer serving as the project leader. The team comprises part-time units from different functions, including marketing, research and development, finance, and quality assurance, and reports on its execution status to the board of directors every quarter. In addition, the board of directors regularly listens to relevant reports on operations, finance, corporate governance, and sustainability issues, providing extensive and professional opinions based on the members' diverse experiences to assist the company in making appropriate decisions and formulating clear strategic directions. The kick-off meeting for the 2024 ESG Sustainability Report was held on March 10, 2025 (Monday).	None																
2.Does the company conduct risk assessments of environmental, social and corporate governance (ESG) issues related to the company's operations in accordance with the materiality principle, and formulate relevant risk management policies or strategies?		✓	The company has not yet established a dedicated unit for promoting corporate social responsibility. However, it has tasked the Management Center and Human Resources department with promoting CSR on a part-time basis. In the future, relevant risk strategies will be formulated according to operational needs.	None																
3.Environmental Issues																				
(1)Has the Company set an environmental management system designed to industry characteristics?	✓		(1)The company has tasked the General Management Division with implementing related environmental operations and ensuring control of the ISO 14001 environmental management system	(1)None																
(2)Does the Company endeavor to use energy more efficiently and to use renewable materials with low environmental impact?	✓		(2)Company actively promotes paperless and electronic office environment, and implements policies for recycling waste paper. The entire factory enforces a waste classification and resource recovery system, including the recycling of lubricating oil, to enhance environmental awareness towards green initiatives. °	(2)None																
(3)Has the Company evaluated the potential risks and opportunities posed by climate change for its business now and in the future and adopted relevant measures to address them?	✓		(3)Actively implementing energy-saving and carbon reduction operations, such as turning off lights when not in use, creating a paperless office environment, planting trees in open spaces, and using energy-efficient lighting in office buildings and data centers, to mitigate global warming.	(3)None																
(4)Did the company collect data for the past two years on greenhouse gas emissions, volume of water consumption, and the total weight of waste, and establish policies for greenhouse gas reduction, reduction of water consumption, or management of other wastes?	✓		<div>(4) Since 2022, the Company has begun tracking greenhouse gas (GHG) emissions, water consumption, and total waste generated. Reduction targets have been set as follows: a yearly reduction of 1 metric ton of CO<sub>2</sub>e in GHG emissions, 100,000 liters in water consumption, and 5 metric tons in waste generation. The statistical data and achievement status for 2022 and 2024 are presented in the following tables.</div> <div>1.Emissions of Greenhouse Gas: Achievement status: Achieved (5.5tons CO<sub>2</sub>e reduction vs 2022). Achieved (31.7tons CO<sub>2</sub>e reduction vs 2023)</div> <div>Unit:CO<sub>2</sub>e(Ton)</div> <table><tr><th>Year</th><th>First Scope</th><th>Second Scope</th><th>Total</th></tr><tr><td>2022</td><td>177.9</td><td>853.6</td><td>1,031.5</td></tr><tr><td>2023</td><td>259.7</td><td>766.3</td><td>1,026</td></tr><tr><td>2024</td><td>152.0</td><td>729.3</td><td>994.3</td></tr></table> <div>Management Policy: 1.Advocacy and patrol inspections for daily electricity use. 2.Inspection and assessment of electrical facilities and circuits for replacing old lines to reduce energy consumption. 3.Optimization of production scheduling and workforce attendance</div> <div>2.Water Usage: Achievement status: Achieved (79.8000L reduction vs 2022) Not achieved (Increase of 43,7000L vs 2023)</div>	Year	First Scope	Second Scope	Total	2022	177.9	853.6	1,031.5	2023	259.7	766.3	1,026	2024	152.0	729.3	994.3	(4)None
Year	First Scope	Second Scope	Total																	
2022	177.9	853.6	1,031.5																	
2023	259.7	766.3	1,026																	
2024	152.0	729.3	994.3																	

Evaluation Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons																
	YES	NO	Summary Description																	
			<div>Unit:10,000L</div> <table><tr><th>Year</th><th>Water Usage</th></tr><tr><td>2022</td><td>531.8</td></tr><tr><td>2023</td><td>452.0</td></tr><tr><td>2024</td><td>495.7</td></tr></table> <p>Management Policy: 1. Advocacy and patrol inspections for daily water use. 2. Review of water reduction and recycling in production processes.</p> <p>3. Wastage: Achievement status: Achieved (15.6 tons reduction vs 2022) Achieved (59.47 tons reduction vs 2023)</p> <div>Unit: Ton</div> <table><tr><th>Year</th><th>Wastage</th></tr><tr><td>2022</td><td>107.6</td></tr><tr><td>2023</td><td>92.0</td></tr><tr><td>2024</td><td>32.53</td></tr></table> <p>Management Policy 1. By restructuring the production scheduling (centralized production) and conducting material procurement and factory delivery under this production model, review the feasibility of using materials for batch orders, their containment packaging, and the recyclability with merchants.</p>	Year	Water Usage	2022	531.8	2023	452.0	2024	495.7	Year	Wastage	2022	107.6	2023	92.0	2024	32.53	
Year	Water Usage																			
2022	531.8																			
2023	452.0																			
2024	495.7																			
Year	Wastage																			
2022	107.6																			
2023	92.0																			
2024	32.53																			
4.Social Issues																				
(1)Has the company formulated relevant management policies and procedures in accordance with relevant laws and regulations and international human rights conventions?	✓		(1)The company has established personnel management rules and employee work rules in accordance with relevant labor laws such as the Labor Standards Act, and has handled employee labor insurance, national health insurance, and retirement benefits in accordance with related regulations. In addition, the company has established the "Measures for the Prevention and Punishment of Sexual Harassment" in accordance with the Sexual Harassment Prevention Act and the Gender Equality in Employment Act, to provide employees with a work and service environment free from sexual harassment.	(1)None																
(2)Has the Company established and implemented reasonable employee welfare measures (include salary/compensation, leave, and other benefits), and are business performance or results appropriately reflected in employee salary/compensation?	✓		(2)The Company attaches importance to the physical and mental health and welfare of our employees by organizing book clubs, seminars and competitions from time to time, to increase exchanges among colleagues and to achieve work-life balance. The Company also provides comprehensive and diversified welfare measures. The Employee Welfare Committee was established to handle various welfare matters, including wedding and funeral celebrations; maternity; company travel; club subsidies; bonuses for three festivals, Labor Day and birthday; children's scholarships; interest-free loans; and hospitalization grants.To improve the overall operational performance of the Company, it has work rules and management regulations, which cover basic wages, working hours, annual leaves more than what is provided in the Labor Standards Act, meal/transportation/communication subsidies, group insurance and health check-ups, and the provision of staff restaurants, dormitories,transportation vehicles, parking spaces, etc. The Company conducts regular market salary surveys to ensure that its overall compensation structure is competitive; it also provides performance bonuses and production bonuses based on the Company's operational performance, the achievement of team goals and individual employees' performance. We also pay our employees at a rate of not less than 2% of our current year's profit to motivate those who have performed well.	(2)None																
(3)Does the Company provide employees with a safe and healthy working environment, and implement regular safety and health education for employees?	✓		(3)Company follows regulations and laws related to occupational safety and health to provide necessary safety and health education, disaster prevention training, and health management for our employees. Emergency escape routes and exits are set up in the office, and elevator equipment is regularly maintained. Additionally, fire-fighting facilities are available in the workplace, and fire drills, disinfection and cleaning of the work environment, and water quality testing are regularly conducted. Access control measures are also implemented to ensure the safety of employees. Other measures to protect the personal safety of employees are carried out in accordance with labor-related regulations and various internal welfare protection measures of the company. Regular health check-ups are also provided to employees to show the	(3)None																

Evaluation Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	YES	NO	Summary Description	
			company's concern for their physical health.	
(4)Has the Company established effective career development training programs for employees?	✓		(4)All departments of the company cooperate with external training to enhance their professional skills according to their job responsibilities. We provide comprehensive and diverse resources to assist our colleagues in continuously improving their knowledge and broaden their horizons. Building a complete and diversified career development path is our continuous effort.	(4)None
(5)Does the company comply with the relevant laws and international standards with regards to customer health and safety, customer privacy, and marketing and labeling of products and services, and implement consumer protection and grievance policies?	✓		(5)Our company highly values customer feedback and takes various measures to gather it, such as attending exhibitions and visits, providing product complaint contact channels and email, and conducting customer satisfaction surveys. These efforts help us understand how customers perceive our company, and the feedback we receive helps to strengthen our relationship with customers and achieve mutual benefits.	(5)None
(6)Has the company formulated supplier management policies requiring suppliers to comply with relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights, and what is the status of their implementation?	✓		(6)As a company providing environmental protection services such as waste removal and treatment, we have a positive impact on the environment and society. However, since we do not handle chemical waste that has a significant impact on the environment, we do not include relevant terms in our supplier contracts. We have integrated the concepts and management indicators of sustainable development management into our supplier management system, incorporating requirements for social responsibility, environmental responsibility, and occupational health and safety, to establish a high-quality supply chain management system.	(6)None
5.Does the company refer to international reporting standards or guidelines when preparing its sustainability report and other reports disclosing non-financial information? Does the company obtain third party assurance or certification for the reports above?		✓	The company has not yet prepared a sustainability report, but will consider timely preparation based on international trends and market changes.	Nones, but the company still takes a proactive approach to corporate social responsibility in areas such as product quality, labor safety and welfare, environmental protection, social welfare and services, and consumer rights.
6.If the Company has adopted its own sustainable development best practice principles based on the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, please describe any deviation from the principles in the Company's operations: As of now, the company has not officially established its own sustainability guidelines. However, we are committed to the principles of corporate social responsibility, including contributing to society, being a part of society, sustainable management, and actively operating in areas such as product quality, occupational safety and welfare, environmental protection, social welfare and services, and consumer rights.				
7.Other important information to facilitate better understanding of the company's promotion of sustainable development: 1. The company places great emphasis on environmental protection and green awareness and therefore incorporates and implements the spirit of ISO 14001 environmental management system into its daily operations. It regularly and irregularly promotes and implements relevant environmental protection measures through various management practices. 2. To ensure employee rights, welfare, and safety, the company has established a labor welfare committee and set up a workplace safety office. 3. The company has built a community temple in the Chuansing Industrial Park to provide a religious site for local residents, while also continuously donating to social welfare organizations and caring for vulnerable groups. 4. The company regularly collaborates with blood donation centers to organize a company-wide blood donation drive about once every quarter, and encourages employees to actively participate in various social welfare activities. 5. The company has established an application and service department to provide various services to customers before, during, and after sales, and to address complaints to ensure the rights and interests of both buyers and sellers. 6. The company has established "Related Party Transaction Management Procedures" in its internal control system, strictly requiring all related parties to avoid situations of conflicts of interest. 7. The company allocates funds annually to participate in the Child Sponsorship Program of the Children's Hope Foundation by sponsoring two children 8. By implementing proposal improvement activities and carrying out energy-saving and waste-reducing activities, the company has achieved significant results, such as recycling and reusing waste iron generated from larger products to produce smaller products. The air conditioners used in the production process and office areas use recycled water, and the wastewater is recycled and reused, which has achieved remarkable results and helped improve the quality of water environment. The company has also installed recycling devices in the processing area to recycle waste iron. 9. By implementing 5S environmental and safety operations, the company has established cross-departmental employee representatives to conduct periodic inspections of the on-site environment and safety and remind of unsafe behaviors and investigate false alarms. In addition, each unit's employees take turns to conduct monthly safety and health education and promotional activities in order to cultivate employee's autonomous safety behavior. Furthermore, the company introduced the FPS autonomous research and management activity in 2008 and is currently carrying out factory process improvement activities, aiming to achieve smooth, automated, and efficient processes in the future, reduce employee labor and fatigue.				

I. Climate-related information of TWSE/TPEX Listed Company

Item	Implementation Status
<ol style="list-style-type: none"> <li>1. Describe the board of directors' and management's oversight and governance of climate-related risks and opportunities.</li> <li>2. Describe how the identified climate risks and opportunities affect the business, strategy, and finances of the business (short, medium, and long term).</li> <li>3. Describe the financial impact of extreme weather events and transformative actions.</li> <li>4. Describe how climate risk identification, assessment, and management processes are integrated into the overall risk management system.</li> <li>5. If scenario analysis is used to assess resilience to climate change risks, the scenarios, parameters, assumptions, analysis factors and major financial impacts used should be described.</li> <li>6. If there is a transition plan for managing climate-related risks, describe the content of the plan, and the indicators and targets used to identify and manage physical risks and transition risks.</li> <li>7. If internal carbon pricing is used as a planning tool, the basis for setting the price should be stated.</li> <li>8. If climate-related targets have been set, the activities covered, the scope of greenhouse gas emissions, the planning horizon, and the progress achieved each year should be specified. If carbon credits or renewable energy certificates (RECs) are used to achieve relevant targets, the source and quantity of carbon credits or RECs to be offset should be specified.</li> <li>9. Greenhouse gas inventory and assurance status and reduction goals, strategies and specific plans (separately fill out in point 1-1 below).</li> </ol>	<p>The company has not yet reached disclosure standards.</p>

## II. Greenhouse Gas Inventory and Assurance Status for the most recent 2 years

### (1) Greenhouse Gas Inventory Information

Describe the emission volume (metric tons CO2e), intensity (metric tons CO2e/NT\$ million), and data coverage of greenhouse gases in the most recent 2 fiscal years.				
Scope 1	Total Emissions (Metric tons CO2e)	Intensity (Metric tons CO2e /NT\$ 1 million dollar)	Assurance Body	Description of assurance status
Parent	-	-	-	The 2024 inventory will be completed by the end of 2025
Subsidiary(ies)	-	-		
Total	-	-		
Scope 2	Total Emissions (Metric tons CO2e)	Intensity (Metric tons CO2e /NT\$ 1 million dollar)	Assurance Body	Appointed an inspection agency with a license from the Ministry of Environment
Parent Company	-	-	-	The 2024 inventory will be completed by the end of 2025
Subsidiaries	-	-		
Total	-	-		
Scope 3	Company has not yet reached the disclosure standards required			
Basic information of the Company <input type="checkbox"/> Capital of NT\$10 billion or more, iron and steel industry, or cement industry <input type="checkbox"/> Capital of NT\$5 billion or more but less than NT\$10 billion <input checked="" type="checkbox"/> Capital of less than NT\$5 billion		Minimum required disclosure under the Sustainable Development Roadmap for TWSE/TPEX Listed Companies: <input type="checkbox"/> Individual inventory of the parent company <input type="checkbox"/> Consolidated financial statement subsidiary audit <input type="checkbox"/> Individual Assurance of the Parent Company <input type="checkbox"/> Confirmation of subsidiaries' financial statements for consolidation <input checked="" type="checkbox"/> The company has not yet met the disclosure standards required.		

### (2) Greenhouse Gas Assurance Information

A description of the most recent two years of assurance status as of the date of this annual report, including the scope of assurance, assurance provider, assurance standards, and assurance opinion:
<b>The assurance process has not yet been completed, but the Company has appointed a verification body licensed by the Ministry of Environment to conduct the assurance process.</b>

Note 1: The Company shall follow the schedule stipulated by the competent authority under Article 10, Paragraph 2 of these Guidelines. If the Company has not obtained the full greenhouse gas assurance opinion by the date of publication of the annual report, this shall be disclosed accordingly.



### 2.3.6 Ethical Corporate Management - Implementation Status and Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary Description	
1.Establishment of ethical corporate management policies and programs				
(1)Does the company have an ethical corporate management policy approved by its Board of Directors, and bylaws and publicly available documents addressing its corporate conduct and ethics policy and measures, and commitment regarding implementation of such policy from the Board of Directors and the top management team?		✓	(1)Company has already established a code of ethics and an employee code of conduct. The Board of Directors and management carry out their duties with prudence in conducting business. Additionally, the company's internal audit department conducts periodic checks.	While the company has not yet formally established a business integrity policy or a code of conduct, the management team has always upheld high moral standards in managing the company and colleagues. The company operates based on the belief of business integrity and sustainable development, and therefore, its spirit is no different from that of other listed companies
(2)Whether the company has established an assessment mechanism for the risk of unethical conduct; regularly analyzes and evaluates, within a business context, the business activities with a higher risk of unethical conduct; has formulated a program to prevent unethical conduct with a scope no less than the activities prescribed in Article 7, paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/TPE Listed Companies?		✓	(2)Company has established and implemented a code of ethics and a code of conduct for employees.	
(3)Does the company clearly set out the operating procedures, behavior guidelines, and punishment and appeal system for violations in the unethical conduct prevention program, implement it, and regularly review and revise the plan?		✓	(3)The company has currently established a code of ethics and a code of conduct for employees, and is implementing them.	
2.Ethical Management Best Practice				
(1)Does the company assess the ethics records of those it has business relationships with and include ethical conduct related clauses in the business contracts?	✓		(1)The company includes clauses related to business integrity in all commercial contracts to safeguard the rights and obligations of both parties.	None.
(2)Has the company set up a dedicated unit to promote ethical corporate management under the board of directors, and does it regularly (at least once a year) report to the board of directors on its ethical corporate management policy and program to prevent unethical conduct and monitor their implementation?	✓		(2)The company has established a specialized unit under the General Management Department to promote business integrity. The Board of Directors will be informed of the company's integrity policies, measures to prevent dishonest behavior, and their implementation at least once a year. The Board of Directors and Supervisors will collaborate in overseeing these efforts.	
(3)Has the company established policies to prevent conflict of interests, provided appropriate communication and complaint channels, and properly implemented such policies?	✓		(3)The company will task the General Management Department to establish a reporting channel for conflicts of interest. The company's code of ethics and employee code of conduct already contain provisions to prevent conflicts of interest. In addition, the company will soon develop operating procedures and behavioral guidelines for promoting business integrity.	
(4)Does the company have effective accounting and internal control systems in place to enforce ethical corporate management? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit compliance with the systems to prevent unethical conduct or hire outside accountants to perform the audits?	✓		(4)Company has established effective accounting and internal control systems in accordance with regulations, and implemented relevant provisions. Internal auditors also conduct audits and prepare reports in accordance with relevant regulations.	
(5)Does the company provide internal and external ethical corporate management training programs on a regular basis?	✓		(5)The company has established and implemented a code of ethics and employee code of conduct, and reinforced communication with directors, supervisors, and employees in every morning meeting following each board meeting and at least every two days.	
3.Implementation of Complaint Procedures				
(1)Has the company established specific whistle-blowing and reward procedures, set up conveniently accessible whistle-blowing channels, and appointed appropriate personnel specifically responsible for handling complaints received from whistle-blowers?	✓		The Company has instructed the General Management Department to establish regulations and procedures related to the reporting channel for violations of the Code of Conduct and the operation of disciplinary and appeal systems.	None.
(2)Has the company established standard operation procedures for investigating the complaints received, follow-up measures taken after investigation, and mechanisms ensuring such complaints are handled in a confidential manner?	✓			
(3)Has the company adopted proper measures to protect whistle-blowers from retaliation for filing complaints?	✓			
4.Strengthening Information Disclosure				
(1)Does the company disclose its ethical corporate management policies and the results of their implementation on its website and the Market Observation Post System (MOPS)?	✓		This company has disclosed relevant information on its website and the Public Information Observation System in accordance with the requirements for publicly traded companies (over-the-counter companies).	None
5.If the company has adopted its own ethical corporate management best practice principles based on the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, please describe any deviations between the principles and their implementation: The Company has not yet formally established a Code of Conduct or a set of guidelines for ethical business best practices. However, the management team has always been committed to managing the company and its employees with high ethical standards, and operates the company based on the principles of integrity and sustainable development. Therefore, its spirit is no different from that of other listed companies that have established their				

Evaluation Item	Implementation Status		Summary Description	Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No		
own Code of Conduct based on the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies.				
6.Other important information to facilitate a better understanding of the status of operation of the company’s ethical corporate management policies (e.g., the company’s reviewing and amending of its ethical corporate management best practice principles):				
<div>1. Compliance with laws and regulations: Company has always adhered to and complied with relevant government laws, regulations, and policies. Systems, regulations, and procedures have been established in accordance with the requirements of the competent authorities (such as codes of ethics, internal trading prevention management procedures, rules on the scope of the duties of supervisors, and internal management systems) to regulate the interests of stakeholders and ensure that we conduct business with integrity and sustainable development.</div> <div>2. Social Responsibility: The company is actively engaged in various social responsibility initiatives, despite not having established a specific policy or system for corporate social responsibility. For more information on our efforts, please refer to section (VI) on our social responsibility practices</div> <div>3. Information Disclosure: The company has established clear accounting and internal control systems in compliance with legal requirements. These systems are regularly audited by external auditors and internal auditors, who issue relevant audit reports, financial statements, and internal control statements as required for investor reference and regulatory oversight. Additionally, company has disclosed relevant information on the Public Information Observation System and our company website (<a href="https://www.chevaliertw.com/zh-tw/investor-area/investor-2">https://www.chevaliertw.com/zh-tw/investor-area/investor-2</a>) in accordance with the obligations of publicly listed companies on the Over-the-Counter Market.</div> <div>4. Remuneration: The company's director and supervisor remuneration and employee bonuses are clearly stipulated in Articles 24-1 and 28 of the company's bylaws. They are determined based on the company's operating status and industry norms, and relevant information on remuneration and dividends is disclosed in the annual report and on the Public Information Observation System. In compliance with regulatory requirements, the company established a Remuneration Committee on October 25th, 2011, to determine the remuneration levels for directors, supervisors, and executives, and to establish policies, systems, standards, and structures for the company's remuneration. The committee bases its decisions on the company's bylaws, operating status, and industry norms.</div> <div>5. Corporate Governance: The company currently does not have a formal "Corporate Governance Best Practice Guidelines," but it does adhere to the provisions and principles of the "Corporate Governance Best Practice Guidelines for Listed and Over-the-Counter Companies." Please refer to section (IV) of the company's corporate governance operations for more information on its best practices and differences with the guidelines.</div> <div>6. Integrity Operating Guidelines and Code of Conduct: Although the company has not yet formally established a "Code of Ethics and Conduct Guidelines," the company's management and administrative departments are responsible for promoting ethical business best practices and have established relevant regulations and conducted related training.</div> <div>For over forty years, the management team and colleagues of the company have been managed under high moral standards, and the company has been operated with the belief in ethical business best practices and sustainable development. This has allowed the company to overcome various crises and establish a prominent position in the machine tool industry. Moving forward, the company's management and all colleagues will scrutinize themselves with even higher moral standards to ensure ethical business best practices and achieve the company's management philosophy of "Prudent operation, striving for excellence, international reputation, and shared prosperity."</div>				

### 2.3.7 Other Material Information That Enhances Understanding of the Company's Corporate Governance Practices:

- (1) The Company's General Management Office is responsible for handling regulations and interpretive letters issued by the competent authorities. In addition to attending training programs related to corporate governance, designated personnel also participate in relevant briefings and advocacy meetings organized by the authorities and provide timely updates to the Board of Directors as references for corporate governance decision-making.
- (2) Market Observation Post System (MOPS): <http://mops.twse.com.tw>
- (3) Investor Relations section on the Company's official website: <https://www.chevaliertw.com/zh-tw/investor-area/investor-2>

### 2.3.8 Implementation status of internal control system:

#### I. Status of Internal Control

Please refer to the Market Observation Post System (MOPS). Access path:MOPS > Single Company > Company Regulations/Internal Control > Internal Control Statement Announcements

Website: <https://mops.twse.com.tw/mops/#/web/t06sg20>

II. If a CPA was appointed to conduct a special audit of the internal control system, the CPA's review report shall be disclosed: Not applicable.

### 2.3.9 Major Resolutions of the Shareholders' Meeting and the Board of Directors for the Most Recent Year and as of the Publication Date of the Annual Report: The Company's 2024 Annual General Shareholders' Meeting was held on June 25, 2024, at No.34, Xinggong Rd., Shengang Township, Changhua County (at the Company's Quanxing Plant).

The resolutions passed and their execution status are as follows:

Matters for Acknowledgement and Discussion:

#### Issue 1

Proposal Item:	Acknowledgement of the operating report and financial statements of our company for the year 2023.
Resolution:	After voting, the number of approving votes exceeded the required legal amount, and the motion was passed.
Implementation:	The important resolutions of the shareholder meeting were announced on the same day

#### Issue 2

Proposal Item:	Acknowledgement of the Profit Distribution Plan for the year 2023 of the company.
Resolution:	The resolution has been approved with several votes exceeding the legal requirement.
Implementation:	The important decision of the shareholders' meeting was announced as a major event on the same day.

#### Issue 3

Proposal Item:	Proposal to Amend Certain Provisions of the Company's Articles of Incorporation, Submitted for Discussion.
Resolution:	The vote results show that the number of approving votes exceeds the statutory threshold, and the proposal is passed.
Implementation:	Relevant operations are conducted in accordance with the revised management procedures, and the revised provisions are disclosed on the company's website.

#### Issue 4

Proposal Item:	Proposal to Amend Certain Provisions of the "Endorsement and Guarantee Operating Procedures," Submitted for Discussion.
Resolution:	The vote results show that the number of approving votes exceeds the statutory threshold, and the proposal is passed.
Implementation:	Relevant operations are conducted in accordance with the revised management procedures, and the revised provisions are disclosed on the company's website.

#### Issue 5

Proposal Item:	Proposal to Conduct a Private Placement of Common Shares and Capital Increase through Retained Earnings via Issuance of New Shares, Submitted
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	for Discussion.
Resolution:	The vote results show that the number of approving votes exceeds the statutory threshold, and the proposal is passed.
Implementation:	Done

Here are the significant resolutions made by the board of directors up to the date of printing the annual report for the year 2024.

2024/01/26(9<sup>th</sup> session,9<sup>th</sup> meeting)

Proposal Item:	Proposal to establish the "Regulations for the Allocation of Director and Employee Compensation" – submitted for resolution.
Result :	It was approved as proposed.
Proposal Item:	Proposal for the 2023 Year-End Bonus Distribution for Managerial Officers – submitted for resolution.
Result :	It was approved as proposed.
Proposal Item:	Proposal for the 2024 Annual Budget – submitted for resolution.
Result:	It was approved as proposed.
Proposal Item:	Proposal to amend and rename certain provisions of the "Rules of Procedure for Board of Directors Meetings" – submitted for resolution.
Result:	It was approved as proposed.

2024/03/11(9<sup>th</sup> session,10<sup>th</sup> meeting)

Proposal Item:	Discussion requested regarding the proposal for for the 2023 Business Report and Financial Statements – submitted for resolution
Result :	It was approved as proposed.
Proposal Item:	Report on the Independence and Suitability of the Certifying CPA – submitted for resolution
Result :	It was approved as proposed.
Proposal Item:	Discussion requested regarding the proposal Proposal for the 2023 Internal Control System Statement – submitted for resolution
Result :	It was approved as proposed.
Proposal Item:	Discussion requested regarding to participate in the Kaohsiung MRT Houjing Station Development Project – submitted for resolution.
Result :	It was approved as proposed.
Proposal Item:	Discussion requested regarding the proposal for the amendment Certain Provisions of the “Endorsement and Guarantee Operational Procedures” – submitted for resolution.
Result :	It was approved as proposed.
Proposal Item:	Discussion and resolution regarding the agenda for the 2024 Annual General Shareholders’ Meeting and Related Matters for Shareholder Proposals – submitted for resolution.
Result :	It was approved as proposed.

2024/05/08(9<sup>th</sup> session,11<sup>th</sup> meeting)

Proposal Item:	Proposal for the Q1 2024 Consolidated Financial Statements – submitted for resolution.
Result :	It was approved as proposed.
Proposal Item:	Proposal for the 2023 Earnings Distribution – submitted for resolution.
Result :	It was approved as proposed.
Proposal Item:	Proposal for Capital Increase through Earnings Transfer and Issuance of New Shares – submitted for resolution.
Result :	It was approved as proposed.
Proposal Item:	Proposal to Increase Investment in Subsidiary through Debt-to-Equity Conversion – submitted for resolution.
Result :	It was approved as proposed.
Proposal Item:	Proposal for Credit Facility Agreement with Financial Institutions – submitted for resolution.
Result :	It was approved as proposed.
Proposal Item:	Proposal for 2024 Audit Fees and Pre-approval Policy for Non-assurance Services by Ernst & Young and Affiliates – submitted for resolution.
Result:	It was approved as proposed.
Proposal Item:	Proposal for Real Estate Acquisition – submitted for resolution
Result:	It was approved as proposed.
Proposal Item:	Proposal to Amend Certain Provisions of the Articles of Incorporation – submitted for resolution.
Result:	It was approved as proposed.

Proposal Item:	Proposal to Add New Agenda Items for the 2024 Annual General Shareholders' Meeting – submitted for resolution.
Result:	It was approved as proposed.
Proposal Item:	Proposal for 2023 Directors' and Employees' Compensation – submitted for resolution.
Result:	It was approved as proposed.
Proposal Item:	Proposal for Monthly Salary Adjustment for Directors and Independent Directors – submitted for resolution.
Result:	It was approved as proposed.
Proposal Item:	Proposal for Fixed Monthly Salary Adjustment for Managerial Officers – submitted for resolution.
Result:	It was approved as proposed.
2024/06/25 (9 <sup>th</sup> session, 12 <sup>th</sup> meeting)	
Proposal Item:	Proposal to Set the Record Date and Related Matters for Capital Increase via Earnings Transfer and Issuance of New Shares – submitted for resolution.
Result :	It was approved as proposed.
Proposal Item:	Proposal Regarding the Change of the Company's Chief Financial Officer and Chief Accounting Officer – submitted for resolution.
Result :	It was approved as proposed.
2024/08/06(9 <sup>th</sup> session, 13 <sup>th</sup> meeting)	
Proposal Item:	Proposal for the Q2 2024 Consolidated Financial Statements – submitted for resolution.
Result :	It was approved as proposed.
Proposal Item:	Proposal for Issuance of a Joint Guarantee Letter for Performance Bond – submitted for resolution.
Result :	It was approved as proposed.
Proposal Item:	Proposal to Participate in the Kaohsiung MRT O10 Weiwuying Station Development Project – submitted for resolution.
Result :	It was approved as proposed.
Proposal Item:	Proposal to Authorize the Chairman with Full Authority to Handle the Matter – submitted for resolution.
Result:	It was approved as proposed.
2024/11/11 (9 <sup>th</sup> session, 14 <sup>th</sup> meeting)	
Proposal Item:	Proposal for the Q3 2024 Consolidated Financial Statements – submitted for ratification.
Result :	It was approved as proposed.
Proposal Item:	Proposal for Loan Application to Financial Institutions – submitted for resolution.
Result :	It was approved as proposed.
Proposal Item:	Proposal for New Credit Line Application to Financial Institutions – submitted for resolution.
Result :	It was approved as proposed.
Proposal Item:	Proposal to Establish the 2025 Internal Audit Plan – submitted for resolution.
Result :	It was approved as proposed.
Proposal Item:	Proposal to Establish the Internal Control Procedure "Sustainability Information Management" – submitted for resolution.
Result:	It was approved as proposed.
Proposal Item:	Proposal to Amend the "Table of Approval Authority" – submitted for resolution.
Result:	It was approved as proposed.
Proposal Item:	Proposal for External Endorsements and Guarantees – submitted for resolution.
Result:	It was approved as proposed.
2025/01/17(9 <sup>th</sup> session, 15 <sup>th</sup> meeting)	
Proposal Item:	Proposal for the 2025 Annual Budget – submitted for resolution.
Result :	It was approved as proposed.
Proposal Item:	Proposal for the 2024 Year-End Bonus Distribution for Managerial Officers – submitted for resolution.
Result :	It was approved as proposed.
Proposal Item:	Proposal for the 2024 Annual Budget – submitted for resolution
Result :	It was approved as proposed.
Proposal Item:	Proposal to Amend Certain Provisions of the "Rules of Procedure for Board of Directors Meetings" – submitted for resolution.
Result :	It was approved as proposed.
Proposal Item:	Proposal to Amend Certain Provisions of the "Organizational Charter of the Audit Committee" – submitted for resolution.
Result :	It was approved as proposed.

2025/03/11 (9<sup>th</sup> session, 16<sup>th</sup> meeting)

Proposal Item:	Proposal for the 2024 Business Report and Financial Statements – submitted for resolution.
Result :	It was approved as proposed.
Proposal Item:	Evaluation Report on the Independence and Suitability of the Certifying CPA – submitted for resolution.
Result :	It was approved as proposed.
Proposal Item:	Proposal for the 2024 Internal Control System Statement – submitted for resolution.
Result :	It was approved as proposed.
Proposal Item:	Proposal for the 2024 Loss Recovery Plan – submitted for resolution.
Result :	It was approved as proposed.
Proposal Item:	Proposal to Amend Certain Provisions of the “Endorsement and Guarantee Operational Procedures” – submitted for resolution.
Result :	It was approved as proposed.
Proposal Item:	Proposal to Amend the “Table of Approval Authority” – submitted for resolution.
Result :	Resolution: Approved as proposed. It was approved as proposed.
Proposal Item:	Proposal to Add and Amend the “Internal Control System” – submitted for resolution.
Result:	It was approved as proposed.
Proposal Item:	Proposal for Re-election of Directors – submitted for resolution.
Result:	It was approved as proposed.
Proposal Item:	Proposal to Amend Certain Provisions of the Articles of Incorporation – submitted for resolution.
Result:	It was approved as proposed.
Proposal Item:	Proposal to Convene the 2025 Annual General Shareholders’ Meeting and Address Shareholder Proposals and Nominations – submitted for resolution.
Result:	It was approved as proposed.

2.3.10 Record or written statement from any directors or supervisors who expressed disagreement with any important resolutions passed by the board of directors up to the date of printing the latest annual report : None

## 2.4 Information on CPA (External Auditor) Professional Fees

Unit : NT\$ thousands

Name of Accounting Firm	Name of CPAs	Period Covered by the CPA Audit	Audit Fee	Non-Audit Fees	Total	Remarks
Ernst & Young	Cheng, Zheng-Chu	2024.1.1~2024.12.31	2,870	150	3,020	Non-audit fees service content: Tax certification services for NTD 150,000.
	Hong, Guo-Sen	2024.1.1~2024.12.31				

## 2.5 Information on Replacement of CPAs : NONE

## 2.6 Information on the Employment of the Company’s Chairman, General Manager, manager in Charge of Finance or Accounting in the Affiliated Accounting Firm to its Related Enterprises within the past year: NONE

## 2.7 Changes in Shareholding of Directors, Supervisors, Managerial Officers, and Major Shareholders Holding More Than 10% of the Company’s total share

(1) Changes in Shareholding of Directors, Managerial Officers, and Shareholders Holding More Than 10%:

**Please refer to the Market Observation Post System (MOPS). Access path: MOPS > Single Company > Shareholding Changes / Securities Issuance > Share Transfer Information > Insider Shareholding Change Post-Report**

**Website: [https://mops.twse.com.tw/mops/#/web/query6\\_1](https://mops.twse.com.tw/mops/#/web/query6_1)**

(2) Share Transfer Information: None.

(3) Pledged Shareholding Information:

**Please refer to the Market Observation Post System (MOPS). Access path: MOPS > Single Company > Shareholding Changes / Securities Issuance > Insider Share Pledge / Release > Insider Pledge / Release Announcement**

**Website: [https://mopsov.twse.com.tw/mops/web/STAMAK03\\_1](https://mopsov.twse.com.tw/mops/web/STAMAK03_1)**

## 2.8 Relationships Among the Top 10 Shareholders

Date: 2025/04/27

Name	Shareholding		Shareholding of spouse and minor children		Total shareholding by nominee arrangements		Specify the name of the entity or person and their relationship to any of the other top 10 shareholders with which the person is a related party or has a relationship of spouse or relative within the 2nd degree		Remarks
	Shares	%	Shares	%	Shares	%	Name of entity or individual	Relationship	
Linju Investment Co., Ltd Representative: Lin, Tsung-Lin	10,765,270 8,882,070	9.41% 7.77%	0 0	0% 0%	0 0	0% 0%	Lin, Tsung-Lin	Representative	None
Lin, Tsung-Lin	8,882,070	7.77%	0	0%	0	0%	Linju Investment Co., Ltd	Representative	None
Luqi Investment Co., Ltd. Representative: Hua, Chi-Hsiang	5,350,000 191,220	4.68% 0.17%	0 0	0% 0%	0 0	0% 0%	None	None	None
Lin Sen Investment Co., Ltd. Representative: Chen, Yu-Wen	3,284,900 0	2.87% 0%	0 0	0% 0%	0 0	0% 0%	None	None	None
Cheng, Hsiao-Chin	3,210,000	2.81%	0	0%	0	0%	None	None	None
Citibank (Taiwan) Limited in Custody for Norges Bank Investment Fund.	2,787,600	2.44%	0	0%	0	0%	None	None	None
Huang, Chien-Jen	2,726,184	2.38%	0	0%	0	0%	None	None	None
Wealth Long Co., Ltd. Representative: Chen, An-Chih	1,926,000 0	1.68% 0%	0 0	0% 0%	0 0	0% 0%	None	None	None
Lu, Chin-Fa	1,605,000	1.40%	0	0%	0	0%	None	None	None
Tung, Shang-Yu	1,349,270	1.18%	0	0%	0	0%	None	None	None

## 2.9 Total Ownership of Shares in Investee Enterprises

Date: 2024/12/31 Unit: Shares/%

Investee enterprise (Note)	Investment by the Company		Investment by the Directors, Supervisors, Managerial Officers and Directly or Indirectly Controlled Entities of the Company		Total Investment	
	Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio
CHEVALIER MACHINERY, INC	2,120	100.00%	0	0%	2,120	100.00%

LUCKY INVESTMENT (B.V.I) SERVICES LTD.	9,191	100.00%	0	0%	9,191	100.00%
Lin Yu International Industrial CO., LTD	25,000	100.00%	0	0%	25,000	100.00%
FOCUS CNC CO., LTD.	8,337	39.18%	100	0.46%	8,437	39.64%
HWANG KANG MACHINERY CO., LTD.	2,287	40.18%	466	8.18%	2,753	48.36%
Ching Young International Industrial CO., LTD	5,250	15.00%	1,750	5.00%	7,000	20.00%
CJL Group	4,000	19.99%	600	3.00%	4,600	22.99%
Anping Sing Tran Development	6,000	20.00%	0	0	6,000	20.00%

Note: This is an equity-method investment of the company.



### III. Capital Overview

#### 3.1. Capital and Shares

##### 3.1.1. Source of Capital

###### I. Issued Shares

Date: 2025/04/27

Month/ Year	Issued price (NT\$)	Authorized Capital		Paid-in Capital		Remarks		
		Shares	Amount (NT\$)	Shares	Amount (NT\$)	Sources of Capital	Capital paid in by assets other than cash	Other
1978.04	1000	3,000	3,000,000	3,000	3,000,000	Initial authorized capital	None	None
1990.02	1000	100,000	100,000,000	100,000	100,000,000	Capital increase of NT\$33,000,000 from retained earnings and NT\$25,000,000 from cash subscription	None	None
1991.10	10	15,000,000	150,000,000	15,000,000	150,000,000	Capital increase of NT\$10,000,000 from retained earnings and NT\$40,000,000 from cash subscription	None	None
1994.12	10	19,900,000	19,900,000	19,900,000	199,000,000	Capital increase of NT\$24,000,000 from retained earnings and NT\$25,000,000 from cash subscription	None	None
1995.06	10	26,000,000	260,000,000	26,000,000	260,000,000	Capital increase of NT\$15,920,000 from capital surplus, NT\$9,950,000 from retained earnings, and NT\$35,130,000 from cash subscription.	None	Note 1
1996.05	10	32,500,000	325,000,000	32,500,000	325,000,000	Capital increase of NT\$26,000,000 from retained earnings and NT\$39,000,000 from cash subscription	None	Note 2
1997.07	10	40,500,000	405,000,000	40,500,000	405,000,000	Capital increase of NT\$48,750,000 from retained earnings and NT\$31,250,000 from cash subscription	None	Note 3
1998.09	10	100,000,000	1,000,000,000	60,653,000	606,530,000	Capital increase of NT\$101,250,000 from retained earnings, NT\$98,000,000 from cash subscription, and NT\$2,280,000 from employee bonus converted to capital	None	Note 4
1999.07	10	100,000,000	1,000,000,000	72,995,700	729,957,000	Capital increase of NT\$90,979,500 from retained earnings, NT\$30,326,500 from capital surplus, and NT\$2,121,000 from employee bonus converted to capital	None	Note 5
2006.04	10	135,000,000	1,350,000,000	71,869,700	718,697,000	Stock cancellation of 1,126,000 shares	None	Note 6
2006.07	10	135,000,000	1,350,000,000	69,503,700	695,037,000	Stock cancellation of 2,366,000 shares	None	Note 7
2006.11	10	135,000,000	1,350,000,000	67,382,300	673,823,000	Stock cancellation of 2,121,400 shares	None	Note 8
2008.04	10	135,000,000	1,350,000,000	66,000,300	660,003,000	Stock cancellation of 1,382,000 shares	None	Note 9
2009.04	10	135,000,000	1,350,000,000	64,880,300	648,803,000	Stock cancellation of 1,120,000 shares	None	Note 10
2012.04	10	135,000,000	1,350,000,000	76,880,300	768,803,000	Cash capital increase NT\$120,000,000	None	Note 11
2023.12	10	135,000,000	1,350,000,000	106,880,300	1,068,803,000	Cash capital increase NT\$300,000,000	None	Note 12
2024.10	10	200,000,000	2,000,000,000	114,361,921	1,143,619,210	Capital increase of NT\$74,816,210 from retained earnings.	None	Note 13

Note 1: No. 37777 from TSCDC (1) on June 30, 1995  
 Note 2: No. 38224 from TSCDC (1) on June 14, 1996  
 Note 3: No. 49304 from TSCDC (1) on June 20, 1997  
 Note 4: No. 66873 from TSCDC (1) on August 06, 1998  
 Note 5: No. 49946 from TSCDC (1) on May 29, 1999  
 Note 6: Letter of Appointment No. 09501060910 dated April 10, 2006  
 Note 13: Letter of Appointment No. 11330162630 September 13, 2024

Note 7: Letter of Appointment No. 09501143130 dated July 10, 2006  
 Note 8: Letter of Appointment No. 09501265110 dated November 28, 2006  
 Note 9: Letter of Appointment No. 09701093350 dated April 21, 2008  
 Note 10: Letter of Appointment No. 09801079000 dated April 22, 2009  
 Note 11: Letter of Appointment No. 10101053610 March 28, 2012  
 Note 12: Letter of Appointment No. 11230226700 December 12, 2023

###### II. Type of Stock

Date: 2025/04/27 Unit: Shares

Type of stock	Authorized Capital	Remarks
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	Outstanding shares	Unissued Shares	Total	
Common Share	114,361,921	85,638,079	200,000,000	-

Note: OTC Stocks of Listed Company (Including Private Placement)

### 3.1.2 List of Major Shareholders

Date: 202504/27 Unit: Shares: %

Shareholder's Name	Shareholding	Shares	Shareholding Ratio
Linju Investment Co., Ltd.		10,765,270	9.41%
Lin, Tsung-Lin		8,882,070	7.77%
Luqi Investment Co., Ltd.		5,350,000	4.68%
Lin Sen Investment Co., Ltd.		3,284,900	2.87%
Cheng,Hsiao-Chin		3,210,000	2.81%
Citibank (Taiwan) Limited in Custody for Norges Bank Investment Fund.		2,787,600	2.44%
Huang,Chien-Jen		2,726,184	2.38%
Wealth Long Co.,Ltd.		1,926,000	1.68%
Lu,Chin-Fa		1,605,000	1.40%
Tung, Shang Yu		1,349,270	1.18%

### 3.1.3 Dividend Policy and Implementation Status

#### I. Dividend Policy

According to Article 29 of the company's articles of incorporation, if the company generates profits during the fiscal year, it shall reserve no less than 2% of the profits for employee remuneration, to be distributed by the Board of Directors in cash or stock. The Board of Directors may decide to allocate no more than 5% of the profits as director remuneration. The distribution of employee and director remuneration shall be reported and discussed at the shareholder meeting. However, if the company has accumulated losses, a portion of the profits should first be reserved to offset the losses, before allocating employee and director remuneration in accordance with the ratio.

If the company generates profits in its annual financial statements, it shall first offset the accumulated losses and then set aside 10% of the remaining balance as legal reserve funds for profits (except when the legal reserve funds for profits have reached the amount of the company's paid-in capital). The company shall then follow the regulations to allocate or convert the special reserve funds for profits. If there is still a remaining balance, the company may consider retaining it as undistributed profits or distribute it according to a proposed allocation plan by the board of directors and submit it to the shareholders' meeting for resolution.

As the company is currently in the "growth phase" of its business lifecycle and to ensure sustainable development based on capital expenditures, business expansion needs, and sound financial planning, our dividend policy will be determined based on the company's future capital expenditure budget and funding requirements. The distribution of dividends to shareholders will not exceed 80% of the distributable profits, and the cash dividend ratio shall not be lower than 10% of the total shareholder dividend amount.

#### II. Proposed Distribution of Dividend

As the Company incurred a loss in 2024, no dividends will be distributed.

### 3.1.4 Effect of proposed bonus share issuance on company's operating performance and earnings per share: Not applicable.

### 3.1.5 Remuneration of Employees, Directors and Supervisor

- I. Information Relating to Remuneration of Employees, Directors and Supervisors in the Articles of Incorporation: Please refer to the explanation in (vi)1. according to the dividend policy established under Article 29 of company's bylaws.

- II. Accounting treatment for any differences between the estimated and actual amounts of employee and director remuneration expenses, the calculation basis for employee remuneration in the form of stock distribution, and the number of shares used in the calculation.
- (1) The estimated basis for employee and director remuneration expenses is based on the percentage range stipulated in the company's articles of association.
  - (2) Calculation basis for stock dividends distribution: No stock dividends were distributed by the Company in year 2024.
  - (3) The actual distribution amount determined by the board of directors and the estimated amount: No difference.
- III. Distribution of remuneration approved by the board of directors:
- (1) The amount of employee and director remuneration distributed in cash or stock: The company didn't distribute employee and director remuneration due to the financial loss in 2024.
  - (2) The amount of employee remuneration distributed in the form of stock and the proportion of such amount to the post-tax net income of the current period and the total amount of employee remuneration are not applicable.
- 3.1.6 Distribution of Remuneration of Employees, Directors and Supervisors in the previous year, (including the number of shares, amount, and share price) should be disclosed, along with any differences between the recognized employee and director remuneration and the actual distribution, the amount of the difference, the reasons for the difference, and the corresponding handling measures : None

3.1.6 Share repurchases by the company: Not applicable.

**3.2 Bonds: None**

**3.3 Preferred Stock Issuance Status: None**

**3.4 Global Depository Receipts: None**

**3.5 Employee Stock Options: None**

**3.6 Status of New Shares Issuance in Connection with Mergers and Acquisitions: None**

**3.7 Financing Plans and Implementation:** Please refer to the Market Observation Post System (MOPS).

**Access Path:** MOPS > Single Company > Shareholding Changes / Securities Issuance > Fundraising > Execution of Capital Utilization Plan

**Website:** [https://mopsov.twse.com.tw/mops/web/bfhtm\\_q2](https://mopsov.twse.com.tw/mops/web/bfhtm_q2)

## IV. Operational Highlights

### 4.1 Business Activities

#### 4.1.1 Business Scope

##### I. Main areas of business operations:

- (1) Manufacturing, sales, and after-sales service of precision grinders.
- (2) Manufacturing, sales, and after-sales service of tool grinders.
- (3) Manufacturing, sales, and after-sales service of CNC (Computer Numerical Control) grinders.
- (4) Manufacturing, sales, and after-sales service of milling machines.
- (5) Manufacturing, sales, and after-sales service of CNC milling machines.
- (6) Manufacturing, sales, and after-sales service of CNC lathes.
- (7) Manufacturing, sales, and after-sales service of Vertical Machining Centers.
- (8) Domestic and international distribution of related products as an agent.
- (9) Manufacturing, sales and after sales service of various work holding devices
- (10) Aerospace and precision component processing services.
- (11) Manufacturing of various mechanical parts and import, export trade.
- (12) Manufacturing and trading of computer peripherals, computer components and electronic components.
- (13) Residential and commercial real estate development, leasing, sales, and property rental operations.

##### II. Main Product sales distribution of the Company (Group Consolidated):

Unit: NT\$ Thousand

Product Categories	2024		2023	
	Amount	Percentage	Amount	Percentage
Precision Grinders	383,239	32.11%	449,224	34.80%
CNC Surface Grinders	193,861	16.24%	187,253	14.51%
Vertical Machining Centers	149,009	12.48%	210,895	16.34%
CNC Lathe	38,537	3.23%	68,296	5.29%
Vertical Turning Lathe	58,941	4.94%	42,235	3.27%
Double Column Grinding Machine	148,754	12.46%	114,836	8.90%
Double Column Milling Machine	22,716	1.90%	0	0.00%
Others(Note)	198,632	16.64%	218,044	16.89%
Total	1,193,689	100.00%	1,290,783	100.00%

Note: Other products include the sales of components, the purchase and sales of goods, and income from service and maintenance.

##### III. Main products:

Product Categories	Description
Precision Grinders	FSG-2A 、FSG-3A 、FSG-AD 、FSG-SP 、FSG-M Product Series
CNC Surface Grinders	FMG-CNC 、FVGC 、FGP-LM 、FSG-CNC 、SMART 、HYDRO 、FDG 、FRG Product Series
Vertical Machining Centers	QP Product Series 、EM Product Series
CNC Lathe	FBL 、FCL 、FNL Product Series
Vertical Turning Lathe	FVL 、FVL-VTC 、FVL-8/12/20/24 Product Series

Double Column Grinding Machines	FPG-DC 、FSG-DC Product Series
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Note: Please visit the official website at <http://www.chevalier.com.tw/zh-tw/product-categories> for more information.

IV. New products development in year 2025:

R&D Projects	Content	Description
Grinding Machine	Research and development of surface grinder	<ol style="list-style-type: none"> <li>1. Development of a grinder for the aerospace industry.</li> <li>2. Development of SMART grinder software technology.</li> <li>3. Hydrostatic Spindle Prototyping Project</li> <li>4. Smart grinder machine function planning and Industry 4.0 integration</li> <li>5. Commercialization of AD IV intelligent grinder</li> <li>6. Development of High-Column Grinding Machine</li> <li>7. Standalone Grinding Machine Automation</li> <li>8. Commercialization of 15-inch SMART IV Grinder (Spindle Dynamic Balancing / Intelligent Reversal)</li> <li>9. Development of Hydrodynamic Spindle</li> <li>10. End-of-Line Detection for Grinding Machines</li> <li>11. Commercialization of SMART-B20IV Grinder</li> <li>12. SMART-24IV Series Development Project</li> <li>13. FSG-24 Series Development Project</li> <li>14. FAUNC iHMI Development</li> <li>15. iMCS Communication Protocol Expansion – Profinet Commercialization</li> <li>16. Human-Machine Automation Plugin Development</li> <li>17. Extrusion Mechanism Development</li> <li>18. Commercialization of FSG-12/16ADIV+ Grinder</li> <li>19. Development of FRG-1000S Rotary Table Surface Grinder</li> <li>20. Development of SMART-Li24HS Grinder</li> <li>21. Chevalier iBOX Device</li> </ol>
	Research and development of double column grinding machine	<ol style="list-style-type: none"> <li>1. Improvement project for the 60-series double column grinding machine</li> <li>2. Development of built-in spindle</li> </ol>
Milling Machine	Development of Machining Centers Product	<ol style="list-style-type: none"> <li>1. Enhancement project on the quality and stability of QP machines</li> <li>2. Development of QP intelligent technology (SMART/FANUC)</li> <li>3. Development project for #40/50 ultrasonic spindle</li> <li>4. Development project for single-machine automation of lathe-milling machines.</li> </ol>

		5. Commercialization of QP Milling Machine for the 3C Industry 6. Development of FAUNC IHMI 7. Expansion of iMCS communication protocol with PROFINET 8. Plug in Semi-Auto program Machine 9. Chevalier iBOX Device
Turning Machine	Vertical Lathe Series Product Development	1. Development of FAUNC IHMI 2. Expansion of iMCS communication protocol with PROFINET 3. Plug in Semi-Auto program Machine 4. Chevalier iBOX Device

#### 4.1.2 Industry Overview

##### I. Macroeconomic Environment

According to preliminary customs import and export trade statistics for December 2024 released by the Department of Customs Administration, Ministry of Finance, and compiled by the Taiwan Association of Machinery Industry (TAMI), the cumulative export value of machine tools in 2024 reached USD 2.218 billion, representing a 14.8% decrease compared to 2023.

In December 2024, machine tool exports amounted to approximately USD 215 million, showing a 10.7% increase compared to November 2024, and a slight 1.5% increase compared to December 2023. Among them: Metal-cutting machine tools exported in December 2024 totaled USD 166 million, a 12.4% increase over November. Metal-forming machine tools reached nearly USD 48.2 million, up 4.9% compared to November. For the full year 2024 (January–December): Total machine tool exports were USD 2.218 billion, a 14.8% decrease from the same period in 2023. Metal-cutting machine tools accounted for USD 1.834 billion, a 16.8% decrease year-on-year. Metal-forming machine tools totaled USD 383 million, a 3.7% decrease from the previous year.

The top 10 export destinations for Taiwan's machine tools in 2024 by export value were: China (including Hong Kong), the United States, Turkey, India, Vietnam, Thailand, Germany, the Netherlands, Japan, and South Korea. Please refer to Table 1, Table 2, and Figure 1 for detailed data.

Table 1: Export statistics of Taiwan's machine tool industry for January to December 2024.

Unit: US\$ Thousands						
Type of Machine	Amount of 2024/12	Amount of 2024/11	M-o-M	Amount from 2024/01-2024/12	Amount from 2023/01-2023/12	Y-o-Y
EDM (Electrical Discharge Machining), laser, and ultrasonic tools	16,224	11,765	37.9%	158,085	167,104	-5.4%
Comprehensive Processing Machines	57,797	55,043	5.0%	658,205	871,752	-24.5%
Lathe	48,287	41,326	16.8%	533,625	651,566	-18.1%
Drilling, boring, milling, and threading machine tools	15,698	9,896	58.6%	157,079	160,402	-2.1%
Grinding machines	18,534	19,490	-4.9%	214,621	217,061	-1.1%
Planning, shaping, broaching, and gear-cutting machine tools	9,903	10,513	-5.8%	112,866	135,987	-17.0%
Metal cutting machine tools	166,443	148,033	12.4%	1,834,481	2,203,872	-16.8%
Forging, stamping, and punching machine tools	41,027	37,865	8.4%	309,699	317,027	-2.3%
Other forming machine tools	7,170	8,060	-11.0%	73,723	80,986	-9.0%
Metal forming machine tools	48,197	45,925	4.9%	383,422	398,013	-3.7%
Total	214,640	193,958	10.7%	2,217,903	2,601,885	-14.8%

Source: Ministry of Finance of the Republic of China, Customs Appeal Tribunal ; Organize: Taiwan Machine Tool & Accessory Builder's Association(TMBA)

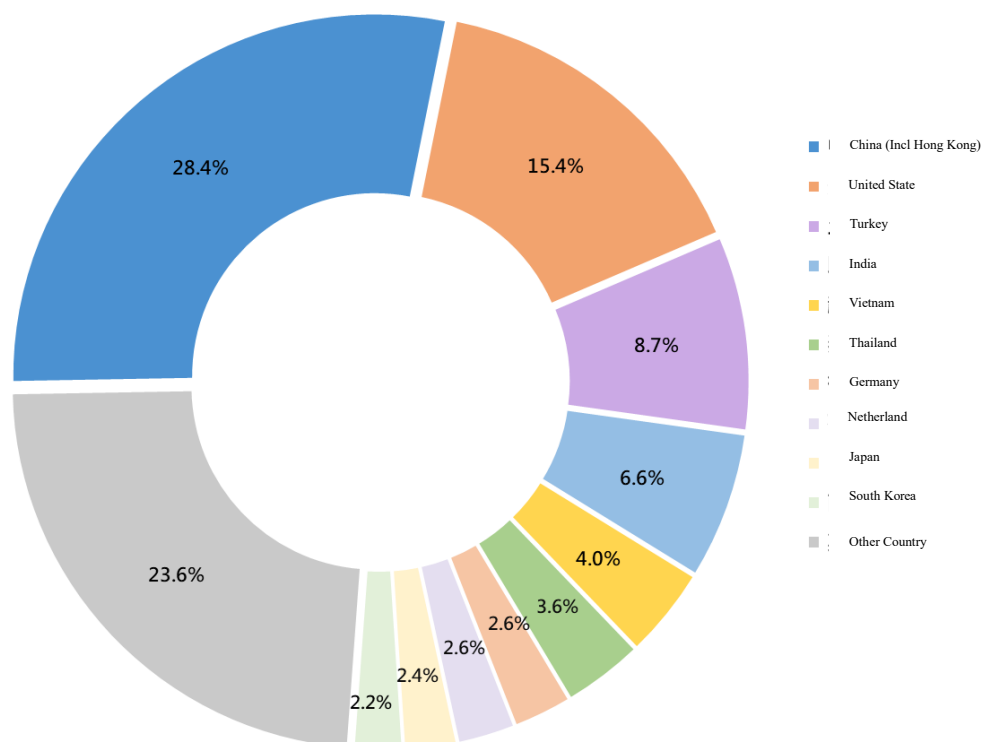
Table 2: Top Export Destinations for Taiwan Machine Tools for January to December 2024.

Unit: US\$ Thousands									
Grade	Destination	Amount of 2024/12	Amount of 2024/11	M-o-M		Amount from 2024/01-2024/12	Amount from 2023/01-2023/12	Y-o-Y	
1	China (Include Hong Kong)	60,398	56,663	6.6%	▲	630,585	712,685	-11.5%	▼
2	United State	31,657	32,168	-1.6%	▼	341,306	377,814	-9.7%	▼
3	Turkey	8,690	12,203	-28.8%	▼	192,287	289,789	-33.6%	▲

4	India	17,352	15,196	15.4%	▲	145,867	120,701	20.8%	▲
5	Vietnam	12,485	10,897	14.6%	▲	89,562	71,364	25.5%	▲
6	Thailand	12,438	5,686	118.7%	▲	79,522	67,474	17.9%	▲
7	Germany	3,415	3,268	4.5%	▲	58,136	78,265	-25.7%	▼
8	Netherland	5,951	3,710	60.4%	▲	57,247	84,343	-32.1%	▼
9	Japan	4,961	5,652	-12.1%	▼	52,265	66,557	-21.5%	▼
10	South Korea	3,127	4,048	-22.8%	▼	48,670	40,104	21.4%	▲
	Other Countries	53,986	44,467	21.4%	▲	522,456	692,789	-24.6%	▼
	<b>Total</b>	<b>214,640</b>	<b>193,958</b>	<b>10.7%</b>	<b>▲</b>	<b>2,217,903</b>	<b>2,601,885</b>	<b>-14.8%</b>	<b>▼</b>

Source:Ministry of Finance of the Republic of China, Customs Appeal Tribunal ; Organize: Taiwan Machine Tool & Accessory Builder's Association(TMBA)

Image 1 The percentage of major exporting countries in 2024



Taiwan's machine tool industry is export-oriented, with over 75% of its products sold overseas. In response to growing demand from emerging markets such as China, Latin America, and India, local manufacturers have established the Precision Machinery R&D Center and entered technical collaborations with the Mechanical and Mechatronics Systems Research Laboratories (MMSL) of the Industrial Technology Research Institute (ITRI). These joint efforts aim to advance the development of precision machinery technologies. In addition, the "Asia-Pacific Manufacturing Center Promotion Plan" formulated by the Ministry of Economic Affairs (MOEA) has identified precision machine tools as a high value-added emerging technology sector. With the cooperation of industry, government, and research institutions, Taiwan's machine tool industry is expected to achieve even greater development prospects.

Looking ahead, the Industrial Development Administration, MOEA, will continue to assist the industry in pursuing diversified growth, expanding into new applications and models. This includes developing high-end products such as horizontal machine tools, turn-mill centers, precision gear processing machines, five-axis machining centers, and high-precision gantry machines. The government will support improvements in overall machine performance and the development of value-added intelligent software, fundamental process technologies, thermal compatibility capabilities, mechanical performance evaluation, software applications, and cutting techniques. A key policy goal is to nurture 5–10 leading machine tool manufacturers with annual revenues exceeding NT\$10 billion. At the same time, efforts will focus on



enhancing existing products like lathes, vertical machining centers, and mold processing machines by integrating intelligent software and adding value through new product development, performance upgrades, and industry-academia-research collaborations. These initiatives aim to elevate the technological level and product quality of Taiwan's machine tool industry.

Often referred to as the "Mother of Machinery," machine tools are fundamental to manufacturing. They cover a wide range of processes, including turning, milling, grinding, cutting, and laser machining, and are essential for high-tech applications such as PCB drilling and wafer dicing.

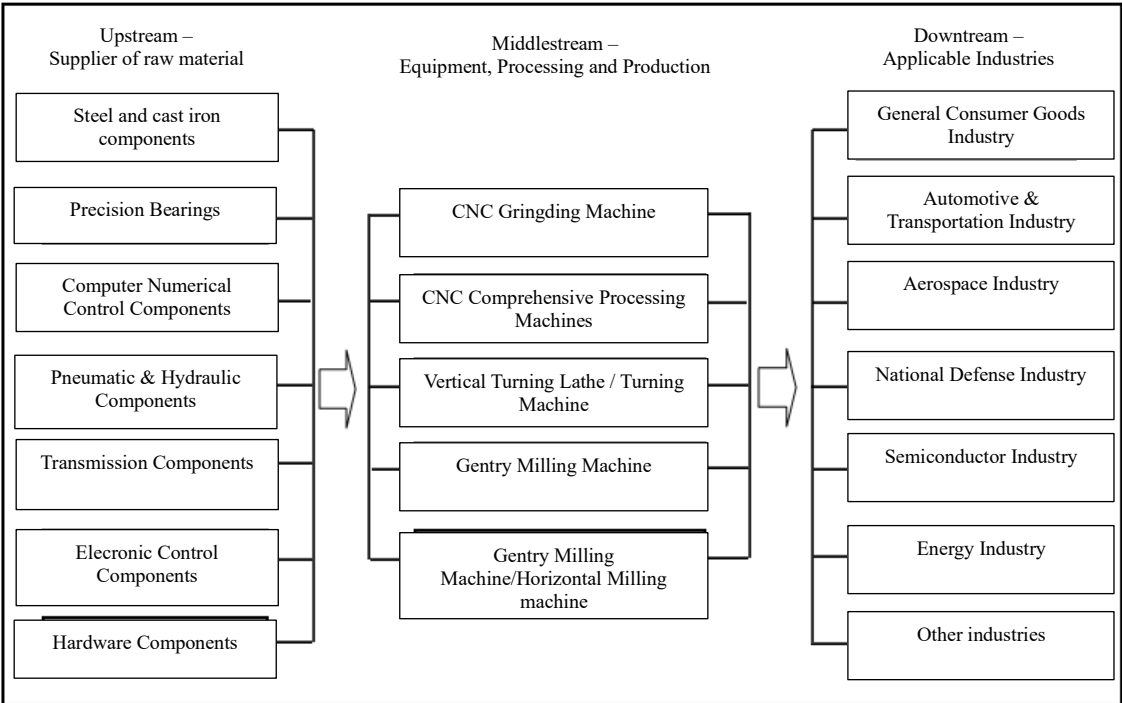
The Taiwan Machine Tool & Accessory Builders' Association (TMBA) noted that, in recent years, Taiwanese manufacturers have actively sought to reduce reliance on China and mitigate risks stemming from the Russia–Ukraine conflict by expanding into the U.S. market. The United States is now Taiwan’s second-largest export market for machine tools, accounting for 15% of total machine tool exports and approximately 7% of key component exports in 2024. However, high tariff policies have impacted exporters' strategies and weakened industry competitiveness. TMBA urges the government to actively engage in negotiations with the U.S. to seek more reasonable tariff rates and reduce the burden on the industry.

II. Relationship with Up-, Middle- and Downstream Companies

The machine tool is a manufacturing machine that combines various hardware and software components such as castings, precision materials, electrical control systems, and computerized digital controllers into a production and processing equipment, making it a crucial element in various industries such as general industrial, transportation, aerospace, defense, and semiconductor. Therefore, the machine tool industry plays a critical role in industrial development.

The domestic machine tool industry involves a complex manufacturing process, requiring numerous types and quantities of components. While some key components need to be purchased from foreign manufacturers, the remaining components can be supplied and processed by domestic cooperative manufacturers. Each manufacturer's central factory is responsible for assembly, testing, and other operations, thus closely integrating the production and manufacturing of machine tools through this professional division of labor.

The relationships with up-, middle- and downstream in the machine tool industry are as follows:



### III. Various Product Development Trends

- (1) Work remotely and remote customer service will become essential post-pandemic business models, driving the continuous growth of industrial robots, service robots, semiconductor equipment, and automation equipment demand.
- (2) Responding to new opportunities in fields such as electric vehicles, low-orbit satellites, aerospace, green energy, healthcare, and semiconductors, the tooling industry will see high growth in application areas. While current mainstay products such as gantry grinders, precision surface grinders, and CNC grinders will remain popular, new technology trends such as mobile column precision surface forming grinders and composite vertical grinding centers and CNC Rotary Table Surface Grinding Machine will mature and become mainstay products.
- (3) In the coming years, there will be a steady development of Industry 4.0. After the integration of IoT technology into production lines and cloud-based analysis, integration with ERP, supply chain, and CIM systems will lead to trends in more automated machinery and 3D printing.
- (4) Businesses should accelerate the establishment of cross-border, cross-region, and diversified production bases to reduce supply chain risks and implement digital manufacturing. Establishing digital platforms and enhancing supply chain resilience will also be important.

### IV. Products Competition

- (1) Machine tool industry in Taiwan must actively respond to the changing demands of the Chinese market by aiming to enhance the processing accuracy ( $\leq 0.001\text{mm}$ ) and reliability of machine tools, while developing multi-axis and compound functional machine tool products, such as horizontal machining centers, 5-axis machining centers, turn-mill centers, horizontal boring mills, and precision presses. By doing so, the industry can widen the technology gap with mainland China and maintain Taiwan's competitive advantage in the Chinese market.
- (2) Taiwan's machine tool industry primarily targets the mid-range and markets by emphasizing the high price-to-performance ratio (or C/P value). In contrast, Japanese machine tool manufacturers focus on the high-end and mid-high-end markets. Consequently, the depreciation of the Japanese yen has a significant impact on Taiwan's high-end machine tools, such as CNC vertical lathes or 5-axis integrated machining centers. The most fiercely competitive market will be the European and American markets that demand precision machining equipment. It is recommended that manufacturers avoid direct competition with Japanese machine tools in the short term and instead emphasize customization or after-sales service and improved accuracy to increase product added value.
- (3) Machine tool manufacturers in Taiwan mainly set up subsidiaries, dealerships, and offices in the US market, targeting local small and medium-sized outsourcing manufacturers scattered across various states. The US market increasingly values the intelligence of machine tools, and machine tool manufacturers around the world are gradually focusing on developing more intelligent and automation solutions.
- (4) Through mergers or acquisitions, machine tool industry players can integrate their resources and capabilities to expand their market presence and attract new customers. Going forward, the machine tool industry is expected to focus on developing automation machines, advanced control/motion control systems, digitization, Industry 4.0, and artificial intelligence to remain competitive in the global marketplace.

#### 4.1.3 Research and Development

- I. Research and development expenditures and the percentage of those expenditures to net operating revenue for the most recent fiscal year and the current fiscal year up to the date of printing: (consolidated)

Unit: NT\$ Thousands, %		
Year	2024	2023
Expenses of Research and Development	59,107	56,527
Net Operating Revenue	1,193,689	1,290,783
Intensity Ratio	4.95%	4.38%

## II. Products developed

Year	Product developed	
2019   2024	1. ADIV Smart Grinder	16. Intelligent Grinding Assistance System
	2. Double-End Surface Grinder Development	17. FSG-2448ADIV Grinder Development
	3. FVL-15P Vertical Lathe Development	18. FSG-2464ADIV Grinder Development
	4. QP SMART II HMI (Human-Machine Interface) Development Project	19. FSG-2480ADIV Grinder Development
	5. FVM-40/50 Series Gantry Grinder Crossbeam Structure Development	20. FVGC-40/50/60 Series Vertical Grinding Center Development
	6. FVG-10i Internal Cavity Grinder Development	21. FSG-2048ADIV Grinder Development
	7. Graphite Machining Center Development	22. SMART-H2448IV Grinder Development
	8. Drilling Machine Development Project	23. SMART-H2480IV Grinder Development
	9. iBox Software Development	24. SMART-B2480IV Grinder Development
	10. FMG-B1224 High-Column Grinder Development	25. SMART-B2464IV Grinder Development
	11. FVM-60 Series Gantry Grinder Crossbeam Structure Development	26. SMART-H2048IV Grinder Development
	12. FMG-B1640 High-Column Grinder Development	27. SMART-B2048IV Grinder Development
	13. SMART iControl 4 Hardware and Software Functionalities	28. FRG-600S Rotary Table Grinder Development
	14. FSG-2064ADIV Grinder Development	29. iMCS Communication Protocol Expansion – Profinet Integration
	15. Fanuc AI Thermal Displacement Compensation	

## III. Future Development

The R&D department of Falcon Machine Tools CO., Ltd. uses advanced 3D software to effectively correct and inspect finite element analysis and dynamic simulation during the design process, ensuring that all machine models have optimal precision, toughness, and rigidity. The company maintains close cooperation with government agencies, private organizations, universities, and research institutions to maintain its leading position in professional technology.

High-speed cutting and high-precision feeding are the pursuit of machine tools, and the development of large-scale machine tools in response to market demand has become a new trend. Therefore, the company actively accumulates design and application technology to develop high-speed, high-precision, highly flexible, highly rigid, and high-value-added technology-based machine tools as the focus of research and development. The company also places control software and intelligent automated production lines as the focus of future R&D.

(1) Research Project and Description

Research Project	Research Content	Description
Grinding Machine	Development of Surface Grinder	<ol style="list-style-type: none"> <li>1. Development of a grinder for the aerospace industry.</li> <li>2. Development of SMART grinder software technology.</li> <li>3. Hydrostatic Spindle Prototyping Project</li> <li>4. Smart grinder machine function planning and Industry 4.0 integration</li> <li>5. Commercialization of AD IV intelligent grinder</li> <li>6. Development of High-Column Grinding Machine</li> <li>7. Standalone Grinding Machine Automation</li> <li>8. Commercialization of 15-inch SMART IV Grinder (Spindle Dynamic Balancing / Intelligent Reversal)</li> <li>9. Development of Hydrodynamic Spindle</li> <li>10. End-of-Line Detection for Grinding Machines</li> <li>11. Commercialization of SMART-B20IV Grinder</li> <li>12. SMART-24IV Series Development Project</li> <li>13. FSG-24 Series Development Project</li> <li>14. FAUNC iHMI Development</li> <li>15. iMCS Communication Protocol Expansion – Profinet Commercialization</li> <li>16. Human-Machine Automation Plugin Development</li> <li>17. Extrusion Mechanism Development</li> <li>18. Commercialization of FSG-12/16ADIV+ Grinder</li> <li>19. Development of FRG-1000S Rotary Table Surface Grinder</li> <li>20. Development of SMART-Li24HS Grinder</li> <li>21. Chevalier iBOX Device</li> </ol>
	Development of Double Column Moving Beam Grinding Machine	<ol style="list-style-type: none"> <li>1. Improvement project for the 60-series double column grinding machine</li> <li>2. Development of built-in spindle</li> </ol>
Milling Machine	Development of Machining Centers Product	<ol style="list-style-type: none"> <li>1. Enhancement project on the quality and stability of QP machines</li> <li>2. Development of QP intelligent technology (SMART/FANUC)</li> <li>3. Development project for #40/50 ultrasonic spindle</li> <li>4. Development project for single-machine automation of lathe-milling machines.</li> <li>5. Commercialization of QP Milling Machine for the 3C Industry</li> <li>6. Development of FAUNC IHMI</li> <li>7. Expansion of iMCS communication protocol with PROFINET</li> <li>8. Plug in Semi-Auto program Machine</li> <li>9. Chevalier iBOX Device</li> </ol>
Turning Machine	Vertical Lathe Series Product Development	<ol style="list-style-type: none"> <li>1. Development of FAUNC IHMI</li> <li>2. Expansion of iMCS communication protocol with PROFINET</li> <li>3. Plug in Semi-Auto program Machine</li> <li>4. Chevalier iBOX Device</li> </ol>

(2) Current progress, expected investment in R&D, estimated completion timeline, and key success factors for future R&D initiatives.

Unit:NT\$ Thousands

R&D Projects	Project Title	Current Progress	Expected investment in R&D	Estimated Completion Timeline	Key success factors for future R&D initiatives
Grinding Machine	Development of Surface Grinder	Development of SMART intelligent machinery.	200	2025/10/30	1. Development of automated grinding mode 2. Software technology 3. Design for enhance mechanical rigidity of the main body
		Development of hydrostatic spindle	150	2025/06/30	1. Design for enhanced mechanical rigidity 2. Reduction of vibration frequency 3. High damping and cutting capacity 4. Extended spindle lifespan
		Development of SMART 24 machinery.	250	2025/5/30	1. Automated grinding mode 2. Intelligent pressure control 3. Workpiece can be ground on both sides simultaneously 4. Independent direct drive for upper and lower grinding disks and center gears, with forward and reverse rotation capability.
		Development of SMART Li-24HS machinery.	500	2025/12/30	1. Automated grinding mode 2. Intelligent pressure control 3. Dual-sided grinding capability for workpieces 4. Independent direct drive of the upper and lower grinding disks and center gear with reversible operation.
		FSG-12/16 ADIV+ series grinding machines	100	2025/5/31	1. Automated grinding mode 2. Intelligent pressure control 3. Dual-sided grinding capability for workpieces 4. Independent direct drive of the upper and lower grinding disks and center gear with reversible operation.
		Development of intelligent machine networking	300	2025/07/30	1.Intelligent development 2.Human-machine interface design.
		Development of Green Energy Consumption Statistics	250	2024/09/30	1.Intelligent development 2.Human-machine interface design.
Milling Machine	Integrated Machining Center Product Development	Double Column Fixed Crossrail Surface Grinder FSG-DC	250	2025/11/30	1.Development of built-in spindles 2.Enhanced rigidity 3.Reduced vibration frequency.
		QP Milling Machine (Commercialization for 3C Industries)	200	2025/05/30	1. Customized special interface 2. Dust-proof design 3. Special fixtures for the 3C industry 4. Control of spindle temperature rise
		Single-machine automation for lathe-milling machines	200	2025/12/30	1. Fixture design 2. Safety protection design 3. Machine stability 4. Cutting and chip removal design
		Commercialization of QP-SMARTII 15-inch	150	2025/04/30	1.Development of intelligent systems 2.Human-machine interface design

#### 4.1.4 Long-term and Short-term Development

Item	Short-term Development	Long-term Development
Production, R&D, and Product Development Strategies	<ol style="list-style-type: none"> <li>1. Standardization Tooling product and mass production: To meet the demand for multifunctional applications and shorten lead times, it is necessary to strengthen the standardization and mass production of tooling products to avoid over-customization that may lead to difficult production and delayed delivery.</li> <li>2. Development of component commonality: Inventory risk of spare parts can be reduced through component commonality</li> <li>3. Reduce waiting time and ensure accurate delivery: Communicate with supply chain vendors to improve the supply schedule, reduce waiting time, and ensure smooth production and accurate delivery.</li> <li>4. Improve the development and improvement capabilities of mass-produced models: Actively develop and improve mass-produced models that are in line with mainstream market demand to increase business revenue.</li> <li>5. Continue with FPS management: Improve the production process, reduce production costs, and improve the company's profitability through continuous FPS management.</li> </ol>	<ol style="list-style-type: none"> <li>1. Implementation of production capacity utilization to improve production efficiency: Based on customer demand, effective production planning and capacity utilization can be arranged, reducing ineffective working hours, and thus reducing production costs and improving the company's profitability.</li> <li>2. Self-made or substitution of key components: Continued cooperation with industry, government, and academia to jointly develop key components to reduce reliance on foreign key components.</li> <li>3. Establish a complete supply chain system: Establish a supply chain strategic alliance with upstream and downstream satellite factories to strengthen the professional division of labor system and enhance the value of the machine tool industry.</li> <li>4. Development of high value-added products and the development of semiconductor-related machine tools: Collaborate with academia to enhance the technical level and develop high value-added products to strengthen the company's competitiveness and ensure sustainable operation.</li> <li>5. Product quality and automation: Through the introduction of new technologies and concepts, and the integration of high-tech automated equipment, continuous quality improvement and implementation of quality management are carried out to ensure high-quality products.</li> </ol>
Marketing Strategy	<ol style="list-style-type: none"> <li>1. Strengthen customer service capability and enhance customer satisfaction: Enhance education and training for marketing and customer service personnel, provide comprehensive training and guidance to dealers, implement after-sales service system, and establish good communication channels with customers to ensure the interests of both parties and enhance customer satisfaction.</li> <li>2. Target special order needs and actively develop potential customers at home and abroad: Through product customization services and providing high-value-added and automation high-spec products, actively develop potential customers at home and abroad and create competitive advantages.</li> <li>3. Diversify customer base, adjust product lines and channels: Diversify order sources and production schedules, adjust product lines according to market demand and industry trends, and develop diversified channels based on product characteristics and production and sales flexibility to avoid operational risks caused by changes in the business environment and other factors.</li> </ol>	<ol style="list-style-type: none"> <li>1. Strengthening the company image: By improving the sales and service system, offering high-quality products, and enhancing the company's image, we aim to maintain the leading position of our grinding machines and elevate the brand value of "CHEVALIER".</li> <li>2. Expanding overseas markets and promoting the "CHEVALIER" brand: Actively expand into the mainland China market and develop emerging markets while strengthening the global marketing service network. Additionally, we improve the management and operation of the official website for marketing to promote the "CHEVALIER" brand worldwide.</li> <li>3. Increasing market share: By building a strong company image, enhancing brand value, and improving the production and sales system, we aim to gain customer trust and increase market share.</li> <li>4. Managing customer credit: Implement effective credit management for customers, shorten the accounts receivable cycle, and reduce credit risks.</li> </ol>
Financial Development Strategy	<ol style="list-style-type: none"> <li>1. Reduce inventory and increasing operating cash flow: Effective production and sales management, along with efficient inventory control, will help to reduce inventory levels, increase cash flow, and improve working capital.</li> <li>2. Improve financial ratios: By utilizing idle assets, reducing bank borrowing, and improving cost management and revenue growth, we can improve our financial structure and attract more investments to benefit all shareholders.</li> </ol>	<ol style="list-style-type: none"> <li>1. Strengthen the company's financial structure: Establish positive relationships with financial institutions, implement effective credit control measures, and manage various financial risks.</li> <li>2. Fundraising: Exploring the capital market for low-cost capital has been pursued as a means of obtaining the funds necessary for future development</li> <li>3. Investment planning: Evaluation and implementation of investment plans will strengthen the company's financial position, increase profitability, and provide</li> </ol>

		benefits to shareholders and employees.
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## 4.2 Market and Sales Overview

### 4.2.1 Market Analysis

#### I. Sales and service regions for the main products: (After the merger with Falcon)

Unit: NT\$ Thousands

Region	2024		2023	
	Total	%	Total	%
Americas	462,984	38.79%	516,935	40.05%
Mainland China	439,699	36.83%	427,886	33.15%
Europe	120,306	10.08%	133,572	10.35%
Taiwan	74,775	6.26%	70,233	5.44%
Others	95,925	8.04%	142,157	11.01%
Total	1,193,689	100.00%	1,290,783	100.00%

#### II. Market Shares

Unit: NT\$ Thousands

Item	2024	2023
Total sales value of metal cutting machine tools	87,940,089	99,743,385
Falcon individual business sales revenue	836,244	856,306
Market Shares of Company	0.95%	0.86%

Source: Compiled by Chevalier Machinery Inc. from the Statistics Department of the Ministry of Economic Affairs.

Explanation: The Company's main products fall under the general category of metal-cutting machine tools. According to statistical data released by the Department of Statistics, Ministry of Economic Affairs, Taiwan, the total domestic sales value of metal-cutting machine tools was NT\$87,940,089 thousand in 2024 (Year 113) and NT\$99,743,385 thousand in 2023 (Year 112). Based on the Company's standalone sales figures for 2024 and 2023, its market share in the domestic metal-cutting machine tool sector was approximately 0.95% and 0.86%, respectively.

#### III. Future supply and demand situation and growth potential of the market

The production of various mechanical equipment and products relies heavily on machine tools, often referred to as the "mother of machinery." With the ongoing advancements in high-tech industries worldwide—such as IT, telecommunications, aerospace, semiconductors, energy, transportation, and medical equipment—the global demand for machine tools is expected to increase. China's rapid development in automotive, aerospace, electrical, IT, telecommunications, infrastructure, and alternative energy sectors has driven a demand for machine tools that exceeds that of other countries. Although global demand for machine tools remains susceptible to economic fluctuations, it is expected to rise in tandem with economic recovery and continued progress across these industries.

In 2024, Taiwan's machine tool industry faced numerous challenges, including global economic instability, inflation, high interest rates, geopolitical conflicts, and slower-than-expected post-pandemic recovery. From January to December 2024, Taiwan's total machine tool exports amounted to USD 2.218 billion, a 14.8% decrease from the same period in the previous year. The Russia-Ukraine war and the Israel-Hamas conflict severely disrupted food and energy markets across Europe and West Asia, resulting in global inflationary pressures. This led the U.S. Federal Reserve to initiate rate hikes, ushering in an era of high global interest rates. Compounding the issue, Taiwan's largest export market—China—recovered more slowly than expected, while a persistently weak Japanese yen reduced the international competitiveness of Taiwanese machine tool components, contributing to a more than 10% decline in output value.



Throughout 2024, the global economy was affected by multiple variables: unclear election policies in several countries, ongoing geopolitical tensions in the Middle East and Eastern Europe, rising inflation, increased raw material and logistics costs, and currency fluctuations. These uncertainties weakened market confidence in the global economic recovery. As a result, capital expenditure decisions were delayed, leading to sluggish demand. Looking ahead to 2025, the global economy continues to face significant uncertainties, including the potential implementation of Trump-era economic policies, supply chain restructuring, and trade and economic changes driven by net-zero carbon goals. While these challenges pose risks, they also bring new investment opportunities. Simultaneously, labor shortages due to population aging and declining birth rates are accelerating industrial shifts toward automation, digitalization, and green transformation. For the machine tool industry, these trends present not only challenges but also valuable opportunities for growth and transformation. In this context, Chevalier Machinery remains committed to driving forward its business and market expansion. The Company has identified the following key development priorities for 2025:

**Market Strategy:** With global manufacturing bases shifting away from China to emerging markets such as India, Mexico, and Eastern Europe, new demand for machinery and equipment is emerging. Chevalier aims to actively develop markets in Mexico, Canada, India, Turkey, and Poland to reduce reliance on any single market and mitigate risk.

**Technology Strategy:** In anticipation of a low-carbon future, the Company is steering its products toward smart technologies and green transformation. Innovation in digitalization and automation will be key to improving productivity. Chevalier is integrating AI-related technologies, eco-friendly energy-saving solutions, and strengthening industry-academia collaboration to cultivate interdisciplinary talent capable of adapting to evolving technological and market demands.

**Industry Focus:** Chevalier will continue to target key sectors such as aerospace, electric vehicles (EVs), semiconductors, renewable energy, and hand tools. Through solution-based selling tailored to specific application needs, the Company will enhance its industrial offerings, leverage effective marketing strategies to boost international visibility, and meet the evolving requirements of industry clients—ultimately establishing long-term, stable customer relationships.

In conclusion, despite the complex global landscape, Chevalier Machinery remains confident in the development prospects of the machine tool market in 2025 and is committed to sustained growth through strategic innovation and market diversification.

#### IV. Competitive advantages of company

- (1) Industry status - "Stable foundation as a leading grinding machine company": Falcon Machine Tools CO., LTD has become the leading company in Taiwan's professional cutting tool grinding machine industry in terms of product line completeness, grinding machine technology research and development, and product marketability. The company also has considerable recognition in the international market.
- (2) Quality advantage - "Self-created brand with excellent reputation 'CHEVALIER'": Falcon Machine Tools CO., LTD product brand "CHEVALIER" represents the advantage of excellent quality in the industry and user perception. The company has also obtained international standard product quality system certification, ISO 9001, and EU CE certification, as well as 57 patents and 66 trademark registrations.
- (3) Product innovation: The company's development department has a complete talent pool and extensive design experience, enabling the company to design special specification machines that meet customer needs in a short time, which gives the company more opportunities to compete for orders with special requirements. The company's oil hydrostatic grinder has been developed and is available for customer needs, and its accuracy can meet the future demands of the nanotechnology market.

In addition, the company's series of vertical lathes manufactured in cooperation with a well-known Japanese manufacturer has received automation and technology support from Japan, with great potential to contribute to sales revenue.

- (4) Production of grinding, milling, and turning machines for molds or production purposes: As the demand for high-precision and high-quality products continues to grow in the market, the company's products are superior in terms of quality and precision compared to other competitors, providing a competitive advantage in the industry. In particular, the company has developed sub-micron, nanometer, and high-speed line grinding machines to meet the grinding needs of the IT industry.
- (5) The company has established a global marketing network, sales and service system, and high-efficiency sales and service capabilities, allowing customers to use our products with confidence. The company has also strengthened the establishment of sales channels for large-scale and composite machines and strengthened sales and application capabilities. The company has expanded into key industries such as the electronics industry, stamping dies, aerospace, green energy, various transportation-related industries, and the IT industry, and provides orders for customized turnkey engineering projects, further enhancing its competitive advantages.

V. Favorable factors for the future development of the market:

- (1) Changes in the World Factory and Reshaping of the Supply Chain:  
In the post-pandemic era, policies governing global manufacturing are increasingly shifting towards decentralized production and local distribution. Manufacturers have relocated their global production bases from China to emerging markets such as Southeast Asia, India in South Asia, Mexico, and Eastern Europe, thereby establishing new manufacturing hubs that may drive new demand for machinery and machine tools.
- (2) Complete industrial center-satellite system:  
The related center-satellite system of Taiwan's machine tool industry is fully complete. Except for a few key components that still need to be imported from abroad, all other related components can be self-sufficient, and supply can be completed within tens of kilometers. A good and sound center-satellite system helps Taiwan's machine tool industry to compete internationally.
- (3) Increased demand in China for mid-to-high-end machine tools  
Since 2003, China has become the world's largest importer of machine tools, indicating that China's demand for the machine tool market is gradually increasing. Currently, low-end machine tool demand in China is mainly met by local manufacturers improving quality and government support for Chinese-made machine tools. However, the high-precision and high-efficiency demands of mid-to-high-end machine tools still rely on imports from Germany, Japan, Taiwan, Switzerland, and other countries. Therefore, China's huge demand for machine tools has become a major market for countries to promote the affordability of high-end machine tools.
- (4) Mature technology for self-made PC-BASED controllers:  
Due to the ease of learning, operation, and maintenance, as well as relatively low cost, the PC-BASED controller for machine tools has great growth potential. Currently, the market demand for PC-BASED controllers is growing rapidly, and Taiwan, as a major producer of personal computers, has easier and lower-cost access to controllers and software than other countries. In addition, the ECFA has a sunset clause for imported controller products, so the development space for our self-made PC-BASED controllers is more helpful.
- (5) "Dominate Europe and the United States, and look to Asia and Greater China":  
Company's sales target markets include North America, Asia, Europe, Australia, China, Taiwan, and other regions. Among them, North America, Western Europe, and China are the main sales regions. Looking ahead, the demand for machine tools in Europe and the United States is still growing after the financial storm. At the same time, emerging markets such as China, India, Turkey, Vietnam, South Korea, Brazil, Mexico, and Russia have high demand for machine tools and are also niche markets for our company's future growth. Other markets such as Eastern Europe

and Central and South America also have great development potential. China is the fastest-growing market. After years of extensive and meticulous market layout, the visibility of our products has improved significantly in a short period of time. The growth opportunities are also relatively large, especially in recent years, the rapid growth of China's automotive industry and various transportation equipment has driven the high-speed growth of machine tool demand, so the development potential of the Chinese market cannot be ignored. With the addition of our factory in China, the development space for our products in the Chinese market is further expanded.

VI. Adverse factors and coping strategies for market development prospects:

- (1) Domestic shortage of technical talent and experienced labor in the market has led to the dilemma of insufficient productivity. In addition, the government is gradually adjusting welfare policies, increasing national health insurance premiums, and raising the basic wage, causing an increase in operating costs.

【Countermeasures】:

1. Hiring foreign workers and actively strengthening employee education, technical training, and improving the overall working environment, allowing employees to work safely and comfortably in the company. Also, outsourcing operations to make up for the shortage of manpower.
2. Increase investment in automation equipment to reduce labor demand. Adopting FPS and refined production methods to improve work efficiency and reduce production costs.
- (2) The demand for precision, quality, and performance of machine tools in the market is increasing, and some technical levels cannot be overcome by domestic or internal capabilities, making it more difficult to develop new products.

【Countermeasures】:

1. Cooperate with foreign companies with higher technical levels to introduce advanced technology to enhance product performance, increase precision, and strengthen competitiveness.
2. Collaborate with domestic academic research units to overcome the shortage of technical capabilities through continuous research and development, improvement, and impact of new knowledge and new thinking to ensure product quality, consolidate brand advantages, and corporate reputation.
- (3) The company's products are mainly exported, so exchange rate fluctuations have a greater impact on the company. Machine tool exports are facing more complicated international competition and are facing a significant depreciation of the Japanese yen by more than 35%, which will affect international buyers' orders from Taiwan.

【Countermeasures】:

1. When setting prices for the company's products, consider exchange rate factors. If there is significant exchange rate volatility, adopt forward foreign exchange sales or adjust product prices to make the exchange rate risk moderately shared by dealers or buyers.
2. Collect information on exchange rate fluctuations at any time, fully grasp the trend of exchange rate fluctuations to avoid risks.
- (4) Some components rely on foreign suppliers. Currently, the domestic machine tool key component controller relies on foreign manufacturers to supply. The controller system is the core of the machine tool and is controlled by foreign companies, which is not conducive to the development of the industry.

【Countermeasures】:

1. Diversify risks by purchasing from Japanese companies, as well as other countries such as the United States, Germany, and Spain.
2. Devote to cultivating and rooting the talent of the electrical control system and actively promote the development of self-developed PC-BASED controllers.
3. The development of 5-axis machine tools has been completed. Currently, it is still expanding to universal grinding machines and comprehensive processing machines. Also, it continues to improve and enhance hardware and software functions. Combining the cooperation of domestic production, government, research, and academic circles to develop key technologies to reduce

dependence on foreign controllers.

- (5) Mainland China's machine tool quality has been steadily improving, and manufacturers are dumping products into both domestic and international markets through mass production and low-cost strategies.

【Response Strategy】: Enhance product quality and stability, moderately reduce costs, and increase customized orders.

#### 4.2.2 Supply of Main Raw Materials

The main products rely on domestically sourced components such as cast iron, sheet metal parts, controllers, motors, and precision bearings, with some components sourced from abroad. The company has maintained good relationships with suppliers, ensuring stable prices. Overall, there are multiple domestic and international suppliers for the main raw materials, enabling stable prices and quality. However, to mitigate procurement risks, the company periodically seeks to diversify the supplier base.

Details of the usage and supply of these materials are presented in the table below:

Name of Raw Material	Main Source	Supply Situation
Castings	Domestic casting suppliers	Production lead time of three months, delivery based on order delivery date
Sheet metal parts	Domestic sheet metal suppliers	Delivery based on order delivery date
Numerical controllers	Imported from Japan's FANUC company and Mitsubishi (ordered through Taiwan's FANUC and Mitsubishi) Europe: Heidenhain, Siemens, and FAG controllers	Delivery lead time: 3-4 months for FANUC, 2-3 months for Mitsubishi, 5-6 months for Siemens, 6 months for Heidenhain, and 3 months for FAG
Motors	Domestic suppliers such as Delta and Fuji Electric (excluding stepper and servo motors)	Delivery based on order delivery date
Precision bearings	Domestic component suppliers, imported from Japan's NSK and NTN, and from Europe's SKF and Schaeffler	Delivery based on order delivery date, with a delivery time of three months for orders

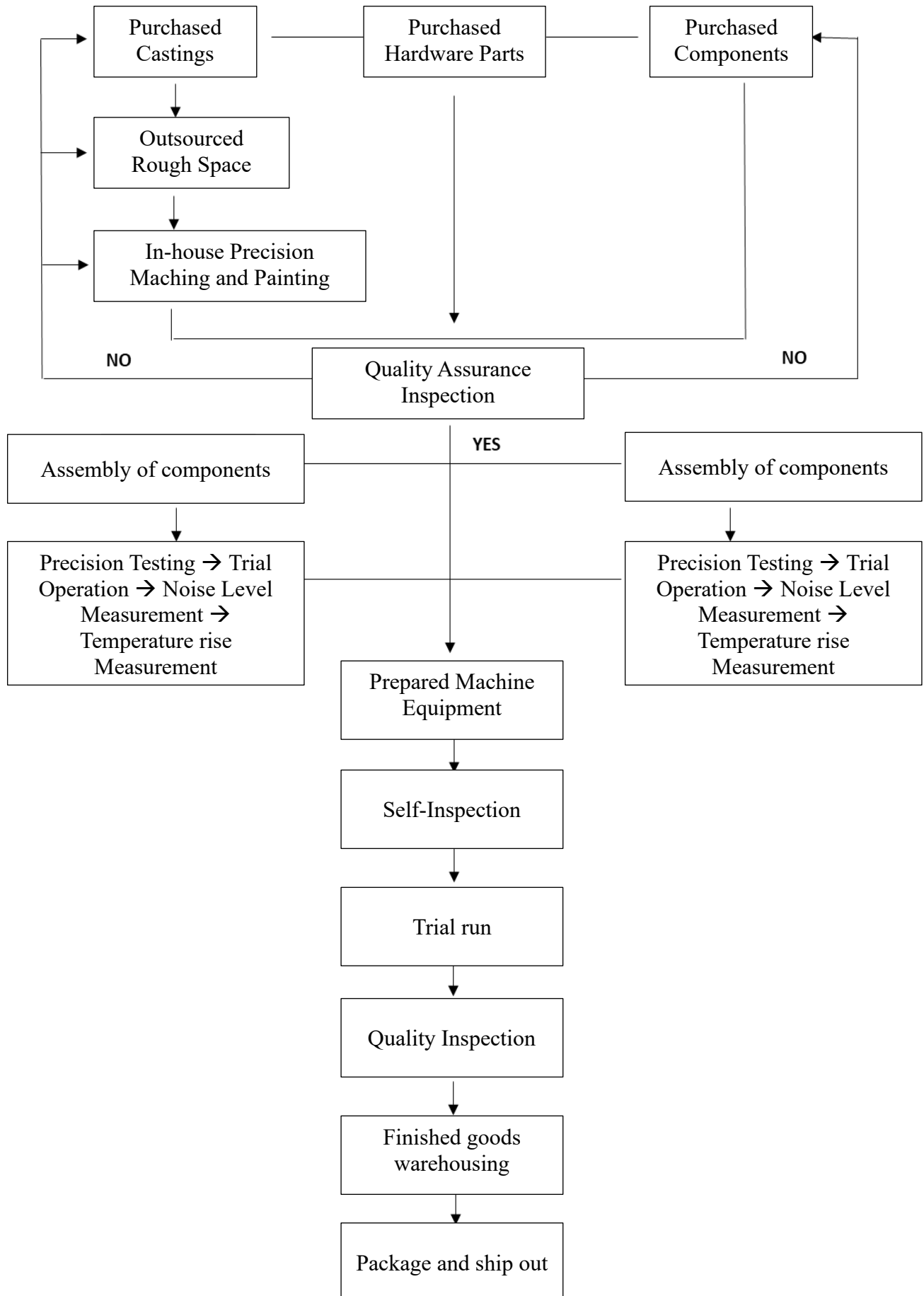
#### 4.2.3 Production Procedures of Main Products

##### I. Major Products and Their Main Uses

Products	Function	Applicable Industries	Features and Characteristics
Grinding Machine	Sharpens cutting tools such as drills, milling cutters, and lathe tools, as well as grinding metal and non-metal parts with high-precision flat and groove forming	Suitable for the grinding processing industry, grinding superhard materials, precision mold industry, semiconductor industry, and various kinds of punch grinding and continuous mold.	High precision, high rigidity, easy operation, and automation.
CNC Grinding Machine	Shapes and grinds metal and non-metal parts into special shapes, such as deep cuts and relief grinding.	Suitable for the electronics industry, aerospace industry, mold industry, 3C industry, punch and bar industry, automotive and motorcycle parts industry, precision parts industry, grinding processing industry, molding contour grinding, etc.	Complex grinding processing and automated production processing, high rigidity, high precision, molding grinding, wheel shape trimming, heavy cutting processing, and efficiency improvement. Suitable for heavy cutting grinding, high surface quality, or high hardness material needs.
Portal Grinding Machine	Suitable for grinding large metal and non-metal machine tool bases, large template workpieces, rail precision grinding, and large castings	Heavy duty of grinding processing industry, large-scale casting plane & rail, ultra-large automotive grinding tool industry, TFT grinding tool industry.	Large-scale flat, high-height concave and convex precision flat processing, beam-type mobile door-type, independent "square group" door-type design, optimal design, high precision, and high rigidity.
CNC Turning Machine	Suitable for circular workpieces, shapes, thread, and taper processing of metal and non-metal parts.	Automotive industry, petrochemical industry, hardware industry, 3C electronics industry, general processing industry, turning processing industry, and general circular workpiece processing	An ergonomic design for human-machine operation interface, high rigidity mechanical structure design, Japanese technical cooperation, fast and accurate positioning, and rapid processing of large circular workpieces with a simple appearance.
Vertical lathe	circular workpieces, shapes, thread, and taper processing of metal and non-metal parts.	Suitable for turning processing industry, general circular workpiece processing industry, automatic production line wiring processing industry, automotive and motorcycle parts, electrical industry parts, wheel industry, brake discs, petroleum (oil energy) industry, wind power generator industry	Short workpiece, high precision processing, automatic scheduling processing, small floor space, increased factory utilization efficiency, well-designed chip removal, special square hard steel rail design, providing the best cutting steel properties. Multiple machines can be used for joint layout,

			making operation and workpiece lifting more efficient. It has super high precision and high steel properties and can perform automatic production line mass production operations.
CNC Vertical machining centers	suitable for milling, drilling, tapping, and special shaping of metal and non-metal parts	widely used in the automotive industry, hardware, mold processing industry, aerospace industry, electronic industry, home appliances industry, hydraulic components, and general parts processing industry. These machines are ideal for general machining, and they are designed with excellent rigidity to eliminate vibrations caused by heavy cutting. The feed system also offers high rigidity and accuracy	High rigidity and accuracy in their feed system, making them suitable for high-efficiency machining and achieving high surface quality even for parts with high hardness. Additionally, they are easy to operate and allow for fast workpiece changeover.

## II. Major Products and Their Production Processes



4.2.4. The top 10% suppliers or customers based on their purchasing or sales amounts as a percentage of the total amount in any one of the past two years, including their names, purchase or sales amounts, and corresponding percentages.

I. Major sales customer's information in the most recent 2 fiscal years:

Unit: NT\$ Thousands

Year	2024				2023			
Item	Name	Amount	Percentage of net sales for the entire year (%)	Relation with Issuer	Name	Amount	Percentage of net sales for the entire year (%)	Percentage of net sales for the entire year (%)
	Net Sales	1,193,689	100.00	None	Net Sales	1,290,783	100.00	None

Note: Sales to individual customers whose sales amount does not exceed 10% of the total sales amount are not included.

II. Major supplier's information in the most recent 2 fiscal years:

Unit: NT\$ Thousands

Year	2024				2023			
Item	Name	Amount	Percentage of net sales for the entire year (%)	Relation with Issuer	Name	Amount	Percentage of net sales for the entire year (%)	Relation with Issuer
	Net Purchase	1,151,126	100.00	None	Net Purchase	947,693	100.00	None

Note: Individual supplier's purchases accounted for less than 10% of the total purchase amount.

## 4.3 Human Resource

4.3.1 Employee Information of Falcon Machine Tools CO., LTD:

Fiscal Year		2023	2024	As of 2025/03/31 of the current fiscal year
Number of Employees	Direct Labor	19	18	15
	Indirect Labor	148	138	138
	Total	167	156	153
Average Age		46.49	47.78	48.23
Average Year of Service		12.83	13.52	14.17
Education distribution percentage	Ph.D.	0%	0%	0%
	Master's degree	8.98%	9.62%	9.90%
	College	61.08%	58.97%	60.13%
	Senior High School	28.74%	30.13%	28.76%
	Below Senior High	1.20%	1.28%	1.31%

Note: This analysis data is for a single company, the parent company Falcon Machine Tool CO., LTD which is not include students from vocational schools and foreign workers.

## 4.4 Environmental Protection Expenditure

4.4.1 In recent years and up to the date of printing this annual report, the company's environmental protection operation at the factory has been operating normally, and no pollution disputes or losses or remuneration due to environmental pollution have occurred.

4.4.2 Countermeasures

1. Future countermeasures (including improvement measures) and possible

expenses: None.

2. The company has established relevant management measures for various environmental protection measures, such as wastewater discharge management, air pollution prevention and control, labor safety and health, and occupational hazard prevention and treatment, to ensure the safety of employees and prevent environmental pollution.
3. The EU's Restriction of Hazardous Substances Directive (RoHS) does not apply to the products produced by the company.

## **4.5 Labor Relations**

4.5.1 A lot of employee welfare measures, further education, training, retirement systems and their implementation, as well as labor-management agreements and various employee rights protection measures:

### **I. Employee Benefit Plans**

The company was approved for establishment by the Taichung County Government on June 29, 1989 under letter No. 913 of the Labor and Welfare Bureau, and is committed to promoting various employee benefit plans, as follows:

- (1) Employee insurance, national health insurance, and regular body check-ups.
- (2) Nutritionally balanced meals provided by dedicated food service personnel.
- (3) Single dormitory rooms are available, with free 24-hour hot water and air conditioning.
- (4) Birthday celebrations with a gift for the celebrant.
- (5) Provision of work uniforms.
- (6) Welfare funds are allocated to the employee welfare committee for beneficial activities such as outings, competitions, and other mental and physical activities.
- (7) Wedding, funeral, and other celebratory occasions are acknowledged with gifts and condolences.
- (8) The company provides gifts to all employees during Labor Day and three major festivals.
- (9) Employees who have completed five years of service receive a bonus and the opportunity to travel overseas.
- (10) Periodic in-house training activities are held and are open for voluntary participation.
- (11) When the company is profitable, employee remuneration is allocated in accordance with the law.

### **II. Retirement system and the status of their implementation**

Before 1987, the company set aside a retirement reserve fund of 3% of the total salary paid annually, which was listed as a liability. After 1987, in accordance with the provisions of the Labor Standards Act, the company set aside a retirement reserve fund of 2% of the total salary paid annually, which was deposited and used in a special account supervised by the Labor



Retirement Reserve Supervision Committee. Since September 2010, the retirement reserve fund contribution rate has been raised from 2% to 6% of the total salary paid annually to enrich the retirement reserve fund. The company has been following the Financial Accounting Standards Board Statement No.18 "Accounting Treatment for Retirement Benefits" since the end of 1996. The Labor Retirement Benefits Act was implemented by the company since July 1, 2005, with a defined contribution plan. After implementation, employees can choose to apply the retirement benefits regulations under the Labor Standards Act or the retirement benefits system under the Labor Retirement Benefits Act and retain their work seniority before the implementation of the Act. For employees covered by the Act, the company's monthly contribution rate for employee retirement benefits shall not be less than 6% of the employee's monthly salary.

The company calculates the amount of the old retirement reserve fund to be fully funded at the end of the year and sets aside the necessary amount of the old retirement reserve fund in accordance with the law. In 2022, the company set aside more than 20.2 million NT dollars for retirement reserve fund. In 2021, the company set aside more than 23.7 million NT dollars for retirement reserve fund.

### III. Continuing Education and Training

- (1) To enhance the quality of human resources and develop competitive advantages, the company has established "Employee Education and Training Regulations" and "Internal Lecturer Appointment and Removal Regulations" as a foundation for sustainable management and development.
- (2) The company provides internal and external training programs, including pre-job training for new employees, and arranges courses based on employees' job-related fields. Employees may also apply for training subsidies based on their interests, abilities, and career plans.
- (3) The company actively collaborates with multiple schools, including National Shiou Shuei Senior Industrial Vocational High School and National Formosa University to cultivate talent in the mechanical and other related fields.
- (4) The company maintains good labor-management relationships with smooth communication and has not experienced any major labor disputes.

The implementation status of Falcon's employee education and training for the year 2024 is as follows:

Total Number of Training Courses		Total Training Hours (HR)	Annual Education and Training Expenses (NTD)
Internal	38	71	0
External	20	205.5	52,875

#### 4.5.2. Any losses suffered by the company due to labor disputes in the past two years and estimated amount or measures need to be taken in the future: None

The Company has established a Labor-Management Committee to coordinate labor relations through regular meetings. This mechanism enhances

communication and consultation between labor and management, fosters cooperation, improves working conditions, prevents labor disputes, increases work efficiency, and safeguards the rights and obligations of both parties.

As of the most recent fiscal year and up to the publication date of this annual report, no labor disputes or related incidents have occurred.

## 4.6 Cyber Security Management

### 4.6.1 Cyber Security Risk Management Framework:

The cyber security is responsible for the organizational management of information security risk in the company. The department consists of one information director and several professional information security personnel, who are responsible for developing internal information security policies, planning and implementing information security operations, promoting and implementing information security policies, and regularly reporting the company's information security governance to the Audit Committee.

The Audit Department of the company plays the role of supervisory unit for cybersecurity risk and is responsible for overseeing the implementation of internal information security. The department is headed by one audit supervisor. If any deficiencies are identified during the audit process, the audited unit is required to propose appropriate improvement plans and take concrete actions to address them. The Audit Department regularly monitors the effectiveness of these improvements to mitigate internal information security risks

Related cooperating companies:

Company Name	TEL	Task Scope
IBM	04-23241533 0800-055055	AS/400 mainframe hardware and software
DATA SYSTEMS CONSULTING CO., LTD.	04-23267345	TIPTOP server software/hardware and electronic form.
Chunghwa Telecom Co., Ltd.	04-7284979	Firewall
Chunghwa Telecom Co., Ltd.	04-7299699	Internet dedicated line, VPN connection

### 4.6.2. Cyber Security Policies

To strengthen cybersecurity and ensure the availability, integrity, and confidentiality of information—while preventing intentional or accidental internal and external threats—the Company enforces comprehensive information security management policies through the joint efforts of all employees, internal and external information service users, and third-party service providers. The objectives are as follows:

- (1) Ensure the continuous operation of all information systems
- (2) Prevent hacker attacks, viruses, and system damage
- (3) Prevent improper or illegal use of systems
- (4) Prevent the leakage of confidential data
- (5) Avoid accidental human errors
- (6) Maintain physical environment security

Six major areas of information security management:

- (1) Computer Equipment Security Management
- (2) Network Security Management
- (3) Endpoint Protection and Management
- (4) System Access Control
- (5) Ensuring System Continuity
- (6) Security Awareness and Training

#### 4.6.3 Concrete Management Plan

##### (1) Computer Equipment Security Management

- i. All servers and critical IT hardware are housed in a dedicated server room with access control via card swipes and entry logs retained for auditing.
- ii. The server room is equipped with independent air-conditioning systems and fire extinguishers suitable for electrical fires.
- iii. Servers are connected to uninterruptible power supplies (UPS), voltage regulators, and a backup generator to prevent service interruptions due to sudden power outages.
- iv. Equipment performance is regularly assessed, and outdated or underperforming devices are scheduled for replacement to ensure operational efficiency and system stability.

##### (2) Network Security Management

- i. Enterprise-grade firewalls are installed at all internet gateways to prevent external attacks.
- ii. Employees accessing the ERP system remotely must use VPN accounts with certificate validation and username/password authentication. Access logs are retained for auditing.
- iii. Internet access is controlled through behavioral monitoring and filtering tools to block access to harmful or unauthorized content and preserve bandwidth integrity.
- iv. Regular external network risk assessments are conducted, and identified vulnerabilities are promptly mitigated.
- v. Annual social engineering drills are conducted alongside training to enhance employee cybersecurity awareness.

##### (3) Endpoint Protection and Management

- i. All servers and employee workstations are equipped with endpoint protection software offering antivirus and anti-hacking functionalities.
- ii. Virus definitions are auto updated. Suspicious executable files are monitored and blocked.
- iii. Infected or at-risk devices are automatically quarantined, deleted, and reported to IT administrators for immediate action.

##### (4) System Access Control

- i. Access to internal systems follows a structured account application and approval process. Access rights are granted based on job responsibilities.
- ii. Password policies enforce complexity through required combinations of letters, numbers, and special characters.
- iii. When employees resign or retire, the IT department is notified to promptly deactivate system accounts and reassign equipment custodianship to prevent data or asset loss.

##### (5) Ensuring System Continuity

- i. Data Backups: Follows the 3-2-1 principle. Daily backups are stored in the server room and offsite via NAS and offline media.
- ii. Disaster Recovery Drills: Core systems undergo recovery drills annually to verify data accuracy and media integrity.
- iii. Redundant Internet Connectivity: Two telecom lines are leased and connected in parallel using bandwidth management tools to ensure uninterrupted communication.

##### (6) Security Awareness and Training

- i. Regular Campaigns: Employees are reminded to update passwords periodically.

- ii. Workshops: Internal cybersecurity training is conducted periodically.
  - iii. External Engagement: The Company is a member of TWCERT/CC (Taiwan Computer Emergency Response Team/Coordination Center) to stay informed of threat intelligence and best practices.
  - iv. Targeted Training: Employees identified as vulnerable during social engineering tests receive additional training.
- 4.6.4 To implement the six major information security policies, the following resources have been allocated:
- i. Hardware: Firewalls, email antivirus systems, spam filters, internet usage monitors, and managed switches.
  - ii. Software: Endpoint protection platforms, backup software, VPN authentication, and encryption tools.
  - iii. Telecom Services: Redundant data lines, cloud backup services, and intrusion prevention systems.
  - iv. Personnel & Processes: Daily system checks and backup operations, Weekly offsite backup rotation, at least two internal security training sessions annually, Annual disaster recovery drills, Regular internal and external audits
  - v. Cybersecurity Personnel: One Chief Information Security Officer (CISO), One dedicated cybersecurity staff member responsible for architecture design, monitoring, incident response, and policy review
- 4.6.5 Statement of Losses, Potential Impacts, and Response Measures Related to Major Information Security Incidents in the Most Recent Year and up to the Date of the Annual Report: None.

#### **4.7 Important Contracts**

The contracting parties, major content, restrictive clauses, and the commencement dates and expiration dates of supply/distribution contracts, technical cooperation contracts, engineering/construction contracts, long-term loan contracts, and other contracts that would affect shareholders' equity, where said contracts were either still effective as of the date of publication of the annual report, or expired in the most recent fiscal year:

Nature of contract	commencement dates and expiration dates of supply contract	Major Content	Restrictive clauses		
Joint Credit Agreement	2023.05.17   2028.05.16	1. Total credit limit: NT\$850 million. 2-1. Loan interest rate: Based on the reference rate (the dynamic interest rate for one-year fixed deposits posted by Chunghwa Post) plus an annual premium of 1.05% for interest calculation. If the pre-tax net interest rate is less than 0, an additional 1.15% is added. 2-2. During the credit term, the interest rate for all credits must not be lower than 2% annually; otherwise, the pre-tax loan interest rate shall be 2%. 3-1. The mid-term guaranteed loan of NT\$550 million under item A cannot be recycled. The first installment must be repaid 18 months from the day of utilization, thereafter every 3 months for one installment (divided into 15 installments). From the first to the sixth installment, each installment repays 5%, from the seventh to the eleventh installment, each repays 6.5%, from the twelfth to the fourteenth installment, each repays 9%, and the fifteenth installment repays 10.5%. All funds must be utilized within 3 months from the first day of use, otherwise the unused amount will be automatically cancelled. 3-2. The mid-term guaranteed loan of NT\$300 million under item B (recyclable) must be repaid with the first installment completed within 36 months from the date of utilization, thereafter every 3 months for one installment (divided into 9 installments). Each of the first 8 installments decreases the credit amount by 6.25%, and the ninth installment decreases the credit amount by 50%. Additionally, each borrowing period under item B must not exceed 180 days, and the maturity date must not exceed the expiration of the credit term.	1-1. Financial Ratios: A. Current Ratio (Current Assets / Current Liabilities) must not be below 100%. B. Debt-to-Equity Ratio (Total Liabilities / Tangible Net Worth) must not exceed 200%. C. Interest Coverage Ratio must not be less than 3 times. D. Tangible Net Worth must not be less than NT\$800 million. 1-2. Financial ratios are determined based on the consolidated financial statements that are audited and certified annually by accountants and reviewed semi-annually by accountants. These ratios are assessed semi-annually. 1-3. The annual financial statements are inspected on March 31st each year, and the semi-annual financial statements are inspected on August 15th each year. Based on the audited/reviewed annual/semi-annual consolidated financial statements, if any financial ratio fails its semi-annual check, an additional 0.25% will be added to the loan interest rate.		
Contract Parties		There are a total of 8 financial institutions: 1.Taiwan Cooperative Bank (HeMei Branch) 2.Taiwan Business Bank (Beitun Branch) 3.Hua Nan Bank (Feng Yuan Branch) 4.Mega International Commercial Bank (Bao Cheng Branch) 5.Taichung Bank (Daya Branch) 6.Agricultural Bank of Taiwan (Kaosiong ranch) 7.The Shanghai Commercial & Savings Bank (Taichung Branch) 8.Chang Hwa Bank (Puli Branch)			
Contract for Co-Construction of House	Sign on 2021.12.05			Land co-development project of No. 401, Wudong Section, Guiren District, Tainan City.	None
Contract Parties					
Taiwan Sugar Cooperation					
Medium-Term Credit Facility Agreement	2024.02.16   2027.08.31	Land co-development project of No. 401, Wudong section, GuiRen District, Tainan City.	None		
Contract Parties					
King's Town Bank					
Medium-Term Credit Facility Agreement	2024.11.18   2027.08.18	Mid-term secured loan for Land Plot Nos. 723 and 725, Xinguang Section, Zuoying District, Kaohsiung City, with a total credit facility amount of NT\$445 million.	None		
Contract Parties		Mid-term secured loan for Land Plot No. 164, Kegong Section, Annan District, Tainan City, with a total credit facility amount of NT\$75.87 million.	None		
Land Bank of Taiwan, Sanmin Branch					
Medium-Term Credit Facility Agreement	2024.08.14   2027.08.14				
Contract Parties					
Agricultural Bank of Taiwan, Kaohsiung Branch					

## V. Financial Information

### 5.1 Analysis of Financial Status

Unit: NT\$ thousands

Item	2024	2023	Difference	
			Amount	%
Current Assets	2,507,318	2,134,057	373,261	17.49
Real estate, plant and equipment	261,395	283,259	(21,864)	(7.72)
Fixed Assets	4,314	5,885	(1,571)	(26.69)
Other Assets	1,046,731	506,169	540,562	106.79
<b>Total Assets</b>	<b>3,819,758</b>	<b>2,929,370</b>	<b>890,388</b>	<b>30.40</b>
Current Liabilities	1,055,757	776,030	279,727	36.05
non-current liabilities	1,401,196	747,681	653,515	87.41
<b>Total Liabilities</b>	<b>2,456,953</b>	<b>1,523,711</b>	<b>933,242</b>	<b>61.25</b>
<b>Equity attributable to owners of the Company</b>	<b>1,362,805</b>	<b>1,405,659</b>	<b>(42,854)</b>	<b>(3.05)</b>
Stock	1,143,619	1,068,803	74,816	6.70
Capital surplus	178,300	178,260	40	0.02
Retained Earnings	49,508	183,821	(134,313)	(73.07)

Note: Explanation of Major Changes in Assets, Liabilities, and Shareholders' Equity Over the Past Two Years (For items with changes of more than 20% between periods and an absolute change exceeding NT\$10 million)

1. Explanation of Major Reasons for Changes:

- (1) Intangible Assets: Decrease due to the reduction in other intangible assets.
- (2) Other Assets: Increase mainly due to right-of-use assets, investment properties, and additional investments.
- (3) Total Assets: Increase primarily attributable to right-of-use assets, investment properties, additional investments, and inventory.
- (4) Current Liabilities: Increase due to short-term borrowings and reclassification of a portion of long-term loans as current (due within one year).
- (5) Non-Current Liabilities: Increase in long-term borrowings.
- (6) Total Liabilities: Increase resulting from higher borrowings.
- (7) Retained Earnings: Decrease due to increased after-tax losses.

2. Impact: No material impact.

3. Future Response Plan: With the construction sector expected to recover in the second half of 2025, the machine tool industry is projected to stabilize. The Company will continue implementing cost-control measures, inventory management, and income-expansion and expenditure-reduction strategies to maintain stable profitability.

### 5.2 Analysis of Financial Performance

Unit: NT\$ thousands

Item	2024	2023	Increase (Decrease)	Increase (Decrease)
			amount	ratio%
Gross Sales	1,193,689	1,290,783	(97,094)	(7.52)
Cost of Sales	878,102	924,668	(46,656)	(5.05)
Gross Profit	315,587	366,115	(50,528)	(13.80)
Operating Expenses	380,586	404,473	(23,887)	(5.91)
Operating Income(Loses)	(64,999)	(38,358)	(26,641)	(69.45)
Non-operating Expenses(net)	20,052	208,100	(188,040)	(90.36)
Income Before Tax(Loses)	(44,947)	169,742	(214,489)	(126.48)
Tax Benefit (Expense)	(10,685)	(54,090)	(43,405)	(96.26)
Net Income (Loss) for the Period	(55,632)	115,652	(171,284)	(148.10)

Note: Explanation of Major Changes in Operating Revenue, Operating Profit (Loss), and Profit (Loss) Before Tax Over the Past Two Years (For items with changes exceeding 20% between periods and an absolute change greater than NT\$10 million)

1. Explanation of Major Reasons for Changes: The fluctuation was mainly due to a slight decline in revenue. Although variable costs were well managed, operating losses increased due to higher operating expenses in the Construction Business Division. Additionally, non-operating income in 2023 (Year 112) included gains from the disposal of idle assets, which were not present in 2024 (Year 113), leading to a decline in non-operating income. Furthermore, no income tax was accrued on undistributed earnings from the U.S. subsidiary, resulting in a higher overall net loss.

2. Impact: No material impact.

3. Future Response Plan: With the construction industry expected to rebound in the second half of 2025 (Year 114), and the machine tool industry anticipated to stabilize, the Company will continue implementing cost-saving measures, cost control, and inventory management strategies to maintain stable profitability.

## 5.3 Analysis of Cash Flow

### 5.3.1 Cash Flow Analysis for the Current Year (2024)

Unit: NT\$ thousands

Cash and Cash Equivalents, Beginning of Year	Net Cash Flow from Operating Activities	Annual Net Cash Flow from Investing Activities	Net Cash Flow from Full-year financing activities	Exchange Rate Changes on Cash	Cash Balance (Deficiency) Remaining	Note
835,773	(729,669)	(631,878)	733,169	34,916	242,311	
Analysis of change in cash flow						
1. Operating Activities: Mainly due to an increase in pre-tax profits.						
2. Investment Activities: Resulting from the disposition of idle assets.						
3. Financing Activities: Caused by the private placement of new shares.						
4. Effects of Exchange Rate Changes: Due to the appreciation of the New Taiwan Dollar						

### 5.3.2 Remedy for Cash Deficit and Liquidity: Not applicable.

### 5.3.3 Cash Flow Analysis for the Coming Year (2025):

Unit: NT\$ thousands

Estimated Cash and Cash Equivalents, Beginning of Year	Estimated Net Cash Flow from Operating Activities	Annual net cash flow from investing activities	Net Cash Flow from Full-year financing activities	Exchange Rate Changes on Cash	Cash Balance (Deficiency) Remaining	Note
242,311	(40,000)	(250,000)	450,000	(2,000)	402,311	
Analysis of Cash Flow Changes:						
1. Operating activities: The expected net cash inflow from operating activities is NTD 40,000, mainly due to the expected increase in operating profit in 2025.						
2. Investing activities: Investment Activities: Expected net cash outflows of NT\$250,000 thousand from investment activities, anticipated for acquiring investments.						
3. Financing activities: Expected net cash outflows of NT\$450,000 thousand from financing activities, planned for the distribution of cash dividends.						
4. Impact of exchange rate changes: The expected appreciation of the New Taiwan Dollar is the main factor.						

## 5.4 Major Capital Expenditures Items

Due to the company's favorable operating conditions and stable cash inflows from operating activities, the main source of funding for significant capital expenditures in recent years has been from self-generated operating funds and capital increase. Therefore, there was no significant impact on the company's finances.

## 5.5 Investment Policy in the Last Year, Main Causes for Profits or Losses, Improvement Plans, and Investment Plans for the Coming Year

The company's investment policy is focused on long-term strategic goals and dedicated to integrating construction and sales agents. In 2024, the newly added investment in equity method resulted in a loss of NTD 29,834. The main reason is that some of the invested businesses are in their early stages of operation and have not yet stabilized. It is expected that investment efficiency will gradually improve in the future. The company will continue to evaluate investment plans prudently and adhere to the principle of long-term strategic investment in the future.

## 5.6 Analysis and assessment of risk factors up to the date of the annual report

### 5.6.1 The impact of changes in interest rates, exchange rates, and inflation on the company's income and future response measures:

#### I. Impact on company's profitability

Item	2024 ( NT\$ Thousands;% )
Interest income (expense) net	(41,671)
Foreign exchange gain (loss) net	4,780
Interest income (expense) net to net revenue ratio	(3.49)
Interest income (expense) net to pre-tax income ratio	92.71
Foreign exchange gain (loss) net to net revenue ratio	0.40
Foreign exchange gain (loss) net to pre-tax income ratio	(10.63)

- A. Interest rate: The Group conducts sensitivity analysis on interest rate risk based on floating-rate borrowings as of the end of the reporting period, assuming the loans are held for one fiscal year. If market interest rates were to increase or decrease by 10 basis points, the Group's profit or loss for 2024 and 2023 would decrease or increase by NT\$1,839 thousand and NT\$1,008 thousand, respectively.
- B. Exchange rates changes: If the New Taiwan Dollar (NTD) appreciates or depreciates by 1% against the US Dollar (USD), the Group's profit or loss for 2024 and 2023 would decrease or increase by NT\$310 thousand and NT\$113 thousand, respectively. If the NTD appreciates or depreciates by 1% against the Renminbi (RMB), the Group's profit or loss for 2024 and 2023 would increase or decrease by NT\$42 thousand in both years.
- C. Inflation: For 2025 (Year 114), Taiwan's Directorate-General of Budget, Accounting and Statistics (DGBAS) forecasts a Consumer Price Index (CPI) annual growth rate of 1.93%, indicating a minimal inflation risk.

#### II. Future Corresponding

- A. Interest rates: The Company expects that the central bank interest rate in 2025 will not rise further, like the situation with the US FED. This will not have an impact on the Company's long- and short-term borrowing interest burden. Therefore, the Company will maintain good communication with its partner banks, keep up to date with the latest market interest rate conditions, and prioritize borrowing from banks with the lowest interest rates to reduce interest expenses and achieve the best interest rate level.
- B. Exchange rates: Most the Company's export transactions are denominated in US dollars. The Company adopts a conservative approach when quoting prices to customers, based on a stable and conservative exchange rate. The Company also opens foreign currency deposit accounts with banks to meet foreign exchange fund requirements and retains foreign currency positions. The Company adjusts its foreign exchange positions according to the changes in exchange rates, minimizing the impact of exchange rate fluctuations on the Company's profits and losses.
- C. Inflation: The Company's response measures involve adjusting product prices based on changes in raw material prices and considering market supply and demand. The Company also requests the design unit to reduce unnecessary or unclear functional components to reduce product costs.

### 5.6.2 Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions

As of 2024 and up to the publication date of this annual report, the Company did not engage in any high-risk or highly leveraged derivative transactions. All activities related to loans to others, endorsements and guarantees, and derivative financial instrument transactions are conducted in accordance with the Company's established policies and control measures as outlined in the following procedures: Procedures for Acquisition or Disposal of Assets, Operational Procedures for Lending Funds to Others, Operational Procedures for Endorsements and Guarantees, Procedures for Engaging in Derivative Transactions

### 5.6.3 Future Research & Development Projects and Corresponding Budget: Please refer to page 52 to page 55 of the annual report.

### 5.6.4 Impact of important domestic and international policies and legal changes on the company's



financial business and response measures:

The business activities currently conducted by the company comply with the policies and laws in each respective location, and the company maintains good interaction with local distributors. In the event of any policy or legal changes, the company can promptly report to itself to serve as a basis for decision-making.

**5.6.5 Effects of and Response to Changes in Technology and the Industry Relating to Corporate Finance and Sales**

The company has actively introduced electronic operation systems and established a network information system in recent years to closely integrate with upstream and downstream industries, shorten the transmission process of related information, and effectively improve the operation schedule to enhance operational efficiency. Therefore, the company has implemented technological management in recent years. In response to changes in the industry environment, the company is committed to investing in new product development, process improvement, and technology upgrading to strengthen product intelligence and enhance competitiveness. Hence, technological and industrial changes should have a positive impact on the company's finance and business.

**5.6.6 The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures**

The company has always adhered to the principles of professionalism and integrity and attached great importance to corporate image and risk management. At present, there are no foreseeable crisis events.

**5.6.7 Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans: The company has no plan for merger or acquisition.**

**5.6.8 Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans: The Company has no plans for expanding its factories.**

**5.6.9 Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration**

The Company has a diversified range of suppliers and customers for purchasing and selling goods and maintains a good relationship with them. Therefore, there is no significant risk of concentration in either purchasing or sales.

**5.6.10 Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings of over 10%**

There have been changes in the directors of the Company this year. However, the number of shares they currently hold has not resulted in any significant changes, impacts, or risks to the overall operation of the Company.

**5.6.11 Effects of, Risks Relating to and Response to the Changes in Management Rights: No such matters exist.**

**5.6.12 Litigation or Non-Litigation Matters. There are no finalized or pending major litigation, non-litigation, or administrative proceedings involving the Company, its directors, supervisors, general manager, de facto responsible persons, major shareholders holding more than 10% of shares, or subsidiaries, that may have a significant impact on shareholders' equity or the market price of the Company's securities. As of the date of publication of this annual report: No such matters exist.**

**5.6.13 Other Majors Risk and Resolution: None.**

## **5.7 Risk Management Organization**

**5.7.1. Risk Management Organization and its operation**

- (1) The company has always implemented a strict and prudent approach to enterprise risk management (including risk detection, assessment, reporting, and handling), and it is controlled in accordance with the latest internal audit developments, guidelines, and legal regulations.
- (2) The company's risk control is divided into a three-stage control mechanism: the initial

control mechanism is the host unit, which must take responsibility for the initial risk perception, assessment, and control considerations and prevention. The second control mechanism is the various management meetings led by the General Administration or General Manager, which includes various risk assessments in addition to responsibility for probability assessments. The ultimate control mechanism is the Audit Department and Board Meetings, which ensure final risk management through the audit department's review, supervision, and tracking, and the Board's deliberation. In addition, our Legal Department also executes risk detection, assessment, and prevention suggestions for significant risk assessments.

- (3) At each stage of company's control mechanism, immediate risks are immediately reported upward during normal times and are thoroughly eliminated and prevented. To date, our company has had no incidents of risk due to the implementation of these control mechanisms, indicating good control.

#### 5.7.2. Risk Management Organization Chart

Risk Management	Risk Assessment Items	Direct Risk Control (Initial Control Mechanism)	Risk Review and Control (Second Control Mechanism)	Decision-making and follow-up monitoring (Final control mechanism)
Financial, accounting, and liquidity risks:	1.Interest rate, exchange rate, and financial risks 2.Risks of lending funds and endorsement guarantees 3.Risks of derivative financial products and other financial investments 4.Tax, cost, and related accounting risks	1.Financial Department (Accounting Division) 2.Financial Department (Finance Division) 3.Financial Department (Finance Division) 4.Financial Department (Accounting Division)	Management Office and Executive Meetings	Board of Directors and Supervisors Meeting (Risk Assessment, Control Decision Making, and Final Control)
Market and Credit Risk	1.Customer Credit Rating and Collection Risk 2.Market Trend Investigation and Evaluation Risk 3.Marketing and Sales Service Risk	1.Marketing Service Department, Finance Division 2.Marketing Service Department, General Management Division 3.Marketing Service Department, General Administration Division	General Administration Department · Production · Sales and Management Meeting	
Strategic and Operational Risk	1.Business Strategy Risk 2.Procurement, Production and Quality Risk 3.Corporate Image and Human Resources Risk 4.Product Improvement and Research and Development Risk 5.Political, Policy and Legal Risk 6.Long-term Investment and Related Party Risk 7.Equity and Management Team Risk 8.Other Risks	1.General Administration 2.Department, Production Management Center, Production Department, Quality Control Department 3.General Administration Department, Marketing Service Department 4.New Product Development Department, General Administration Department 5.8.General Administration Department, Management Center 6.7.General Administration Department, Finance Division	General Administration Department, Production and Sales Meeting, Research and Development Meeting, and Management Meeting.	Audit Department (Risk Assessment, Check, Supervision, Improvement and Reporting)

#### 5.8 Other Major Risk: None

## **VI. Special Disclosure**

**6.1 Information on Affiliated Enterprises:** Please refer to the Market Observation Post System (MOPS). Access path: MOPS > Single Company > Electronic File Download > Affiliated Enterprises (Three Reports) Section

Website: [https://mopsov.twse.com.tw/mops/web/t57sb01\\_q10](https://mopsov.twse.com.tw/mops/web/t57sb01_q10)

**6.2 Private Placement of Securities in the Most Recent Fiscal Year and up to the Date of the Annual Report:** Please refer to the

Market Observation Post System (MOPS). Access path: MOPS > Issuer Section > Private Placement Section

Website: <https://mops.twse.com.tw/mops/#/web/t116sb01>

**6.3 Other Material Explanatory Matters:** None.

**6.4 Matters Materially Affecting Shareholders' Equity or the Price of Securities:** As of the most recent fiscal year and up to the date of publication of this annual report, the Company has not experienced any event that would materially affect shareholders' equity or the market price of its securities as defined under Article 36, Paragraph 2, Subparagraph 2 of the Securities and Exchange Act.

**Falcon Machine Tools Co., Ltd.**

**Chairman Lin, Tsung-Lin**