Stock Code: 8924

O-TA Precision Industry CO.,LTD.

2022 Annual Report

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This report has been prepared in Mandarin and English respectively.
In case of any discrepancy or inconsistency between the Mandarin and English versions, the Mandarin version shall prevail.

O-TA PRECISION INDUSTRY CO., LTD.

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V. Overseas Trade Places for Listed Negotiable Securities and Approach for Checking Information of Overseas Securities: None

VI. Company Website: http://www.o-ta.com.tw

Contents

One. Report to the Shareholders

Dear Shareholders,

Thank you for your long-time attention, care, support, and feedback for O-TA.

The golf industry and the bicycle industry in 2022 still featured robust demand, thanks to the development of the COVID-19 pandemic.

With stable operations, the trust and recognition from brand customers, and the efforts of all employees, O-TA achieved an operating revenue of NT$7.7 billion, a revenue level higher than the base period; and a prominent profit performance, e.g., post-tax profit of NT$1.793 billion, an EPS of NT$21.4, and a profit margin of 23%, setting yet another profit record

The following is a summary of the Company's business outcomes for 2022; the impact of the external competitive environment, the regulatory environment, and the overall operating environment; the outline of business plans for 2023; and the future development strategies of the Company.

I. 2022 Operating Results

(I) 2022 Business Plan Implementation Results

In 2022, the Company recorded a consolidated operating revenue of NT$7,700,322 thousand; consolidated gross margin of 29%; consolidated post-tax profit of NT$1,793,142 thousand; and basic earnings per share of NT$21.40

(II) Budgeting: The Company did not disclose its financial forecast for 2022, so no budgeting information was provided.

(III) An analysis of financial performance and profitability is as follows:

1. Financial Performance

Unit: NT$ thousands; %

Items	Years	2022	2021	Differences (%)
Revenue and enditure	Operating revenues	7,700,322	7,880,132	-2.28
	Operating costs	5,479,396	5,392,557	1.61
	Gross profit	2,220,926	2,487,575	-10.72
	Operating expenses	442,437	489,543	-9.62
	Operating income	1,778,489	1,998,032	-10.99
	Non-operating income and expenses	219,311	-15,276	1,535.66
	Net income from continuing operations before tax	1,997,800	1,982,756	0.76
	Net income from continuing operations	1,793,142	1,690,175	6.09
	Loss from discontinued operations after tax	-	-3,718	-100.00
	Net income	1,793,142	1,686,457	6.33
	Net income attributable to shareholders of the parent	1,793,142	1,688,279	6.21

Note: The Company’s indirectly invested company, Inda Composite Technology (Shenzhen) Co., Ltd., has obtained a notice of enterprise deregistration on December 31, 2020. In addition, Inda Composite Technology (Shenzhen) Co., Ltd., invested company of INDA NANO INDUSTRIAL CORP., is resolved to be liquidated and dissolved after the resolution made in the shareholders’ meeting on February 5, 2021. Subsequently, the registration of dissolution was completed on May 3, 2021

2. Profitability Analysis

Items		2022	2021
Solvency	Current ratio (%)	346.97%	273.43%
	Quick ratio (%)	286.44%	211.95%
	Times interest earned	230.24	220.87
Profitability	Return on total assets (%)	29.88%	34.95%
	Return on equity (%)	43.64%	53.88%
	Ratio of income before tax to paid-in capital (%)	238.40%	236.16%
	Net profit margin (%)	23.29%	21.40%
	Earnings per share (NT$)	21.40	20.15

(IV) 2022 R&D Results

The 2022 R&D results are as follows:

1. New material technologies and mass production results for golf club heads: high-strength titanium alloy plates, high-strength titanium-based casting materials, high-strength iron-based plates, high-strength iron-based casting materials, variable hardness casting materials, and continuous development of other high-strength plates, etc.
2. New structure, new design of golf club heads and mass production results: the golf head structure design and manufacturing method with composite materials, the combination structure of heterogeneous materials, the application and production method, and the high-performance golf head structure design, etc.
3. Development and mass production of golf club heads simulation analysis system technology: high rebound, high MOI structure, weight margin design, audio enhancement, weight distribution, aerodynamics, etc.
4. Patents: 12 patents were granted in 2022 (as of March 31, 2023), including Taiwan invention patents for "composite golf club head and method for manufacturing the same," "the handheld shower head," "the high-strength maraging steel plate and method for manufacturing the same," "the titanium alloy plate and method for the same having an impact strength layer and a flexible layer," "the carbon fiber composite golf club head," and "the golf club head," along with china invention patents for "the composite golf club head and method for manufacturing the same," "the Composite golf club head manufacturing method," "the titanium alloy sheet and method of manufacture," "the crown cover of golf head and golf head having the same," "the golf club head titanium alloy material and golf titanium club head," and "the composite golf club head and method for manufacturing the same," a total of 11 patent applications are under review.

II. The Impact of the External Competitive Environment, the Regulatory Environment, and the Overall Operating Environment

In 2022, the world economy was rattled by the constant mutation of the COVID-19 variants, causing the supply chain to become even more turbulent, commodity prices to inflate, shipping fees to soar, and geopolitical conflicts to escalate, e.g., the Russia-Ukraine war, thereby effecting a variety of challenges and threats like an energy crisis and soaring raw material prices. According to the January issue of the World Economic Outlook published by the International Monetary Fund (IMF) in January 2023, the world economic activities in 2022 were affected by the pressure that came from inflation, the Russia-Ukraine war, and intermittent outbreak of pandemic in China, of which the former two factors (i.e., inflation and the Russia-Ukraine war) will continue impacting the economy into 2023.

The golf equipment manufacturing industry and the bicycle industry are industries prone to global economic climate and weather conditions. Fortunately, given the prosperity that came with demand surpassing supply in the post-pandemic era, chances of growth are currently expected. This is especially true for the golf industry. According to data of The R&A and Sport Motivation Scale (SMS), golf has gained popularity worldwide since 2016 in that the number of golfers worldwide has increased from 61 million to 66.6 million, among whom the increase in the younger population and women are the most notable, scaling up the golf market as a whole and improving the stickiness of new players to the sport to a stable extent, thereby facilitating market development. Nonetheless, reduced consumption as a result of global economic recession is still an area requiring special attention. Fortunately, having been engaged in professional management and administration in the golf industry and long possessing stable and sufficient operating capabilities, the Company expects to cope with any situation with effective countermeasures when facing challenges such as impact of economic cycles, operating costs and exchange rates, changes in golf rules, and breakthroughs in automatic technology applications. The bicycle industry will still be impacted by economic conditions, seasons, weather, and popularity. Since the Company's VOLANDO bikes, a privately-owned boutique brand, have a unique market position, the Company must be able to cope with any challenges on sight. In addition, addressing the regulatory issues concerning drinking water safety, energy conservation, and heavy metal content is the area of focus of the plumbing hardware industry. The Company's ALLTAS stainless steel boutique faucets are made of food-grade stainless steel grade 304 and comply with national standards, enabling the Company to cope with any factors at play.

III. Summary of 2023 Business Plan

(I) Operation policy:
Focus on core business while seeking innovation; tap new sources of profit; and pursue sustainable development.

(II) Expected sales volume
Based on the supply and demand in the golf equipment market, the industry environment, and the Company's capability and development, the Company forecasts that the sales volume of golf equipment in 2023 are as follows: Approximately 5,960 thousnad of golf heads and golf equipment, and approximately 2,380 thousand of golf clubs, for a total of approximately 8,340 thousand units.

(III) Important sales and production policy

1. Maintain operational advantages; continue innovation and development; and provide customers with collaborative, tailor-made, high value-added design and manufacturing services.
2. Operate in a differentiated manner; take orders strategically; and seek high-margin, small yet diverse, and customized orders, so as to tap new sources of profits.
3. Steadily develop new customer bases; and manage key customers cautiously, aiming to satisfy customers, thereby fueling growth and sales.
4. Increase production-sale integration capability and pre-production preparation capability, and strive for a leveling, orderly, and stable production throughout the production processes, so as to satisfy customers.
5. Continuously perfect the supply chain system, improve supplier compliance management capability, and forge a strong partnership, so as to prosper together.
6. Be market-oriented; continue to advance and implement the technological blueprint; and improve independent, core technologies to increase the extent of automation and the technological capability.
7. Be committed to the development of key talents and the stability of human capital of the production lines, and continue to increase the speed and flexibility of the capability to be responsive and collaborative.
8. Continue to promote ESG-based sustainable management; improve the whole process by means of reduction, recycling, and substitution; implement energy conservation and carbon reduction; practice green research and development, green production, and green life; and fulfill corporate social responsibilities.

IV. Future Development Strategies of the Company

(I) The company pursues a sustainable business environment and implements management measures in the aspects of environmental protection (E, environment), social responsibility (S, social) and corporate governance (G, governance) to fulfill its corporate social responsibility, aiming to become the most innovative company for daily use products and sports equipment which creates the greatest value and best service for clients, employees, shareholders and the public.

(II) Upholding the ideal of “Integrity and Practicality; R&D and Innovation; Sustainable Development; and Serving the People,” the Company effectively consolidates and streamlines its operational processes and seeks innovation and breakthrough, so as to achieve a management synergy in terms of quality, delivery date, cost, service, and innovation, thereby creating irreplaceable, great competitiveness

(III) Aiming to build itself as a “design and manufacturing service” that is customer-oriented and provides customers with design and manufacturing services like “collaborative design” and “performance simulation” and of “high added value” and “customization.” In addition, aided by its all-process production capability, lean operating process management, and application and development of automatic technologies, the Company will deliver breaking and competitive innovation and R&D results to share with customers, to gain stable revenue in the long term

For the 2023 business plan, the Company will make all efforts to achieve the target to create maximum value.

We would like to wish all shareholders good health and happiness.

Chairman LEE, KUNG-WEN

President HSU, JUNGMIN

Accounting Officer LEE, CHUNG-MU

Two. Company Overview

I. Date of incorporation: July 18, 1988

II. Contact Information of the Head Office, Branch Offices and Factories

Name	Location	Telephone
Head Office	No. 8, Jianfu Rd., Neipu Township, Pingtung County 912018, Taiwan (R.O.C.)	(08)778-3855
Branch Office	None	None
Factory	No. 8, Jianfu Rd., Neipu Township, Pingtung County 912018, Taiwan (R.O.C.)	(08)778-3855

Note: Please refer to p.293 of this annual report for basic information on each related company.

III. Formation History

July 1988:	The Company was established with an initial capital of NT$ 68.5 million and Lin Sen-Chih was named president. The Company is mainly engaged in the manufacturing, contract processing, assembly and sales of golf club heads and various development products.
February 1992:	Led the way in the mass production of the carbon fiber face iron head.
June 1993:	In order to improve the financial structure, the Company carried out a capital increase of NT$65.5 million from debt to equity. Total capital was increased to NT$134 million.
June 1994:	Took the lead in successfully developing a composite iron head with titanium alloy, an aerospace material, to use as the face of the golf head.
September 1994:	Successfully transferred the molding technology of the composite iron head to the copper structure of the driver head, and introduced a new type of driver head that contributed greatly to profit.
January 1995:	Once again launched the driver head made of casting titanium alloy, which immediately became the most popular product in the golf club head market.
November 1995:	Changed the traditional casting method into the forged method for the production of titanium alloy driver head.
April 1996:	The Board of Directors and Supervisors were dissolved due to the poor operation by the juristic person director, Da-Yu Precision Casting Co., Ltd. As a result, the directors and supervisors of the Company were re-elected and Mr. LEE, KUNG-WEN was elected as the new chairman, with the old Board of Directors and Supervisors dissolved and the new Board of Directors and Supervisors taking office on 20th April.
July 1996:	Introduced ISO 9001, the international quality assurance system, to implement more stringent quality control on product quality and new product development.
December 1996:	In order to enhance production facilities, the Company carried out a cash capital increase of NT$30 million. Total capital was increased to NT$164 million.
December 1996:	Introduced PRO Engineering (PRO/E), a computer-aided design software, to enhance the R&D capability.
January 1997:	Invested in additional production lines for golf club assembly.
August 1997:	Was granted certification by SGS ISO 9001, international quality assurance, to improve product quality and increase product competitiveness in the market.
October 1997:	Acquired a number of molding facilities such as vertical automatic processing machines to enhance R&D and production capabilities.
November 1997:	Carried out a capital increase of NT$18.04 million through revaluation of land assets. Total capital was increased to NT$182.04 million.
February 1998:	In order to vertically integrate the R&D and production technology for CAD/CAM, the Company introduced various automated equipment, such as MASTER CAM, a computer-aided software, and three-dimensional measuring equipment.
March 1998:	Public offering of the Company's shares.
May 1998:	Carried out a cash capital increase of NT$30 million and a capital increase of NT$62.66 million through capitalization of earnings. Total capital was increased to NT$274.7 million.
October 1998:	The Investment Commission of Ministry of Economic Affairs (MOEA) approved the Company's investment in Qilitian Golf Products (Shenzhen) Co., Ltd.

December 1998:	Introduced the PRO-E reverse engineering system from technology companies, combined with three-dimensional measurement machines to enhance its customer service.
December 1998:	Invested in additional production lines for the manufacturing of golf club.
March 1999:	Obtained a utility model patent for “Control panel and weight distribution for golf club head” in Japan and a utility model patent for “Structure improvement for golf head” from the Intellectual Property Office of MOEA, R.O.C.
May 1999:	Preliminary development of the forged five-piece titanium alloy driver head was successful and introduced into mass production.
June 1999:	Carried out a capital increase of NT$121.3 million through capitalization of earnings and capital surplus. Total capital was increased to NT$396 million.
July 1999:	Changed the Company’s name to O-TA Precision Industry Co., Ltd. due to the expansion of business.
October 1999:	The R.O.C. Taipei Exchange approved the listing of the Company's shares.
November 1999 :	The Securities and Futures Bureau of Ministry of Finance (R.O.C.) approved the listing of the Company's shares.
December 1999:	Obtained a utility model patent for “Improvement of weight structure in the hollow metal-plate assembled golf club head” in Taiwan.
February 2000:	The Company’s shares were officially listed and traded on the Taipei Exchange (R.O.C. OTC).
April 2000:	The new plant of Qilitian Golf Products (Shenzhen) Co., Ltd. in Shenzhen, Mainland China was completed and went into mass production. The plant area was approximately 25,000 square meters.
May 2000:	Carried out a capital increase of NT$138.6 million through capitalization of earnings. Total capital was increased to NT$534.6 million.
July 2000:	Obtained a utility model patent for “Weight distribution of golf club head” and “Structure improvement for weight distribution of golf club head” in Japan.
September 2000:	Obtained a utility model patent for “Structure improvement for face plate of golf club head” in Japan.
October 2000:	Obtained a Taiwan invention patent for “The structure of golf ball club head and its manufacturing method”.
October 2000:	The Shantou Harvest Fair factory was divested and ended its mass production.
November 2000:	Obtained a Taiwan utility model patent for “Improved structure of counterweight for golf club head”.
November 2000:	A new beta titanium material with high coefficient of elasticity and high added value has been successfully developed and introduced into mass production.
February 2001:	Obtained a Japan utility model patent for “Structure of golf club head”.
February 2001:	Obtained a Taiwan invention patent for “Low-density and high-ductility of golf head and its manufacturing method”.
March 2001:	Acquired the trademark right of "HYPERSTELL" in the United States.
April 2001:	New plant (7F) of Qilitian company was expanded in Shenzhen, China.
June 2001:	Carried out a capital increase of NT$82.2997 million through capitalization of earnings and capital surplus. Total capital was increased to NT$616.8997 million.
June 2001:	Acquired the “Weight distribution of golf club head (5-piece weight distribution)” in China.
November 2001:	The expansion of a new factory building (7F) at Shenzhen factory was completed.
January 2002:	Obtained a Taiwan invention patent for “The low-density iron based materials for golf head (E2000)(I)” from the Intellectual Property Office of MOEA, R.O.C.
April 2002:	The new plant officially began production.
June 2002:	Issued the first domestic unsecured convertible bonds.
July 2002:	Obtained a certificate of registration of patent for "Golf club head structure with a combination of tungsten-nickel alloy material", "Structure of forged and casting driver head (I) (3-piece type)", and "Structure of forged and casting driver head (II) (2-piece type)" in Japan.
August 2002:	Carried out a capital increase of NT$128.26373 million through capitalization of earnings. Total capital was increased to NT$745.16343 million.
January 2003:	Obtained a Taiwan invention patent for “The low-density iron based materials for golf head (E2000)(II)” from the Intellectual Property Office of MOEA, R.O.C.
January 2003:	The convertible bonds were converted into capital shares of NT$1.55277 million. Total capital was increased to NT$746.7162 million.

March 2003:	The convertible bonds were converted into capital shares of NT$31.05 thousand. Total capital was increased to NT$746.74725 million.
April 2003:	Was granted SGS UKAS ISO 9001:2000 International Quality Management System certification to enhance the product quality management system and increase the overall competitiveness.
April 2003:	Obtained a utility model patent for “Golf club head with sound effects” in China and a Taiwan invention patent for “The low-density iron based materials for golf head (E2000)(II)”
May 2003:	The Taiwan factory and Shenzhen factory of O-TA were both granted SGS UKAS ISO 9001:2000 quality management system certification.
June 2003:	The Investment Commission of MOEA approved the Company's indirect investment in the establishment of two subsidiaries, Santian Golf Products (Shenzhen) Ltd., Co. and Inda Composite Technology (Shenzhen) Co., Ltd.
July 2003:	The “Golf head of carbon composite material, Ti and stainless steel" and the "High-precision plasma welding technology" were developed and introduced into mass production.
August 2003:	Adjusted the “number of shares to be converted from corporate bonds" to 15,000,000 shares on the Company's registration form and registered the change with the MOEA, with a total capital of NT$1,000,000,000.
September 2003:	Obtained an invention patent for “Low-density and high-ductility of iron based materials for golf head” in the United States.
October 2003:	Carried out a capital increase of NT$81.20876 million through capitalization of earnings. Total capital was increased to NT$827.95601 million.
October 2003:	Established a R&D center for research and development of key advanced technologies, new materials, new structures, new styles, and product design, etc.
October 2003:	The convertible bonds were converted into capital shares of NT$883.38 thousand. Total capital was increased to NT$828.83939 million.
November 2003:	Obtained the U.S. invention patent for "Driver head(II)", the Japan utility model patent for "Driver golf head", and the European Union design patent for "Golf club head (appearance design)”.
December 2003:	Obtained the Japan utility model patents for "Golf club head" and “Golf head” and the Taiwan utility model patent for "Structure of striking faceplate for golf club head with foreign plastic”.
December 2003:	Santian Golf Products (Shenzhen) Limited Company, the subsidiary company, was officially opened.
January 2004:	Acquired the appearance design patent for “Golf club head” in China.
January 2004:	Customer-specific teams were set up to provide dedicated services.
January 2004:	The convertible bonds were converted into capital shares of NT$12.10244 million. Total capital was increased to NT$840.94183 million.
February 2004:	The 6Sigma activities were launched to strengthen the corporate operation and pursue the goal of zero defects in quality.
March 2004:	Acquired the new appearance design patent for “Golf club head” in the United States.
April 2004:	The convertible bonds were converted into capital shares of NT$12.20837 million. Total capital was increased to NT$853.1502 million.
April 2004:	Obtained the Japan utility model patent for “Golf club head” and the U.S. utility model patent for “Structure of striking faceplate for golf club head with foreign plastic FACE OF A GOLF CLUB HEAD”.
May 2004:	Obtained the Taiwan invention patent for “Structure of golf club head and the method for producing the same”.
August 2004:	Obtained the Japan utility model patent for “Wax blank for structure of golf head”, the U.S. invention patent for "WOOD TYPE GOLF CLUB HEAD”, and the Taiwan invention patent for “Golf club head having backside coated with composite material”.
August 2004:	Carried out a capital increase of NT$50.65579 million through capitalization of earnings (including NT$7.99828 million through the transferring of employees' bonus). Total capital was increased to NT$903.80599 million, with an authorized capital of NT$1,027,027,980.
October 2004:	Obtained the Taiwan utility model patent for “Improved iron golf club head”, the Japan utility model patent for “Golf club head combined with nonmetal material

	and metal material", the U.S. invention patent for "COMPOSITE GOLF CLUB HEAD", and the Taiwan utility model patents for "Composite striking faceplate for golf club head(I)" and "Composite striking faceplate for golf club head(II)".
November 2004:	The convertible bonds were converted into capital shares of NT$17.65115 million. Total capital was increased to NT$921.45714 million.
December 2004:	Obtained the Taiwan utility model patent for "Wax blank for golf club head".
December 2004:	The second plant began mass production.
January 2005:	Obtained the Taiwan utility model patents for "Golf club head with high shock absorption effects" and "Golf club head combined with nonmetal material and metal material".
January 2005:	The convertible bonds were converted into capital shares of NT$3.13107 million. Total capital was increased to NT$924.58821 million.
March 2005:	Lean management programs were implemented.
March 2005:	The convertible bonds were converted into capital shares of NT$1.74161 million. Total capital was increased to NT$926.32982 million.
April 2005:	Obtained the Taiwan invention patent for "Manufacture method of golf club head".
May 2005:	Obtained the Taiwan utility model patent for "Golf club head" and the Japan design patent for "Appearance design for wood type golf club head".
July 2005:	Obtained the Taiwan invention patent for "Low density and high ductility golf club head and its manufacturing method(IV)".
July 2005:	Carried out a capital increase of NT$56.08399 million through capitalization of earnings (including NT$9.66965 through the transferring of employees' bonus) and a capital increase of NT$46.41434 million through capitalization of capital surplus. The convertible bonds were converted into capital shares of NT$2.25044 million. Total capital was increased to NT$1,031,078,590, with an authorized capital of NT$1,129,526,310.
August 2005:	Obtained the Taiwan invention patent for "Method of making a golf club head".
December 2005:	The convertible bonds were converted into capital shares of NT$1.73205 million. Total capital was increased to NT$1,032,810,640.
January 2006:	CAE simulation software was implemented for golf head analysis.
January 2006:	The convertible bonds were converted into capital shares of NT$5.4732 million. Total capital was increased to NT$1,038,283,840.
March 2006:	Successfully developed a number of new structures of golf head with dual-material face plate and obtained a utility model patent.
March 2006:	The convertible bonds were converted into capital shares of NT$23.09 thousand. Total capital was increased to NT$1,038,306,930.
July 2006:	Carried out a capital increase of NT$65.1105 million through capitalization of earnings (including NT$13.19515 million through the transferring of employees' bonus) and a capital increase of NT$51.91535 million through capitalization of capital surplus. The convertible bonds were converted into capital shares of NT$207.85 thousand. Total capital was increased to NT$1,155,540,630, with an authorized capital of NT$1,246,552,160.
October 2006:	The convertible bonds were converted into capital shares of NT$18.01126 million. Total capital was increased to NT$1,173,551,890.
February 2007:	The first domestic unsecured convertible bonds issued by the Company (abbreviated as O-TA (I), code 89241) were fully converted to common capital shares and the trading on OTC was terminated on February 7, 2007.
March 2007:	The convertible bonds were converted into capital shares of NT$7,102,270. Total capital was increased to NT$1,180,654,160.
July 2007:	Carried out a capital increase of NT$20.78443 million through capitalization of earnings (including NT$14.88116 million through the transferring of employees' bonus) and a capital increase of NT$5.90327 million through capitalization of capital surplus.Total capital was increased to NT$1,207,341,860, with an authorized capital of NT$1,246,552,160.
July 2008:	Carried out a capital increase of NT$21.25425 million through capitalization of earnings (including NT$15.21754 million through the transferring of employees' bonus) and a capital increase of NT$6.03671 million through capitalization of capital surplus.Total capital was increased to NT$1,234,632,820, with an

authorized capital of NT$1,400,000,000.

November 2008: Repurchased treasury stock of NT$22 million, reducing the capital to $1,212,632,820, with an authorized capital of $1,400,000,000.

August 2009: The "Innovation Division" was established to develop bicycle brand business and other innovative businesses.
The bicycle brand "**VOLANDO**" was born.

March 2011: **VOLANDO** won the 2011 Taiwan Excellence Awards (three types of bike were awarded: road bike **ARLEX**, mountain bike **LAKAS**, and road bike **ALIB**).

May 2011: "Cultural and Creative Aesthetics Center" was established in O-TA.

July 2011: Was awarded "Taiwan's Top 100 Brands" as one of the top 100 brands in Taiwan!

December 2011: 1. The Company received the "Outstanding Enterprise Innovation Award" in the 1st National Industrial Innovation Award.

2. **VOLANDO**'s Premium **Carbon Bike** was again recognized by the 2012 Taiwan Excellence Awards (two types of bike were awarded: the carbon road bike- "**Emperor**" and the beautiful carbon mountain bike - "**Charming**").

3. The Investment Commission of MOEA approved the investment in Jiangxi O-TA Precision Technology Co., Ltd.

February 2012: O-TA's first directly-managed bicycle boutique, "O-TA ***VOLANDO*** Bicycle Boutique", held its grand opening on February 18.

September 2012: Received a silver medal from the Vocational Training Division of the Ministry of Labor, Executive Yuan for the TTQS training quality assessment (corporate version).

October 2012: The Taiwan Premium Road Bike ARLEX and Taiwan Premium Road Bike Frame Set were designated by National Science and Technology Museum for collection.

December 2012: 1. The O-TA super lightweight golf club- **AE-1/AE-2** won the 2013 Taiwan Excellence Award (the 21st round).

2. **VOLANDO** Premium Bike was again recognized by the 2013 Taiwan Excellence Awards (the 21st round). The awarded bike was the "super rigid, ultra-lightweight racing road bike **V1 Classico**".

April 2013: The new plant at Jiangxi O-TA began trial mass production.

June 2013: The new plant at Jiangxi O-TA officially went into mass production.

August 2013: The R&D team members won the 2013 Red Dot Design Concept Award in Germany.

September 2013: The **VOLANDO** bike "**Charming Snow**" won the 2013 Golden Pin Design Award.

October 2013: O-TA (8924-TW), Family Mart (5903-TW) and National Pingtung University of Science and Technology signed a strategic alliance cooperation agreement.

December 2013: 1. O-TA's premium and classic "Bamboo Weaving" putter was awarded the 22nd Taiwan Excellence Award.

2. O-TA's **VOLANDO** products have achieved consecutive successes. Once again, three **VOLANDO** bikes won the 2014 Taiwan Excellence Award (the 22nd round): "Carbon Fiber Race Frame and Wheelset/Vulcan", "650B Mountain Bike Tarzan", and "Time Trial/Ironman Dual Purpose Bike ｜T/T SOLO".

July 2014: Was awarded the 11th A+ rating for information disclosure by listed and OTC companies.

December 2014: The **VOLANDO** bike "**Charming Snow**" again won the 2014 China Red Star Design Award.

March 2015: The new factory Jiangxi O-TA was granted SGS ISO 9001 Certification for the first time. O-TA and Qilitian both passed the certification.

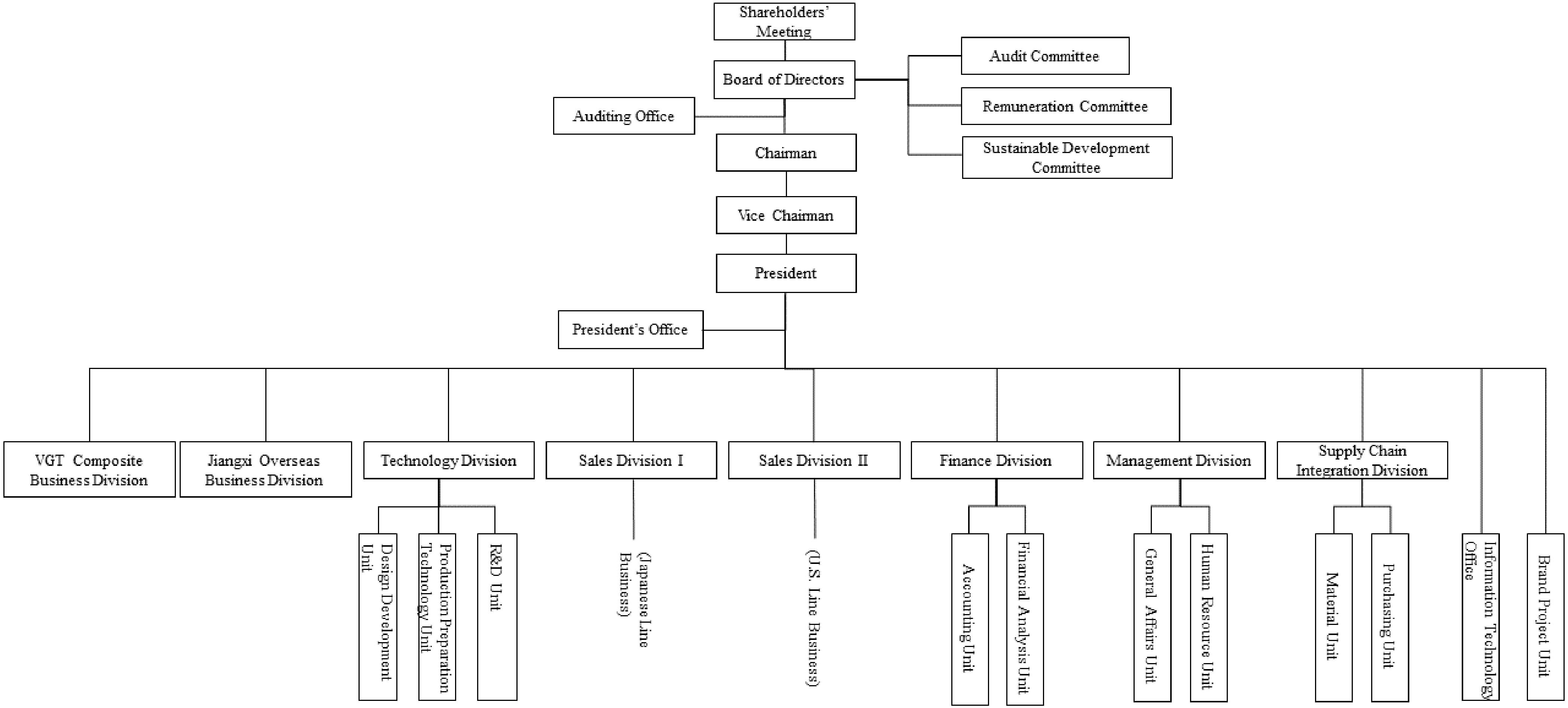
March 2015:	O-TA's **VOLANDO** hopes to provide the greatest support to Chinese Taipei Cycling Association and has been the title sponsor to support the Taiwan Freeride National Team for 2 years.
September 2015:	Jiangxi O-TA passed the certification of MIZUNO CSR.
October 2015:	**ALLTAS** stainless steel faucets are proudly exhibited at the "2015 Taiwan International Water Show".
November 2015:	**VOLANDO** won the Silver Award at 2015 DFA in Hong Kong with its **V1 TEAM**! (Design For Asia Awards, DFA).
November 2015:	O-TA's stainless steel drinking faucet was awarded the "Excellence in Casting and Technology Award" by the Taiwan Foundry Society.
December 2015:	**VOLANDO** won the 24th Taiwan Excellence Award: "Endurance Carbon Road Bike", "29er Dual Suspension Mountain Bike", and "Wheel Glorious Taiwan Road Bike", a total of 3 models were selected for the Taiwan Excellence Award, with a 100% selection rate. (12 models have been recognized with awards since the brand was founded.)
March 2016:	Passed the certification for "design and manufacture of stainless steel faucets and related accessories" from SGS ISO 9001 and obtained the certificate.
December 2016:	1. O-TA's **ALLTAS** stainless steel faucet premium series is the first product in Taiwan to obtain the "Certificate of Drinking Water Faucet Commodities Subject to Mandatory Inspection" from the Bureau of Standards, Metrology and Inspection, MOEA. 2. ***VOLANDO*** received the 25th Taiwan Excellence Award: "HT XC ELITE - Highly Rigid Mountain Bike **ELITE**" (13 bikes have been recognized with awards since the brand was founded).
June 2017:	Santian Golf Products (Shenzhen) Limited Company, the subsidiary of the Company, cancelled its company registration.
July 2017:	The automatic grinding process was introduced into mass production and the ERP system was successfully launched in Jiangxi O-TA.
July 2017:	The R&D team members won the 2017 Red Dot Design Concept Award (Water Hardware) in Germany.
August 2017:	Disposed 100% capital interest in the subsidiary Qilitian Golf Products (Shenzhen) Co., Ltd.
October 2017:	Implemented the automated and E-setting of product performance measurement.
December 2017:	**VOLANDO** won the 26th Taiwan Excellence Award: "Carbon Fiber Road Bike KULIAN" (14 bikes have been recognized with awards since the brand was founded).
January 2018:	The Investment Commission of MOEA approved the investment in VGT Composite Technology (Huizhou) Co., Ltd.
March 2018:	Successfully converted into SGS UKAS ISO 9001:2015 quality management system certification.
May 2018:	Automated grinding of iron golf heads for Japanese customers was successfully introduced into mass production.
July 2018:	The innovative design team members were awarded the 2018 Red Dot Design Concept Award in Germany.
July 2018:	Carried out a capital reduction of NT$374.63282 million. Total capital was decreased to NT$838 million, with an authorized capital of NT$1,400,000,000.
September 2018:	Jiangxi O-TA passed the CSR certification granted by MIZUNO customer.
December 2018:	**VOLANDO** won the 27th Taiwan Excellence Award: "Asia's Most Fascinating CHARMING Women's Road Bike". (15 bikes have been recognized with awards since the brand was founded).

December 2019:	The whole series of products have been successfully introduced into mass production with automated grinding.
December 2019:	**VOLANDO** received the 28th Taiwan Excellence Award: "Green Light FIT DISC GLR". (For 9 consecutive years since the brand was founded, 16 bikes have been recognized with awards).
March 2020:	The Board of Directors resolved that Inda Composite Technology (Shenzhen) Co., Ltd., in which the Company holds a 51% capital interest through an indirect investment in a third party, was to be dissolved and liquidated, and the main business of the company was to be undertaken by VGT Composite Technology (Huizhou) Co., Ltd.
June 2020:	The automated examination was successfully developed and introduced into mass production.
July 2020:	Successfully developed the high wear-resistant vacuum coating technology for mass production of golf equipment.
December 2020:	**VOLANDO** received the 2021 Taiwan Excellence Award: "LAKAS II", a sensitive conqueror of the mountains. (For 10 consecutive years since the brand was founded, 17 bikes have been recognized with awards).
December 2020:	Successfully developed a combination of heterogeneous materials applicable to golf heads.
March 2021:	Led the industry in developing the lightweight golf heads for new generation.
March 2021:	Successfully converted into SGS UKAS ISO 9001:2015 quality management system certification.
July 2021:	The innovative design team won the 2021 Red Dot Design Award_UNION 1 Handheld Shower Head.
December 2021:	The Company’s responsible person was awarded the 4th Kaohsiung City Top 10 Outstanding Citizens Award_Enterprise Innovation Group.
July 2022:	Ayaka Furue, a Bridgestone-sponsored female golf player, won the LPGA Scottish Open using O-TA’s patented golf club head made of carbon.
August 2022:	In 2021, O-TA was ranked the 5th among the 10 fastest growing company in terms of operating revenue and 6th among the 10 fastest growing companies in terms of profits, according to a survey conducted by CommonWealth Magazine.
November 2022:	O-TA PRECISION INDUSTRY CO., LTD. and National Pingtung University launched an industry-academia collaboration program titled “Golf Talents Cultivation using Smart Golf Simulated Training Premises,” aiming to continue promoting innovation, talent cultivation, technological integration, social responsibility, local engagement, and sustainable development in the golf industry, to bring benefits to all parties involved.

Three. Corporate Governance Report

I. Organization System

(I) Organization Chart



(II) Department Functions

1. President's Office: Provide the president with information regarding company operation, operation planning and strategy management, planning and integration for major projects, consultation and communication operation, external public relations management and internal administration.
2. Remuneration Committee: Regularly review the annual and long-term performance goals and the policy, standards and structure of compensation for directors and managers. Regularly evaluate the achievement of performance goals for directors and managers, and set the components and amount of their individual compensation.
3. Audit Committee: Supervise the adequacy of the Company's financial statements, the selection, independence and performance of the certified public accountants, the effectiveness of implementation of the Company's internal controls, the Company's compliance with relevant laws and regulations, and the control of the Company's existing or potential risks.
4. Sustainable Development Committee: The committee assists the Board of Directors to continuously promote the implementation of sustainable development and sustainable management, to improve corporate governance, protect the environment, and fulfill social responsibilities.
5. Auditing Office: Responsible for the implementation, maintenance and auditing of the company-wide internal control system and corporate governance related business matters.
6. Technology Division: Responsible for the product realization, trial production and tracking of the product and sample, transfer of manufacturing method and experience of product and sample to production units, design of manufacturing processes and process conditions, design of molds and manufacturing conditions, automation development and equipment improvement, research and development of key advanced technologies, new materials, new structures, new models, product design and other strategic topics, patent application and processing, and the construction and implementation of the comprehensive quality system operation mechanism from the phase of development to mass production for the entire company.
7. Finance Division: Responsible for the business of finance, accounting and cost management.
8. Management Division: Responsible for environmental protection and safety affairs, human resources planning, personnel recruitment, planning and management for training, implementation of labor insurance, health insurance and pension, and coordination and resolution for labor relations.
9. Supply Chain Integration Division: Integrate the subsidiaries' supply chain systems, including supplier management, cost management, logistics management, and the consolidation of production and sales information.
10. Information Technology Office: Responsible for information management, application system management, server system management, network communication management, database management, computer maintenance and service, cyber security management, etc.
11. Sales Division I: Responsible for the business for Japanese line customers, including the import and export matters, customer order processing, new customer development, customer relationship management, pre-information investigation and customer service.
12. Sales Division II: Responsible for the business for U.S. line customers, including the import and export matters, customer order processing, new customer development, customer relationship management, pre-information investigation and customer service.
13. Jiangxi Overseas Business Division: Manage all the affairs of overseas plants, including production and manufacturing, personnel, general affairs, finance, business, and customs.
14. Brand Business Unit: Responsible for bicycle store, sales and business, design and development for bicycle, quality assurance and production, sales, innovative design, hardware and other innovative business matters.
15. VGT Composite Business Division: Responsible for the production and management of carbon fiber composite materials, bicycle parts and accessories, automobile parts and accessories, as well as sporting goods, such as ice hockey, ice skating and skiing equipment.

II. Information on the Company's Directors, President, Vice President, Associate Vice President, and the Supervisors of All the Company's Divisions and Branch Units

(I) Directors' Information (1)

1. Directors' Information

March 26, 2023

Title (Note 1)	Nationality or Place of Registration	Name	Gender	Age	Date Elected (Date Assumed)	Term Expires	First Elected Date (Note 2)	Shares Held When Elected		Current Shareholding		Shares Currently Held by their Spouses and Minor Children		Shares Held in the Name of Another Person		Main Working (Education) Experience (Note 3)	Concurrent Positions in the Company and Other Companies	Having Spouse or a Relative within the Second Degree or Closer of other Managers, Directors, or Supervisors			Note (Note 4)
								Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%			Title	Name	Relationship	
Chairman	R.O.C.	LEE, KUNG-WEN	Male	71-80	May 26, 2022	3 years	April 20, 1996	7,272,408	8.68%	7,272,408	8.68%	2,657,560	3.17%	0	0%	Honorary Doctorate, National Pingtung University of Science and Technology; Department of Accounting, Ling Tung University; Chairman, O-TA Precision Industry Co., Ltd.; President, Hsiang-Hsing Construction Co., Ltd. Awarded the 4th Kaohsiung City Top 10 Outstanding Citizens Award_Enterprise Innovation Group	Chairman, O-TA Precision Industry Co., Ltd. ; Representative of Juristic Person Director, O-TA Golf Group Co.,Ltd., Harvest Fair International Limited, Jiangxi O-TA Precision Technology Co., Ltd., and VGT Composite Technology (Huizhou) Co., Ltd. ; Representative of Juristic Person Director, Formosa International Hotels Corporation	None	None	None	None
Vice Chairman	R.O.C.	LIN, CHON-CHEN	Male	71-80	May 26, 2022	3 years	June 13, 1988	529,065	0.63%	529,065	0.63%	10,577	0.01%	0	0%	Department of Industrial Engineering, National Taipei University of Technology; Vice Chairman, O-TA Precision Industry Co., Ltd. Vice President, Da-Yu Precision Casting Co., Ltd.	Vice Chairman, O-TA Precision Industry Co., Ltd.; Representative of Juristic Person Director, O-TA Golf Group Co.,Ltd., Harvest Fair International Limited, Jiangxi O-TA Precision Technology Co., Ltd., and VGT Composite Technology (Huizhou) Co., Ltd.; Chairman, Shanhua Industrial Co. Ltd.; Director, Yuncheng Chemical Industrial Co., Ltd.; Director, Sun Flower Gloves Co., Ltd.	None	None	None	None

Title (Note 1)	Nationality or Place of Registration	Name	Gender	Age	Date Elected (Date Assumed)	Term Expires	First Elected Date (Note 2)	Shares Held When Elected		Current Shareholding		Shares Currently Held by their Spouses and Minor Children		Shares Held in the Name of Another Person		Main Working (Education) Experience (Note 3)	Concurrent Positions in the Company and Other Companies	Having Spouse or a Relative within the Second Degree or Closer of other Managers, Directors, or Supervisors			Note (Note 4)
								Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%			Title	Name	Relationship	
Corporate Director	R.O.C.	NAN, FENG-HSING Co., Ltd. Corporate	None		May 26, 2022	3 years	May 10, 2007	7,650,386	9.13%	7,650,386	9.13%	0	0%	0	0%	None	None	None	None	None	None
Representative	R.O.C.	LAUREN-JACQUELINE PAN	Female	Below 30	May 26, 2022	3 years	May 26, 2022	0	0%	0	0%	0	0%	0	0%	B.A. in Psychology, Columbia University; Specialist, Global Administration, CTBC Bank Co., Ltd.	Representative of Juristic Person Director, O-TA Precision Industry Co., Ltd. ; Manager, Investment Division, Taiwan Life Insurance Co., Ltd.	Director	KRISTEN-JULIA PAN	Sister	None
Representative	R.O.C.	KRISTEN-JULIA PAN	Female	Below 30	May 26, 2022	3 years	May 26, 2022	0	0%	0	0%	0	0%	0	0%	B.S. in Cognitive Science, University of Southern California; Assistant Manager, Marketing and Communications Division, Formosa International Hotels Corporation	Representative of Juristic Person Director, O-TA Precision Industry Co., Ltd.; Designer, Rich Honour International Designs Co., Ltd.	Director	LAUREN-JACQUELINE PAN	Sister	None
Director	R.O.C.	LIN, HUN-CHER	Male	71-80	May 26, 2022	3 years	June 1, 1994	2,266,088	2.7%	2,266,088	2.7%	51,564	0.06%	0	0%	MBA, University of Detroit Mercy; Special Assistant to President's Office, Great Industrial Co., Ltd.; Director, O-TA Precision Industry Co., Ltd.; Chairman and President, Yuncheng Chemical Industrial Co., Ltd.; Director, Sun Flower Gloves Co., Ltd.	Director, O-TA Precision Industry Co., Ltd.	None	None	None	None

Title (Note 1)	Nationality or Place of Registration	Name	Gender	Age	Date Elected (Date Assumed)	Term Expires	First Elected Date (Note 2)	Shares Held When Elected		Current Shareholding		Shares Currently Held by their Spouses and Minor Children		Shares Held in the Name of Another Person		Main Working (Education) Experience (Note 3)	Concurrent Positions in the Company and Other Companies	Having Spouse or a Relative within the Second Degree or Closer of other Managers, Directors, or Supervisors			Note (Note 4)
								Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%			Title	Name	Relationship	
Independent Director	R.O.C.	CHEN, SHUH	Male	61-70	May 26, 2022	3 years	May 26, 2022	0	0%	0	0%	0	0%	0	0%	Ph.D., Business Administration, National Taiwan University; Chairman, Financial Supervisory Commission, R.O.C.; Administrative Deputy Minister, Ministry of Finance, R.O.C.; Counselor, Director of the 4th Task Force and Secretary-General, Executive Yuan, R.O.C.; Chairman, Securities Commission, Ministry of Finance, R.O.C.; Chairman, Taiwan Stock Exchange Corporation; Chairman, Taipei Exchange, R.O.C.	Independent Director, O-TA Precision Industry Co., Ltd.; Chairman, Central Investment Co., Ltd.; Adjunct Professor, Department of Accounting, National Chengchi University; Chairman, China Daily News; Chairman, Zhong Dao Association of Leadership & Culture Independent Director, Planet Technology Co., Ltd. Independent Director, Asia Cement Co., Ltd.	None	None	None	None
Independent Director	R.O.C.	HUANG, CHUNG-HUI	Male	61-70	May 26, 2022	3 years	June 23, 2016	0	0%	0	0%	0	0%	0	0%	Master of Management in Accounting, Department of Accountancy, National Cheng Kung University; Partner, EY Taiwan; Adjunct Professor, Southern Taiwan University of Science and Technology; Adjunct Lecturer, National Cheng Kung University; Independent Director, O-TA Precision Industry Co., Ltd.	Independent Director, T.Y.C. Brother Industrial Co., Ltd.; Independent Director, Nam Liong Global Co., Ltd.; Independent Director, Fu Chun Shin Machinery Manufacture Co., Ltd.; Independent Director, O-TA Precision Industry Co., Ltd.;	None	None	None	None
Independent Director	R.O.C.	CHANG, TIEN-SHENG	Male	61-70	May 26, 2022	3 years	June 6, 2019	0	0%	0	0%	0	0%	0	0%	Ph.D., Mechanical Engineering, University of Maryland, college park; Department of Mechanical Engineering, National Chiao Tung University; Science and Technology Advisor, Department of Industrial Technology, Ministry of Economic Affairs; Chief, Center of	Independent Director, O-TA Precision Industry Co., Ltd.	None	None	None	None

Title (Note 1)	Nationality or Place of Registration	Name	Gender	Age	Date Elected (Date Assumed)	Term Expires	First Elected Date (Note 2)	Shares Held When Elected		Current Shareholding		Shares Currently Held by their Spouses and Minor Children		Shares Held in the Name of Another Person		Main Working (Education) Experience (Note 3)	Concurrent Positions in the Company and Other Companies	Having Spouse or a Relative within the Second Degree or Closer of other Managers, Directors, or Supervisors			Note (Note 4)
								Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%			Title	Name	Relationship	
																Industrial Innovation Patent, National Pingtung University of Science and Technology; Professor and Chairman, Graduate Institute of Management of Innovation and Technology, National Pingtung University of Science and Technology; Independent Director, O-TA Precision Industry Co., Ltd.					

Note 1: The names of the institutional shareholder and its representative should be listed separately (for the representative of the institutional shareholder, the name of the institutional shareholder should be indicated).
Note 2: Fill in the time when the director or supervisor was first elected for the Company, and include a note if there was an interruption.
Note 3: Experience related to current position is provided. If the director or supervisor have worked for a certified public accounting firm or a related company during the preceding period, the title and responsibilities of the position held should be specified.
Note 4: If the Chairman and the President or any equivalent person (top manager) are the same person, spouses or relatives within one degree of kinship, the reasons, reasonableness, necessity and measures (such as increasing the number of seats of independent directors and having more than half of the directors who are not also employees or managers, etc.) should be specified.

2. Major Institutional Shareholders

March 26, 2023

Name of Institutional Shareholder (Note 1)	Name of Major Shareholders (Note 2)
Nan Feng Xin Co., Ltd.	World Commerce Co., Ltd. (BVI.) (99.74%) PAN,SY-LIANG (0.26%)

Note 1: If the director or supervisor is a representative of a institutional shareholder, the name of the name of the institutional shareholder should be specified.
Note 2: Fill in the names of the major institutional shareholders (the top 10 shareholders in terms of their shareholding) and each of their percentage of shareholding. Fill in the names of the major institutional shareholders.
Note 3: If a institutional shareholder is not a corporate entity, the name of the shareholder and the percentage of shareholding disclosed in the preceding paragraph shall be the name of the contributor or donor (please refer to the announcement of the Judicial Yuan) and the percentage of contribution. If the contributor is deceased, "deceased" should be added.

3. Principal shareholder of corporate shareholders with a juridical person as its major shareholder

The Company is unable to disclose this information since World Commerce Co., Ltd. (BVI.) has not provided the Company with its register of shareholders.

(II) Directors' Information (2)

1. Directors' Professional Knowledge and Independent Information

March 26, 2023

<table>
<tr><th>Criteria / Name</th><th>Professional Qualification and Experience (Note 1)</th><th>Independence Status (Note 2)</th><th>Number of Companies also Serves as Independent Director for</th></tr>
<tr><td>Chairman LEE, KUNG-WEN</td><td>With an Honorary Doctorate of National Pingtung University of Science and Technology, he has extensive financial accounting experience and has been involved in the golf industry for more than 20 years. For more information on the education and work experience, please refer to the Directors' Information on p.13 of this annual report. There is no event under Article 30 of the Company Act.</td><td>(1) No event under Article 27 of the Company Act that prohibits an elected government official, juristic person, or their authorized representatives from being a director or supervisor of the Company.</td><td>None</td></tr>
<tr><td>Vice Chairman LIN, CHON-CHEN</td><td>With more than 30 to 40 years of experience in the golf industry, he is one of the leading players in the golf industry in Taiwan and a celebrity in the golf industry in Japan. For more information on the education and work experience, please refer to the Directors' Information on p.13 of this annual report. There is no event under Article 30 of the Company Act.</td><td>(1) No compensation received for business, legal, financial, or accounting services provided to the Company or its affiliates in the last two years.
(2) No event under Article 27 of the Company Act that prohibits an elected government official, juristic person, or their authorized representatives from being a director or supervisor of the Company.</td><td>None</td></tr>
<tr><td>Representative of Juristic Person Director LAUREN-JACQUELINE PAN</td><td>She is currently the Manager of the Investment Division of Taiwan Life Insurance Co., Ltd., with previous experience at CTBC Bank Co., Ltd. as the Specialist of Global Administration Division. She possesses expertise in investment analysis. For more information on education and work experience, please refer to the Directors' Information on p.14 of this annual report. There is no event under Article 30 of the Company Act.</td><td rowspan="2">(1) Not a director, supervisor or employee of the Company or its affiliates.
(2) Not holding any shares of the company.
(3) Not a director, supervisor or employee of a company with which the Company has a specific relationship.
(4) No compensation received for business, legal, financial, or accounting services provided to the Company or its affiliates in the last two years.</td><td>None</td></tr>
<tr><td>Representative of Juristic Person Director KRISTEN-JULIA PAN</td><td>She is currently the Designer of Rich Honour International Designs Co., Ltd., with previous experience as the Assistant Manager of Marketing and Communications Division at Formosa International Hotels Corporation. She possesses expertise in design and marketing. For more information on education and work experience, please refer to the Directors' Information on p.14 of this annual report. There is no event under Article 30 of the Company Act.</td><td>None</td></tr>
</table>

Name \ Criteria	Professional Qualification and Experience (Note 1)	Independence Status (Note 2)	Number of Companies also Serves as Independent Director for
Director LIN, HUN-CHER	He was formerly the Chairman and President of Yuncheng Chemical Industrial Co., Ltd. As the domestic pioneer in the production of nano-colloidal calcium carbonate and light calcium carbonate related product by chemical synthesis, he is actively promoting the automation process of the Company. For more information on education and work experience, please refer to the Directors' Information on p.14 of this annual report. There is no event under Article 30 of the Company Act.	(1) Not a director, supervisor or employee of the Company or its affiliates. (2) Not a director, supervisor or employee of a company with which the Company has a specific relationship. (3) No compensation received for business, legal, financial, or accounting services provided to the Company or its affiliates in the last two years. (4) No event under Article 27 of the Company Act that provides for the election of the government agency, juristic person or their authorized representatives as the director or supervisor of the Company.	None
Independent Director CHEN, SHUH	He is the Adjunct Professor of Department of Accounting at National Chengchi University with CPA qualification, and is currently the Chairman of Central Investment Co., Ltd and the Chairman of Zhong Dao Association of Leadership & Culture. For more information on education and work experience, please refer to the Directors' Information on p.15 of this annual report. The Company has obtained a declaration that there is no event under Article 30 of the Company Act.	(1) Not a director, supervisor or employee of the Company or its affiliates. (2) Not holding any shares of the company. (3) Not a director, supervisor or employee of a company with which the Company has a specific relationship. (4) No compensation received for business, legal, financial, or accounting services provided to the Company or its affiliates in the last two years. (5) No event under Article 27 of the Company Act that prohibits an elected government official, juristic person, or their authorized representatives from being a director or supervisor of the Company.	2
Independent Director HUANG, CHUNG-HUI	As the Adjunct Lecturer of National Cheng Kung University and the Adjunct Professor of Southern Taiwan University of Science and Technology, he is a certified CPA and was formerly the Partner with EY Taiwan. For more information on education and work experience, please refer to the Directors' Information on p.15 of this annual report. The Company has obtained a declaration that there is no event under Article 30 of the Company Act.		3
Independent Director CHANG, TIEN-SHENG	He was formerly the Professor of Graduate Institute of Management of Innovation and Technology at National Pingtung University of Science and Technology and the Science and Technology Advisor of Department of Industrial Technology at Ministry of Economic Affairs. For more information on education and work experience, please refer to the Directors' Information on p.15 of this annual report. The Company has obtained a declaration that there is no event under Article 30 of the Company Act.		0

Note 1: Professional Qualifications and Experience: The professional qualifications and experience of individual directors and supervisors should be specified. If they are members of the Audit Committee and have expertise in accounting or finance, their accounting or financial background and work experience and whether they have any of the events described under Article 30 of the Company Act should be specified.
Note 2: For independent directors, their circumstances that satisfy the independence status should be specified.

2. Diversity and Independence within the Board of Directors

(1) Diversity of the Board of Directors: The Company has specified in Article 20 of the "Corporate Governance Best Practice Principles" the policy of diversity in the composition of the members of the Board of Directors and the implementation of the diversity policy by the members of the Board of Directors.

Diversity Core Items / Name of Directors	Gender	Nationality	With Employee Status	Age				Independent Director Tenure			Business Judgment Competency	Accounting and Financial Analysis Competency	Business Management Competency	Crisis Management Competency	Industry Knowledge	International Market Insights	Leadership Skills	Decision-making Skills	Law	ESG Expertise
				Below 30	…	61-70	71-80	Less than 3 years	3-9 years	More than 9 years										
LEE, KUNG-WEN	Male	R.O.C.	V				V				V	V	V	V	V	V	V	V		
LIN,CHUNG-CHIEN	Male	R.O.C.					V				V	V	V	V	V	V	V	V		
LIN, HUN-CHER	Male	R.O.C.					V				V		V	V		V	V	V	V	
Nan Feng Xin Co., Ltd. - Lauren-Jacqueline Pan	Female	R.O.C.		V							V	V	V			V	V	V		V
Nan Feng Xin Co., Ltd. - Kristen-Julia Pan	Female	R.O.C.		V							V	V	V			V	V	V		V
CHEN, SHUH	Male	R.O.C.				V		V			V	V	V	V		V	V	V	V	V
HUANG, CHUNG-HUI	Male	R.O.C.				V			V		V	V		V		V		V	V	
CHANG, TIEN-SHENG	Male	R.O.C.				V			V		V		V	V	V	V		V		V

The 13th Board of Directors consists of 8 seats (including 3 seats of independent directors), each with a 3-year tenure of office which may be re-elected. All the members of the Board of Directors are nationals. The composition of the Board of Directors includes 37.5% of independent directors and 12.5% of directors with employee status; the age distribution of members is 25% below the age of 30, 37.5% aged 61-70 and 37.5% aged 71-80. In response to the promotion of ESG, the Board of Directors has made 50% of its members with ESG expertise. In consideration of gender equality and rejuvenation in the composition of the Board of Directors, the Company has made 25% of the directors female and 25% of directors under 30 years old, actively implementing the policy of diversity. The members of Board of Directors are distinguished people from both the industry and academia: Director LEE, KUNG-WEN and Director LIN, CHON-CHEN have extensive industry experience; Director LAUREN-JACQUELINE PAN has expertise in investment analysis; Director KRISTEN-JULIA PAN has expertise in marketing and design; Director LIN, HUN-CHER actively promotes automatic production; Independent Director CHEN, SHUH has extensive industry experience to assist the company in promoting ESG; Independent Director HUANG, CHUNG-HUI is qualified with a CPA license and has extensive experience in practice; Independent Director CHANG, TIEN-SHENG was formerly the Science and Technology Advisor of the Department of Industrial Technology at Ministry of Economic Affairs, specializing in technology and patents. The directors of diverse backgrounds actively participate in the board of directors' meetings, creating maximum value for the Company.

(2) Independence of the Board of Directors: The Board of Directors of the Company sets 8 seats of directors according to the scale of operations and the requirement of development, of which 3 seats are independent directors. The number of independent directors accounts for 37.5% of the total number of directors. None of the independent director has served more than 3 terms. For the independence status of independent directors, please refer to the Directors' Information (2) on p.17~18 of this annual report. Except for Director LAUREN-JACQUELINE PAN and Director KRISTEN-JULIA PAN, who are relatives within second degree of kinship, there are no spouses or relatives within second degree of kinship among the directors.

(III) Information of the Directors, President, Vice President, Associate Vice President, and Managers of Each Division and Branch Office

March 26, 2023

Title (Note 1)	Nationality	Name	Gender	Date Elected (Date Assumed)	Shareholding		Shares Currently Held by their Spouses and Minor Children		Shares Held in the Name of Another Person		Main Working (Education) Experience (Note 2)	Concurrent Positions at Other Companies	Managers with Spouses or Relatives within Second Degree of Kinship			Note (Note 3)
					Number of Shares	%	Number of Shares	%	Number of Shares	%			Title	Name	Relationship	
President	R.O.C.	HSU, JUNG-MIN	Male	January 1, 2017	0	0%	0	0%	0	0%	Graduate Studies in Technology Management (Doctoral Program), National Taiwan University of Science and Technology; Master, Business Administration, National Taiwan University; Master, Architecture, Tamkang University; Bachelor, Civil and Construction Engineering, National Taiwan University of Science and Technology; Chief Operating Officer, Globe Union Industrial Co., Ltd.; Chief Operating Officer, Airmate Electrical (Shenzhen) Co., Ltd.; Business Manager, IBM Taiwan Corporation	Representative of Juristic Person Director, Jiangxi O-TA Precision Technology Co., Ltd.; President, Jiangxi O-TA Precision Technology Co., Ltd..	None	None	None	None
Technology Division Vice President	R.O.C.	WANG, SHIH-CHEN	Female	July 1, 2019	0	0%	0	0%	0	0%	Department of Chemical Engineering, Cheng Shiu University; Manager, Quality Management, Da-Cheng Precision Casting Co., Ltd.; Manager, Quality Management, Da-Yu Precision Casting Co., Ltd.; Factory Manager and Vice President, Qilitian Golf Products (Shenzhen) Co., Ltd.; President, Jiangxi O-TA Precision Technology Co., Ltd. Vice President, President's Office, O-TA Precision Technology Co., Ltd.	None	Associate Vice President	WANG, SHIH-LAN	Sister	None
VGT Composite Material Sales Division Vice President	R.O.C.	CHEN, WEN-HSIANG	Male	April 1, 2020	0	0%	0	0%	0	0%	Ph.D., Engineering Science and Ocean Engineering, National Taiwan University; Master, Engineering Science and Ocean Engineering, National Taiwan University; Vice President, Chin Shang Industrial Co., Ltd.; Researcher and Technology Advisor, Material & Chemical Science, Industrial Technology Research Institute Assistant Professor, Tungnan University; Associate Professor, National Kaohsiung Marine University; Manager, Material & Chemical Science, Industrial Technology Research Institute	Representative of Juristic Person Director, VGT Composite Technology (Huizhou) Co., Ltd.; President, VGT Composite Technology (Huizhou) Co., Ltd.	None	None	None	None
Finance Division Associate Vice President	R.O.C.	LEE, CHUNG-MU	Male	September 1, 2017	10,000	0.01%	0	0%	0	0%	Bachelor, Accounting, Tamkang University Manager, Auditing Division, UHY L&C Company, CPAs; Manager, Management Division, O-TA Precision Industry Co., Ltd.	Representative of Juristic Person Director, Harvest Fair International Limited; Supervisor, Jiangxi O-TA Precision Technology Co., Ltd.; Supervisor, VGT Composite Technology (Huizhou) Co., Ltd.	None	None	None	None

Title (Note 1)	Nationality	Name	Gender	Date Elected (Date Assumed)	Shareholding		Shares Currently Held by their Spouses and Minor Children		Shares Held in the Name of Another Person		Main Working (Education) Experience (Note 2)	Concurrent Positions at Other Companies	Managers with Spouses or Relatives within Second Degree of Kinship			Note (Note 3)
					Number of Shares	%	Number of Shares	%	Number of Shares	%			Title	Name	Relationship	
Jiangxi Overseas Sales Division Special Assistant to President's Office	R.O.C.	CHUNG, CHIN-FENG	Male	January 2, 2018	0	0%	0	0%	0	0%	Bachelor, Mechanical Engineering, Nanya Institute of Technology; Manager, Engineering Division, Bai-Na Plastic (Dongguan) Co., Ltd.; Manager, Manufacturing Division I, Jabil Green Point Tianjin Plastics Co., Ltd.; Vice Manager, MMI Sales Division, Ichia Electronics (Suzhou) Co., Ltd.; Manager, Management Division and Professional Factory Division, Globe Union Industrial Co., Ltd.	None	None	None	None	None
President’s Office and Management Division Associate Vice President	R.O.C.	CHIEN, MEI-E	Female	June 1, 2021	8,000	0.01%	0	0%	0	0%	Diploma in International Business, Yung Ta Institute of Technology & Commerce; Clerk, Production Management Division, Mei Zhi Mei Co., Ltd.; Manager, Production Management Division, Qilitian Golf Products (Shenzhen) Co., Ltd.; Manager, Production and Sales Division and Supply Chain Management Center, O-TA Precision Industry Co., Ltd.	None	None	None	None	None
Associate Vice President, Sales Division I	R.O.C.	WU, JOU-YING	Female	June 1, 2021	0	0%	0	0%	0	0%	Diploma in Japanese, Bunka Institute Of Language (Japan); Secretary, Chi Sheng Co., Ltd.; Assistant Manager, Sales Division, Charng Yaw Business Co., Ltd.; Manager, Sales Division II, O-TA Precision Industry Co., Ltd.	None	None	None	None	None
Sales Division II Associate Vice President	R.O.C.	WANG, SHIH-LAN	Female	June 1, 2021	5,000	0.01%	0	0%	0	0%	Bachelor, German Language and Culture, Fu Jen Catholic University; Secretary to President, Jemmytex International Co., Ltd.; Floor Manager, Evergeen Department Co., Ltd.; Secretary to President, Audio & Electrical Supplies Ltd.; Sales clerk, Behavior Tech Computer Co., Ltd.; Manager, Sales Division I, O-TA Precision Industry Co., Ltd.	None	Vice President	WANG, SHIH-CHEN	Sister	None
Jiangxi Overseas Sales Division Associate Vice President	R.O.C.	FEI,YU-JEN	Male	November 11, 2022	5,129	0.01%	0	0%	0	0%	Master, Mechanical Engineering, National Pingtung University of Science and Technology; Quality Assurance Officer (before military service), Yi Shin Co., Ltd.; Lieutenant (discharge), Aviation and Special Forces Command (R.O.C. Army); Factory Manager, Jiangxi O-TA Precision	None	None	None	None	None

Title (Note 1)	Nationality	Name	Gender	Date Elected (Date Assumed)	Shareholding		Shares Currently Held by their Spouses and Minor Children		Shares Held in the Name of Another Person		Main Working (Education) Experience (Note 2)	Concurrent Positions at Other Companies	Managers with Spouses or Relatives within Second Degree of Kinship			Note (Note 3)
					Number of Shares	%	Number of Shares	%	Number of Shares	%			Title	Name	Relationship	
											Technology Co., Ltd.; Manager, Jiangxi Overseas Sales Division, O-TA Precision Industry Co., Ltd.					
Supply Chain Integration Division Associate Vice President	R.O.C.	CHUNG, CHENG-YI	Male	November 11, 2022	10,080	0.01%	0	0%	0	0%	Master, Business Administration, National Pingtung University of Science and Technology; Management Associate (Specialist), Production Management Division, Feu Jang Enterprise Co., Ltd.; Head of Production Management Unit, O-TA Precision Industry Co., Ltd.; Manager, President's Office, O-TA Precision Industry Co., Ltd.; Manager, Purchasing Unit, O-TA Precision Industry Co., Ltd.	None	None	None	None	None

Note 1: Information of the President, Vice President, Associate Vice President, Managers of each division and branch office, and anyone whose position is equivalent to the President, Vice President or Associate Vice President, regardless of the title, shall be disclosed.
Note 2: Experience related to current position is provided. If the director or supervisor have worked for a certified public accounting firm or a related company during the preceding period, the title and responsibilities of the position held should be specified.
Note 3: If the President or any equivalent person (top manager) and the Chairman are the same person, spouses or relatives within one degree of kinship, the reasons, reasonableness, necessity, and measures (such as increasing the number of seats of independent directors and having more than half of the directors who are not also employees or managers, etc.) should be specified.

III. Remuneration paid to Directors, President, and Vice President

If any of the following conditions applies, the Company shall disclose the names and remuneration of the directors or supervisors on an individual basis or, at its option, by aggregating the names under each range of remuneration:

1. For the company whose individual financial statements in the last three years presented after-tax losses, except for those whose individual financial statements had generated after-tax net income in the most recent year and the profits were sufficient to cover the accumulated losses: None.
2. If there is a shortfall in the percentage of shares held by directors for at least three consecutive months in the most recent year, the remuneration of individual directors shall be disclosed; If there is a shortfall in the percentage of shares held by supervisors for at least three consecutive months in the most recent year, the remuneration of individual supervisors shall be disclosed: None.
3. If the average pledge ratio of directors and supervisors for any three months of the most recent year is greater than 50%, the remuneration of individual directors and supervisors whose pledge ratio is greater than 50% for those months shall be disclosed: None.
4. All directors and supervisors receive remuneration of more than 2% of the net income after tax of the financial statements, and individual directors or supervisors receive remuneration of more than NT$15 million: None.
5. If the results of the most recent corporate governance evaluation are at the last level, or if there has been a change in transaction method, suspension of trading, termination of listing as of the most recent year and the publication of this annual report, or if the Corporate Governance Evaluation Committee has passed the resolution that the company should not be evaluated: None.
6. The average annual salary of full-time employees not holding management positions in the most recent year did not reach NT$500,000: None.

(I) Remuneration of Directors and Independent Directors

December 31, 2022 ; Unit: NT$ thousands

Title	Name (Note 1)	Compensation of Directors								Percentage of A, B, C and D to net profit after tax (Note 10)		Relevant remuneration of part-time personnel								Percentage of A, B, C, D, E, F and G to net profit after tax (Note 10)		Any remuneration from other invested businesses apart from subsidiaries (Note 11)
		Remunerations (A) (Note 2)		Retirement allowance (B)		Remuneration from distribution of earnings (C) (Note 3)		Business execution expenses (D) (Note 4)				Remuneration, money award and special expenses etc. (E) (Note 5)		Retirement allowance (F)		Employee profit sharing from earnings distribution (G) (Note 6)						
		The Company	All companies within the consolidated financial statement (Note 7)	The Company	All companies within the consolidated financial statement (Note 7)	The Company	All companies within the consolidated financial statement (Note 7)	The Company	All companies within the consolidated financial statement (Note 7)	The Company	All companies within the consolidated financial statement (Note 7)	The Company	All companies within the consolidated financial statement (Note 7)	The Company	All companies within the consolidated financial statement (Note 7)	The Company		All companies within the consolidated financial statement (Note 7)		The Company	All companies within the consolidated financial statement (Note 7)	
																Cash dividends	Stock dividends	Cash dividends	Stock dividends			
Directors	LEE, KUNG-WEN LIN, CHON-CHEN LIN, HUN-CHER Nan Feng Xin Co., Ltd. Representative: PAN, SY-LIAN (Note 12) Nan Feng Xin Co., Ltd. Representative: CHANG, TIEN-JIN (Note 12) Nan Feng Xin Co., Ltd. Representative: LAUREN-JACQUELINE PAN (Note 12) Nan Feng Xin Co., Ltd. Representative: KRISTEN-JULIA PAN (Note 12)	2,904	2,904	0	0	29,573	29,573	397	397	32,874 1.83%	32,874 1.83%	0	0	0	0	0	0	0	0	32,874 1.83%	32,874 1.83%	None
Independent Directors	CHEN, SHUH (Note 12) HUANG, CHUNG-HUI TSAI, CHING-TIEN (Note 12) CHANG, TIEN-SHENG	1,792	1,792	0	0	3,000	3,000	147	147	4,939 0.28%	4,939 0.28%	0	0	0	0	0	0	0	0	4,939 0.28%	4,939 0.28%	None

1. Please state the policy, system, standards and structure of independent directors' remuneration, and describe the correlation with the amount of remuneration according to the responsibilities, risks, and investment time:
In accordance with Article 21 of the Company's Articles of Incorporation, the Remuneration Committee shall consider the extent of each director's participation in the Company's operations, the value of his or her contributions and the performance evaluation, and recommend a reasonable and fair amount of remuneration with reference to the industry standards, and submit the resolutions of remuneration to the Board of Directors for approval.
2. Other than disclosure in the above table, Directors remunerations earned by providing services (e.g. providing consulting services as a non-employee) to the Company and all consolidated entities in the most recent financial statements: None.

Range of Remunerations for the President and Vice Presidents

Range of remunerations paid to directors	Name of Directors			
	Summation of the first 4 items (A+B+C+D)		Summation of the first 7 items (A+B+C+D+E+F+G)	
	The Company (Note 8)	All companies involved in financial statement (Note 9)	The Company (Note 8)	All companies involved in financial statement (Note 9)
Under NT$1,000,000	Ordinary director: Nan Feng Hsing Co., Ltd. Representatives: PAN, SY-LIAN; CHANG, TIEN-JIN; Lauren-Jacqueline Pan; CHANG, YUN-CHEN Independent Directors:TSAI, CHING-TIEN	Ordinary director: Nan Feng Hsing Co., Ltd. Representatives: PAN, SY-LIAN; CHANG, TIEN-JIN; Lauren-Jacqueline Pan; CHANG, YUN-CHEN Independent Directors:TSAI, CHING-TIEN	Ordinary director: Nan Feng Hsing Co., Ltd. Representatives: PAN, SY-LIAN; CHANG, TIEN-JIN; Lauren-Jacqueline Pan; CHANG, YUN-CHEN Independent Directors:TSAI, CHING-TIEN	Ordinary director: Nan Feng Hsing Co., Ltd. Representatives: PAN, SY-LIAN; CHANG, TIEN-JIN; Lauren-Jacqueline Pan; CHANG, YUN-CHEN Independent Directors:TSAI, CHING-TIEN
NT$1,000,000 (included) ~ NT$2,000,000 (excluded)	Independent Directors: HUANG, CHUNG-HUI; CHANG, TIEN-SHENG; CHEN SHUH	Independent Directors: HUANG, CHUNG-HUI; CHANG, TIEN-SHENG; CHEN SHUH	Independent Directors: HUANG, CHUNG-HUI; CHANG, TIEN-SHENG; CHEN SHUH	Independent Directors: HUANG, CHUNG-HUI; CHANG, TIEN-SHENG; CHEN SHUH
NT$2,000,000 (included) ~ NT$3,500,000 (excluded)				
NT$3,500,000 (included) ~ NT$5,000,000 (excluded)				
NT$5,000,000 (included) ~ NT$10,000,000 (excluded)	Directors: LIN, CHON-CHEN; LIN, HUN-CHER	Directors: LIN, CHON-CHEN; LIN, HUN-CHER	Directors: LIN, CHON-CHEN; LIN, HUN-CHER	Directors: LIN, CHON-CHEN; LIN,HUNG-CHE
NT$10,000,000 (included) ~ NT$15,000,000 (excluded)	Director: LEE, KUNG-WEN	Director: LEE, KUNG-WEN	Director: LEE, KUNG-WEN	Director: LEE, KUNG-WEN
NT$15,000,000 (included) ~ NT$30,000,000 (excluded)				
NT$30,000,000 (included) ~ NT$50,000,000 (excluded)				
NT$50,000,000 (included) ~ NT$100,000,000 (excluded)				
Over NT$100,000,000				
Total	11 directors	11 directors	11 directors	11 directors

Note 1: The names of directors should be listed separately (and the names of the institutional shareholder and its representative should be listed separately). The payment for each director should be disclosed in aggregate amount by listing the directors and independent directors separately. If a director is also the President or Vice President, he/she shall fill in this table and the table (III) below.
Note 2: Refers to the compensation of directors in the most recent year (including directors' salaries, salary allowance, severance pay, various bonuses and incentive payments, etc.).
Note 3: Fill in the amount of directors' remuneration approved by the Board of Directors for the most recent year, with the amount rounded to the nearest thousand dollars.
Note 4: Refers to the related expenses of the directors for the most recent year (including travel expenses, special expenses, various allowances, or in-kind payment such as housing, vehicles, etc.) When housing, vehicles and other transportation means or personal expenses are provided, the nature and the cost of the assets provided should be disclosed. The rental, the fuel cost and other payment of actual amount or the amount based on fair market value should be disclosed. If a driver is provided, please include a note disclosing the amount of compensation paid for the driver by the Company. The relevant compensation shall not be counted as directors’ remuneration.
Note 5: Refers to the salaries, salary allowance, severance pay, bonuses, incentive payments, travel expenses, special expenses, various allowance and in-kind payments, such as housing and vehicles, received in the most recent year by a director who is also an employee (including the president, vice presidents, other managers and employees). When housing, vehicles and other transportation means or personal expenses are provided, the nature and the cost of the assets provided should be disclosed. The rental, the fuel cost and other payment of actual amount or the amount based on fair market value should be disclosed. If a driver is provided, please include a note disclosing the amount of compensation paid for the driver by the Company. The relevant compensation shall not be counted as directors’ remuneration. Salary expenses recognized in accordance with IFRS 2, "Share-based Payment," including the acquisition of employee share options, restricted stock awards, and cash-settled share-based payment transactions, should also be included in the computation of remuneration.
Note 6: For the amount of employee compensation (including shares and cash) received by a director who is also an employee (including the president, vice president, other managers and employees) in the most recent year, the distribution of employee compensation as approved by the Board of irectors in the most recent year should be disclosed. If it is not possible to estimate the amount, the proposed distribution of compensation for this year shall be calculated in proportion to the actual distribution of compensation last year.
Note 7: The total amount of remuneration paid to the Company's directors by all companies involved in the consolidated financial statement (including the Company) should be disclosed.
Note 8: The total amount of remuneration paid by the Company to each director is disclosed in the name of the director at the remuneration range to which the director belongs.

Note 9: The total amount of remuneration paid to the Company's directors by all companies involved in the consolidated financial statement (including the Company) should be disclosed in the name of the director at the remuneration range to which the director belongs.
Note 10: Net income after tax refers to the net income after tax reported in the individual financial statement of the most recent year NT$1,793,142 thousand.
Note 11: a. Please clearly disclose in this column the amount of remuneration received by the directors of the Company from businesses other than subsidiaries or from the parent company (if none of the above applies, please fill in "none").
b. If a director of the Company receives remuneration from the invested businesses other than subsidiaries or the parent company, the remuneration received by the director of the Company from the invested businesses other than subsidiaries or the parent company should be disclosed in Column I of the table of remuneration range, and the title of the column should be changed to "Parent Company and All Invested Businesses".
c. Remuneration refers to the compensation, remuneration (including remuneration to employees, directors and supervisors) and business-related expenses received by the directors of the Company in their capacity as directors, supervisors or managers of the invested businesses other than subsidiaries or the parent companies.
Note 12: PAN, SY-LIAN; CHANG, TIEN-JIN and TSAI, CHING-TIEN were discharged at May 26, 2022. LAUREN-JACQUELINE PAN; KRISTEN-JULIA PAN and CHEN-SHU were elected on May 26, 2022.
The remuneration disclosed in this table is different from the income defined under the Income Tax Act. The purpose of this table is for information disclosure rather than for tax purposes.

(II) Remuneration Paid to the President and Vice Presidents

December 31, 2022 ; Unit: NT$ thousands

Title	Name (Note 1)	Remunerations (A) (Note 2)		Retirement allowance (B)		Money award and special expenses etc. (C) (Note 3)		Earning distribution as dividends for personnel (D) (Note 4)				Percentage of A, B, C and D to net profit after tax (%) (Note 8)		Any remuneration from other invested businesses apart from subsidiaries (Note 9)
		The Company	All companies involved in financial statement (Note 5)	The Company	All companies involved in financial statement (Note 5)	The Company	All companies involved in financial statement (Note 5)	The Company		All companies involved in financial statement (Note 5)		The Company	All companies involved in financial statement (Note 5)	
								Cash dividends	Stock dividends	Cash dividends	Stock dividends			
President	HSU, JUNG-MIN	6,629	6,629	409	409	635	635	10,393	0	10,393	0	18,066 1.01%	18,066 1.01%	None
Vice President	WANG, SHIH-CHEN													
Vice President	CHEN, WEN-HSIANG													

Note: This is the retirement allowance accrued in accordance with the law, hence there is no actual payment of retirement allowance.
*Regardless of the title, any position equivalent to that of a president or vice president (e.g., president, chief executive officer, director, etc.) should be disclosed.

Range of Remunerations for the Management Team

Range of remuneration paid to presidents and vice presidents	Names of Presidents and Vice Presidents	
	The Company (Note 6)	All companies involved in financial statement (Note 7)
Under NT$1,000,000		
NT$1,000,000 (included) ~ NT$2,000,000 (excluded)		
NT$2,000,000 (included) ~ NT$3,500,000 (excluded)		
NT$3,500,000 (included) ~ NT$5,000,000 (excluded)	WANG, SHIH-CHEN; CHEN, WEN-HSIANG	WANG, SHIH-CHEN; CHEN, WEN-HSIANG
NT$5,000,000 (included) ~ NT$10,000,000 (excluded)	HSU, JUNG-MIN	HSU, JUNG-MIN
NT$10,000,000 (included) ~ NT$15,000,000 (excluded)		
NT$15,000,000 (included) ~ NT$30,000,000 (excluded)		
NT$30,000,000 (included) ~ NT$50,000,000 (excluded)		
NT$50,000,000 (included) ~ NT$100,000,000 (excluded)		
Over NT$100,000,000		
Total	3	3

Note 1: The names of presidents and vice presidents should be listed separately. The payment for each president and vice president should be disclosed in an aggregate amount. If a director is also the president or vice president, this table and table (I) above should be disclosed.

Note 2: Refers to the salaries, salary allowance, severance pay received by the presidents or vice presidents in the most recent year.

Note 3: Refers to the bonuses, incentive payments, travel expenses, special expenses, various allowance and in-kind payments, such as housing and vehicles, received in the most recent year by the presidents and vice presidents. When housing, vehicles and other transportation means or personal expenses are provided, the nature and the cost of the assets provided should be disclosed. The rental, the fuel cost and other payment of actual amount or the amount based on fair market value should be disclosed. If a driver is provided, please include a note disclosing the amount of compensation paid for the driver by the Company. The relevant compensation shall not be counted as directors' remuneration. Salary expenses recognized in accordance with IFRS 2, "Share-based Payment," including the acquisition of employee share options, restricted stock awards, and cash-settled share-based payment transactions, should also be included in the computation of remuneration.

Note 4: For the amount of employee compensation (including shares and cash) received by a president or a vice president in the most recent year, the distribution of employee compensation as approved by the Board of Directors in the most recent year should be disclosed. If it is not possible to estimate the amount, the proposed distribution of compensation for this year shall be calculated in proportion to the actual distribution of compensation last year, and please fill in table (III) below.

Note 5: The total amount of remuneration paid to the Company's presidents and vice presidents by all companies involved in the consolidated financial statement (including the Company) should be disclosed.

Note 6: The total amount of remuneration paid by the Company to each president and vice president is disclosed in the name of each president and vice president at the remuneration range to which the president and vice president belongs.

Note 7: The total amount of remuneration paid to the Company's directors by all companies involved in the consolidated financial statement (including the Company) should be disclosed in the name of each president and vice president at the remuneration range to which the president and vice president belongs.

Note 8: Net income after tax refers to the net income after tax reported in the individual financial statement of the most recent year.

Note 9: a. Please clearly disclose in this column the amount of remuneration received by the presidents and vice presidents of the Company from businesses other than subsidiaries or from the parent company (if none of the above applies, please fill in "none").

b. If a president and a vice president of the Company receive remuneration from the invested businesses other than subsidiaries or the parent company, the remuneration received by the president and vice president of the Company from the invested businesses other than subsidiaries or the parent company should be disclosed in Column E of the table of remuneration range, and the title of the column should be changed to "Parent Company and All Invested Businesses".

c. Remuneration refers to the compensation, remuneration (including remuneration to employees, directors and supervisors) and business-related expenses received by the presidents and vice presidents of the Company in their capacity as directors, supervisors or managers of the invested businesses other than subsidiaries or the parent companies.

The remuneration disclosed in this table is different from the income defined under the Income Tax Act. The purpose of this table is for information disclosure rather than for tax purposes.

(III) Employee Profit Sharing Granted to the Management Team

December 31, 2022 ; Unit: NT$ thousands

	Title	Name	Stock dividends	Cash dividends (Note 1)	Total	Proportion of total amount to net profits after tax (%)
Management Team	President	HSU,JUNG-MIN	0	28,282	28,282	1.58%
	Vice President	WANG,SHIH-CHEN				
	Vice President	CHEN,WEN-HSIANG				
	Associate Vice President	LEE, CHUNG-MU				
	Special Assistant to President's Office	CHUNG,CHIN-FENG				
	Associate Vice President	CHIEN,MEI-E				
	Associate Vice President	WU,JOU-YING				
	Associate Vice President	WANG,SHIH-LAN				
	Associate Vice President (Note 2)	FEI,YU-JEN				
	Associate Vice President (Note 2)	CHUNG, CHENG-YI				

Note 1: The amount of remuneration granted to employees has been resolved by the Board of Directors on March 7, 2023 and has not been paid as of the publication of this annual report. The amount of remuneration is presented as proposed.
Note 2: FEI, YU-JEN and CHUNG, CHENG-YI were promoted to Associate Vice Presidents on November 1, 2022.

(IV) Analysis of the proportion of the total remuneration of directors, supervisors, presidents and vice presidents of the Company paid by the Company and all companies in the consolidated financial statement to net profit after tax in individual financial statements of the past two fiscal years, and illustration of the policy, standards and portfolios for remuneration payments, the procedures for setting remuneration, and the correlations with business performance and future risks.

1. Analysis of the proportion in the past two years

December 31, 2022 ; Unit: NT$ thousands ; %

Years	2022				2021			
Title	Total Compensation (Note 1)		The Percentage of Compensation to Net Income After Tax (%) (Note 2)		Total Compensation (Note 1)		The Percentage of Compensation to Net Income After Tax (%) (Note 2)	
	The Company	All companies involved in financial statement (Note 5)	The Company	All companies involved in financial statement (Note 5)	The Company	All companies involved in financial statement (Note 5)	The Company	All companies involved in financial statement (Note 5)
Director	32,874	32,874	1.83	1.83	35,560	35,560	2.11	2.11
Independent Director	4,939	4,939	0.28	0.28	1,759	1,759	0.10	0.10
Presidents and Vice Presidents	18,066	18,066	1.01	1.01	16,257	16,257	0.96	0.96
Total	55,879	55,879	3.12	3.12	53,576	53,576	3.17	3.17

Note 1: The amount of remuneration granted to directors and employees has been resolved by the Board of Directors on March 7, 2023 and has not been paid as

of the publication of this annual report. The amount of remuneration is presented as proposed.

Note 2: Calculation is based on the net income after tax reported in the individual financial statements for 2021 and 2022.

The remuneration in 2022, which was 6.5% of profits as employee remuneration and no greater than 1.5% of profits as director remuneration as required by Article 25 of the Articles of Incorporation, increased slightly from 2021, mainly due to the increase in overall profits as a result of soaring exchange gains arising from volatile exchange rates in 2022, and was therefore considered reasonable.

2. The Policies, Standards and Portfolios for Payment of Remuneration, Procedures for Setting Remuneration, and Correlations with Business Performance and Future Risks.

(1) The Company has established a Remuneration Committee to evaluate the policies and systems of the compensation for directors and managers of the Company as a whole from a professional and objective perspective.

(2) The remuneration for the directors is granted in accordance with Articles 21 and 25 of the Company's Articles of Incorporation. The remuneration for the directors is decided based on reasonable compensation in consideration of the performance evaluation and procedures of the Board of Directors, and was approved by the Board of Directors upon the recommendation of the Remuneration Committee and submitted to the shareholders' meeting for approval. In accordance with the Company's "Performance Evaluation of Board of Directors", the remuneration for individual directors are decided based on the individual directors' performance evaluations. The evaluation contains six major aspects, including familiarity with the goals and missions of the company, awareness of the duties of a director, participation in the operation of the company, management of internal relationships and communication, directors' professionalism and continuing education, and internal control.

(3) The appointment, removal and remuneration of the Company's managers, including the Presidents and Vice Presidents, shall be submitted to the Board of Directors for approval in accordance with the Company's regulations. In accordance with the Company's "Policies and Procedures of Remuneration for the Managers", the managers shall be paid for salary allowances, performance bonuses, and employee compensation other than their basic salaries according to their job levels. The manager's performance evaluation and remuneration shall be based on the industry standards, considering the results of the individual performance evaluation, time spent, responsibilities, achievement of personal goals, performance in other positions, the compensation granted by the Company to the same level of position in recent years, as well as the reasonableness of the relationship between personal performance, Company's business performance and future risks which is assessed by the achievement of short-term and long-term business goals and the Company's financial position.

(4) The amount of remuneration for directors and the management team, including the presidents and vice presidents, is closely related to the Company's business performance.

IV. The State of the Company's Implementation of Corporate Governance

(I) The State of Operations of the Board of Directors

The Board of Directors held 6 (A) meetings in 2022; the attendance status of directors is as follow:

Title	Name (Note 1)	Number of Actual Attendance (B)	Number of Proxy Attendance	Attendance Rate (%) (B/A)	Note
Chairman	LEE, KUNG-WEN	6	0	100%	Was re-elected on May 26, 2022 and expected to attend 6 meetings.
Vice Chairman	LIN, CHON-CHEN	6	0	100%	
Director	LIN, HUN-CHER	6	0	100%	

Title	Name (Note 1)	Number of Actual Attendance (B)	Number of Proxy Attendance	Attendance Rate (%) (B/A)	Note
Representative of Juristic Person Director	PAN, SY-LIAN	0	3	0%	Juristic Person Director - Nan Feng Xin Co., Ltd. Was removed on May 26, 2022 and expected to attend 3 meetings.
Representative of Juristic Person Director	CHANG, TIEN-JIN	3	0	100%	
Representative of Juristic Person Director	LAUREN-JACQUELINE PAN	0	2	0%	Juristic Person Director - Nan Feng Xin Co., Ltd. Was newly elected on May 26, 2022 and expected to attend 3 meetings.
Representative of Juristic Person Director	KRISTEN-JULIA PAN	0	2	0%	
Independent Director	HUANG, CHUNG-HUI	6	0	100%	Was re-elected on May 26, 2022 and expected to attend 6 meetings.
Independent Director	TSAI, CHING-TIEN	3	0	100%	Was removed on May 26, 2022 and expected to attend 3 meetings.
Independent Director	CHANG, TIEN-SHENG	6	0	100%	Was re-elected on May 26, 2022 and expected to attend 6 meetings.
Independent Director	CHEN, SHUH	3	0	100%	Was newly elected on May 26, 2022 and expected to attend 3 meetings.

Note 1: For the director who is a juristic person, the names of its shareholders and its representative shall be disclosed.

Other matters to be recorded:

I. If any of the following circumstances occur, the dates of the meetings, sessions, contents of motions, all independent directors' opinions and the company's response should be specified:

(I) Matters referred to in Article 14-3 of the Securities and Exchange Act:

Board Meetings	Contents of Motions	Matters referred to in Article 14-3 of the Securities and Exchange Act	Independent Directors' Opinions	Company's Response	Resolutions
The 15th Meeting of the 12th Session March 3, 2022	2021 consolidated financial statements and individual financial statement.	V	None	Not Applicable	Unanimous consent of all present directors has been obtained.
	Change of the accounting firm and the certified public accountants from Q1, 2022.	V	None	Not Applicable	
	Amendment to the Company's "Operational Procedures for Acquisition and Disposal of Assets".	V	None	Not Applicable	
	Amendment to the Company's "Operational Procedures for Loaning of Funds".	V	None	Not Applicable	
	Amendment to the Company's "Operational Procedures for Endorsements and Guarantees".	V	None	Not Applicable	
	Proposal of the Company's 2021 Statement of Internal Control System	V	None	Not Applicable	
	Amendment to the Internal Control System.	V	None	Not Applicable	

Board Meetings	Contents of Motions	Matters referred to in Article 14-3 of the Securities and Exchange Act	Independent Directors' Opinions	Company's Response	Resolutions
The 16th Meeting of the 12th Session April 12, 2022	The Company's remuneration for employees and directors for 2021.	V	None	Not Applicable	Except for those meetings in which directors are not able to participate due to the prevention of conflict of interests, the rest of the present directors unanimously approved the resolution.
	Formulation of "Policies for Payment of Remuneration to Directors" by the Company.	V	None	Not Applicable	Unanimous consent of all present directors has been obtained.
The 17th Meeting of the 12th Session May 3, 2022	Amendment to the Internal Control System.	V	None	Not Applicable	Unanimous consent of all present directors has been obtained.
3rd Meeting of the 13th Session November 1, 2021	Amendment to the Internal Control System.	V	None	Not Applicable	Unanimous consent of all present directors has been obtained.

(II) Other matters apart from the aforementioned where an independent director has a dissenting opinion or qualified opinion: None.

II. If there are directors' avoidance of motions due to conflicts of interest, the directors' names, contents of the motion, and voting results should be specified:

Dates of Board Meetings	Session	Names of directors, contents of motion, causes for avoidance and directors' participation in voting
April 12, 2022	The 12th Session The 16th Meeting	1. Names of Directors: LEE, KUNG-WEN; LIN, CHON-CHEN; LIN, HUN-CHER; PAN, SY-LIAN (represented by LEE, KUNG-WEN); CHANG, TIEN-JIN
		2. Contents of motion: The Company's remuneration for employees and directors for 2021.
		3. Causes for avoidance: being the director of the Company.
		4. Participation in voting: abstained from the discussion and the voting for remuneration proposal.

III. Listing companies should disclose the information of evaluation cycles, periods, scope, method and content of self-evaluation (or peer-evaluation) of the Board of Directors, and complete the execution status of self- evaluation of the Board of Directors.

Evaluation Cycles	Evaluation Periods	Evaluation Scope	Evaluation Method	Evaluation Content	Implementation
Annually	January 1, 2022 ~ December 31, 2022	1. Board of Directors 2. Individual Board Members 3. Audit Committee 4. Remuneration Committee 5. Sustainable Development Committee	Self-evaluation of the board members	(I) The criteria for evaluating the performance of the board of directors: 1. Participation in the operation of the company; 2. Improvement of the quality of the board of directors' decision making; 3. Composition and structure of the board of directors; 4. Election and continuing education of the directors; and 5. Internal control. (II) The criteria for evaluating the performance of the board members: 1. Alignment of the goals and missions of the company; 2. Awareness of the duties of a director; 3. Participation in the operation of the company; 4. Management of internal relationship and communication; 5. The director's professionalism and continuing education; and 6. Internal control. (III) The criteria for evaluating the performance of the Audit Committee: 1. Participation in the operation of the company; 2. Awareness of the duties of the committee; 3. Improvement of quality of decisions made by the committee; 4. Makeup of the committee and election of its members; and 5. Internal control. (IV) The criteria for evaluating the performance of the Remuneration Committee: 1. Participation in the operation of the company; 2. Awareness of the duties of the committee; 3. Improvement of quality of decisions made by the committee; and 4. Makeup of the committee and election of its members. (V) The criteria for evaluating the performance of the Sustainable Development Committee: 1. Participation in the operation of the company; 2. Awareness of the duties of the committee; 3. Improvement of quality of decisions made by the committee; and 4. Makeup of the committee and election of its members.	The Company has completed the performance evaluation of the Board of Directors, board members, Audit Committee and Renumeration Committee for 2022 in February 2023 and proposed the evaluation to the meeting of the Board of Directors on March 7, 2023. Evaluation results are as follows: (I) Evaluation of the board of directors: Excellent (II) Evaluation of the board members: Excellent (III) Evaluation of the Audit Committee: Excellent (IV) Evaluation of the Remuneration Committee: Excellent (V) Evaluation of the Sustainable Development Committee: Excellent

IV. Measures taken to strengthen the functionality of the board (e.g. to set up the Audit Committee, enhance the information transparency, etc.):

(I) In addition to providing the directors with relevant regulations, the Company reports the current status of the Company's business to the directors during the board meeting, and provides the directors with relevant information and designated personnel for inspection.

(II) The Company has established the Performance Evaluation of Board of Directors, and has implemented the performance evaluation for the board of directors, individual board members and functional committee since 2019.

(III) To maintain transparent in operation and protect the rights of shareholders, the Company proactively discloses the resolutions made by the board of directors and other relevant information on the Market Observation Post System and the Company's website.

(IV) To practice corporate social responsibility and promote economic, environmental and social improvements to achieve the goal of sustainable development, the Company established the Sustainable Development Committee on May 26, 2022.

(V) In consideration of gender equality, rejuvenation and succession of directors, the Company has made its board of directors composed of 25% female directors and 25% under the age of 30, actively promoting the diversity policy.

V. The attendance status of independent directors in each board meeting up to the date of printing of this annual report:

(I) Attendance status of independent directors in each board meeting

1. Attendance status of independent directors in each board meeting for the year of 2022 (Total: 6 board meetings):

✓Attendance in person

	Attendance Status					
Name	1st meeting	2nd meeting	3rd meeting	4th meeting	5th meeting	6th meeting
HUANG, CHUNG-HUI	✓	✓	✓	✓	✓	✓
TSAI, CHING-TIEN (Note 1)	✓	✓	✓	Not Applicable	Not Applicable	Not Applicable
CHANG, TIEN-SHENG	✓	✓	✓	✓	✓	✓
CHEN, SHUH (Note 2)	Not Applicable	Not Applicable	Not Applicable	✓	✓	✓

Note 1: Independent Director TSAI, CHING-TIEN was removed on May 26, 2022.
Note 2: Independent Director CHEN, SHUH was elected on May 26, 2022.

2. Attendance status of independent directors in each board meeting for the year of 2023 up to the publication of this annual report (Total: 1 board meeting):

✓: Attendance in person; ☆: Attendance by proxy

Name	Attendance Status
	1st meeting
CHEN, SHUH	✓
HUANG, CHUNG-HUI	✓
CHANG, TIEN-SHENG	✓

(II) The State of Operations of the Audit Committee

The Audit Committee held 4 (A)meetings in 2022; the attendance status of independent directors is as follow:

Title	Name	Attendance (B)	Number of Proxy Attendance	Actual Attendance Rate (%) (B/A)	Note
Independent Director	HUANG, CHUNG-HUI	4	0	100%	Was re-elected on May 26, 2022. Was expected to attend 4 meetings.
Independent Director	TSAI, CHING-TIEN	2	0	100%	Was removed on May 26, 2022 and expected to attend 2 meetings.
Independent Director	CHANG, TIEN-SHENG	4	0	100%	Was re-elected on May 26, 2022 and expected to attend 4 meetings.
Independent Director	CHEN, SHUH	2	0	100%	Was newly elected on May 26, 2022 and expected to attend 2 meetings.

Other matters to be recorded:

I. If the Audit Committee operates in any of the following circumstances, the date and session of the Audit Committee meeting, the content of motion, the independent directors' opinions expressing objections, reservations or major suggestions, the resolution of Audit Committee, and the company's response to the opinion of the Audit Committee should be specified:

(I) Items listed in Article 14-5 of Securities and Exchange Act:

Audit Committee	Contents of Motions	Items listed in Article 14-5 of Securities and Exchange Act	Independent directors' opinions expressing objections, reservations or major suggestions	Resolutions	Company's response to the opinion of the Audit Committee
The 11th Meeting of the 1st Session March 3, 2022	2021 consolidated financial statements and individual financial statement.	V	None	All present members of the committee unanimously approved the resolution.	Submitted to the 15th meeting of the 12th Board of Directors for approval and carried out in accordance with the resolution of the Board of Directors.
	Proposal of the Company's 2021 Statement of Internal Control System	V	None		
	Amendment to the Company's "Operational Procedures for Acquisition and Disposal of Assets".	V	None		
	Amendment to the Company's "Operational Procedures for Loaning of Funds".	V	None		
	Amendment to the Company's "Operational Procedures for Endorsements and Guarantees".	V	None		
	Amendment to the Internal Control System.	V	The proposed amendment to the "Operational Procedures for Acquisition and Disposal of Assets" should be added to the	Except for the recommendations, all present members of the committee unanimously approved the	

Audit Committee	Contents of Motions	Items listed in Article 14-5 of Securities and Exchange Act	Independent directors' opinions expressing objections, reservations or major suggestions	Resolutions	Company's response to the opinion of the Audit Committee
			Table of Authority to Approval.	resolution after consultation with the chairman of the committee.	
	Case of changing the accounting firm and the certified public accountants since Q1, 2022.	V	None	All present members of the committee unanimously approved the resolution.	
The 12th Meeting of the 1st Session May 3, 2022	Approving the Q1, 2022 consolidated financial statements	V	None	All present members of the committee unanimously approved the resolution.	Submitted to the 17th meeting of the 12th Board of Directors for approval and carried out in accordance with the resolution of the Board of Directors.
	Amendment to the Internal Control System.	V	Proposal to the "Purchasing and Payment Cycle" regarding the audit of supplier management and OEM management. 1. Additional audit to the "New Developed Supplier". 2. In addition to the regular assessment of suppliers or OEMs, the evaluated items (products' carbon footprint, green supply chain, etc.) must be assessed in accordance with the regulations.	Except for the recommendations, all present members of the committee unanimously approved the resolution after consultation with the chairman of the committee.	
The 1st Meeting of the 2nd Session August 2, 2022	Approving the Q2, 2022 consolidated financial statements	V	None	All present members of the committee unanimously approved the resolution.	Submitted to the 2nd meeting of the 13th Board of Directors for approval and carried out in accordance with the resolution of the Board of Directors.
The 2nd Meeting of the 2nd Session November 1, 2022	Approving the Q3, 2022 consolidated financial statements	V	None None	All present members of the committee unanimously approved the resolution.	Submitted to the 3rd meeting of the 13th Board of Directors for approval and carried out in accordance with the resolution of the Board of Directors.
	Amendment to the internal control system.	V			

(II) Resolutions passed by two-thirds of all Directors but without approval of the Audit Committee except for the preceding item: None

II. If there are independent directors' avoidance of motions in conflict of interest, the independent directors' names, contents of motion, causes of avoidance and voting should be specified: None.

III. The communication channels between the independent directors, internal auditor officer, and CPAs (the material matters, methods and results of communication regarding the financial and business status of the Company should be included).

Date	Communication methods	Communication parties	Matters	Results
March 3, 2022	Audit Committee	1. Internal auditor officer of the Company 2. Accounting officer of the Company 3. CPAs of the Company	1. 2021 consolidated financial statements and individual financial statement.	All present members of the committee unanimously approved the resolution after consultation with the chairman of the committee. The resolution will be proposed to the Board of Directors for approval.
			2. 2021 earnings distribution chart.	
			3. Proposal of the Company's 2021 Statement of Internal Control System	
			4. Amendment to the Company's "Articles of Incorporation".	
			5. Amendment to the Company's "Operational Procedures for Acquisition and Disposal of Assets".	
			6. Amendment to the Company's "Operational Procedures for Loaning of Funds".	
			7. Amendment to the Company's "Operational Procedures for Endorsements and Guarantees".	
			8. Amendment to the internal control system.	Except for the adjustments made on partial contents according to the committee members' recommendations, all present members of the committee unanimously approved the resolution after consultation with the chairman of the committee. The resolution will be proposed to the Board of Directors for approval.
			9. Change in the organization of significant subsidiaries.	All present members of the committee unanimously approved the resolution after consultation with the chairman of the committee. The resolution will be proposed to the Board of Directors for approval.
			10. Case of changing the accounting firm and the certified public accountants since Q1, 2022.	
			11. Assessment of the independence and qualification of certified public accountants.	

Date	Communication methods	Communication parties	Matters	Results
May 3, 2022	Audit Committee		1. Q1, 2022 consolidated financial statements.	All present members of the committee unanimously approved the resolution after consultation with the chairman of the committee. The resolution will be proposed to the Board of Directors for approval.
			2. Amendment to the internal control system.	Except for the adjustments made on partial contents according to the committee members' recommendations, all present members of the committee unanimously approved the resolution after consultation with the chairman of the committee. The resolution will be proposed to the Board of Directors for approval.
August 2, 2022	Audit Committee		1. Q2, 2022 consolidated financial statements.	All present members of the committee unanimously approved the resolution after consultation with the chairman of the committee. The resolution will be proposed to the Board of Directors for approval.
November 1, 2022	Audit Committee		1. Q3, 2022 consolidated financial statements.	All present members of the committee unanimously approved the resolution after consultation with the chairman of the committee. The resolution will be proposed to the Board of Directors for approval.
			2. Construction plan of the second factory of subsidiary, Jiangxi O-TA Precision Technology Co., Ltd.	The subsidiary is requested to propose the total amount for the construction of factory, the source of funds and the analysis of the investment returns; this new proposal will be further discussed. All present members of the committee unanimously approved the resolution after consultation with the chairman of the committee. The resolution will be proposed to the Board of Directors for approval.
			3. Change in the organization of significant subsidiaries.	All present members of the committee unanimously approved the resolution after consultation with the chairman of the committee. The resolution will be proposed to the Board of Directors for approval.
			4. Proposal of the 2023 Annual Audit Plan.	
			5. Amendment to the Company's "Procedures of the Audit Committee".	
			6. Amendment to the Company's "Procedures for Handling Material Inside Information".	
			7. Amendment to the internal control system.	

IV. Audit Committee annual major matters are as follows:

1. Amendment to the internal control system.
2. Assessment of the effectiveness of the internal control system.
3. Establishment or amendment to the procedures for the process of significant financial and business operations, such as the Operational Procedures for Acquisition and Disposal of Assets, Procedures for Derivative Transactions, Operational Procedures for Loaning of Funds, and Operational Procedures for Endorsements and Guarantees.
4. Matters involving the directors' own interests.
5. Material asset or derivative transactions.
6. Material cases of the loaning of funds to others and the endorsement or guarantees.
7. The offering, issuing or private placement of marketable equity securities.
8. Appointment, dismissal or remuneration of CPA.
9. Appointment and removal of the finance, accounting or internal auditor officers.
10. Review and discussion on the financial statements.

(III) The State of the Company's Implementation of Corporate Governance, any Variance from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies, and the Rreason for any such Variance

Evaluation Item	Corporate Governance			Variance from "The Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Description	
I. Does the Company establish and disclose Corporate Governance Best Practice Principles according to Corporate Governance Best Practice Principles for TWSE/TPEx Listed companies?	V		The Company has established a "Corporate Governance Best Practice Principles" in accordance with "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and disclosed the code on the Company's website and the Market Observation Post System.	No Material Difference
II. Shareholding Structure & Shareholders' Rights.				
(I) Has the company established an internal operating procedure to deal with shareholders' suggestions, doubts, disputes and litigations, and implement it based on the procedure?	V		(I) The Company has set up a spokesperson and a deputy spokesperson to process the shareholders' suggestions, doubts, disputes and litigations, and has appointed a legal counselor to assist when necessary.	No Material Difference
(II) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?	V		(II) The Company discloses changes in the shareholdings of insiders (directors, managers, shareholders holding more than 10% of the total shares and those shareholders' relatives within second degree of kinship) on a monthly basis on the Market Observation Post System, and requests the shareholder service agency to assist in effectively keeping track of the list of list of the Company's major shareholders and the ultimate owners.	No Material Difference
(III) Has the company established and does it execute the risk management and firewall system within its conglomerate structure?	V		(III) The Company has formulated "Procedures for the Management of Related Party Transactions" and the monitoring systems for its subsidiaries; and discloses information on related parties in accordance with regulations.	No Material Difference
(IV) Has the company established internal rules against insiders trading with undisclosed information?	V		(IV) The Company has formulated the "Procedures for the Management and Prevention of Insiders Trading" and "Procedures for Handling Material Inside Information" to prohibit relevant personnel and insiders from trading marketable securities by using undisclosed information in the market.	No Material Difference
III. Composition and Responsibilities of the Board of Directors				
(I) Does the Board develop and implement a diversified policy for the composition of its members?	V		(I) The Company has established "Corporate Governance Best Practice Principles" to ensure diversity of the Board of Directors, including but not limited to the followings two aspects: 1. Conditions and values: gender, age, nationality and culture, etc. 2. Professional knowledge and skills: professional background (e.g., law, accounting, industry, finance, marketing, or technology), professional skills, and industrial experience, etc. The Company implements the diversified policy. For the Board of Directors, the Company has set 8 seats of directors according to its scale of operation and the requirement of	No Material Difference

Evaluation Item	Corporate Governance			Variance from "The Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Description	
			development, of which 3 are independent directors, accounting for 37.5% of the total number of directors. 12.5% of the total number of directors are directors with employee status. None of the independent directors has served more than three terms. In response to the promotion of ESG, the Company aims to have 25% of directors with ESG expertise and has reached 50% so far. In consideration of gender equality and rejuvenation in the composition of the Board of Directors, the Company has planned to have 25% of female directors and 25% of directors under 30 years old in the Board of Directors, and has achieved this goal at the 13th session of the Board of Directors. The directors are experts with professional backgrounds including industry, finance, accounting, academia, law and management, with sufficient experience in corporate governance and industrial technology. Members of the Board of Directors actively attend the board meetings, achieving a 81% personal attendance rate in 2022, to monitor the implementation of the business plan. The Company's diversified policy of board members and the implementation of diversified policy are disclosed on the Company's website. Please refer to Diversity of the Board of Directors on p.19 of this annual report for our diversified policy of board members.	
(II) Has the company voluntarily established other functional committees in addition to the Remuneration Committee and the Audit Committee?	V		(II) In addition to the establishment of the Remuneration Committee and the Audit Committee in accordance with the laws, the Company has set the Sustainable Development Committee on May 26, 2022 to promote the implementation of sustainable development and sustainable management in order to strengthen the corporate governance, implement environmental protection and fulfill social responsibility. For the composition, responsibilities and implementation of the Sustainable Development Committee, please refer to p.49~50 of this annual report.	No Material Difference
(III) Has the company established a standard to measure the Performance Evaluation of Board of Directors, and has it been implemented annually? Are the implemented results reported to the Board, and used as a reference for individual directors' compensation and nomination renewal?	V		(III) The Board of Directors has approved the "Performance Evaluation of Board of Directors" on May 11, 2018, which stipulates that the Board of Directors should conduct performance evaluation for the Board of Directors, the board members, the Audit Committee and the Remuneration Committee at least once a year. The self-evaluation is conducted by means of questionnaires and evaluated based on the statistical results. The results of self-evaluation will be proposed to the Board of Directors and used as a reference for review and improvement. The performance evaluation	No Material Difference

Evaluation Item	Corporate Governance			Variance from "The Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Description	
			resolved by the Board of Directors will be used as a reference for the selection or nomination of directors (including independent directors), and the performance evaluation of individual director will be considered to determine each director's remuneration in the future. The items for the performance evaluation of the Board of Directors include the following five aspects: 1.Participation in the operation of the company; 2. Improvement of the quality of the board of directors' decision making; 3. Composition and structure of the board of directors; 4. Election and continuing education of the directors; and 5. Internal control. The criteria for evaluating the performance of the board members (on themselves or peers), should cover, at a minimum, the following six aspects: 1. Alignment of the goals and missions of the company; 2. Awareness of the duties of a director; 3. Participation in the operation of the company; 4. Management of internal relationship and communication; 5. The director's professionalism and continuing education; and 6. Internal control. The items for the self-evaluation of the members of the Audit Committee include the following five aspects: 1. Participation in the operation of the company; 2. Awareness of the duties of the functional committee; 3. Improvement of quality of decisions made by the functional committee; 4. Makeup of the functional committee and election of its members and 5. Internal control. The items for the self-evaluation of the members of the Remuneration Committee include the following four aspects: 1. Participation in the operation of the company; 2. Awareness of the duties of a member of the committee; 3. Improvement of the quality of the committee's decision making; and 4. Composition and appointment of the members of committee. The items for the self-evaluation of the members of the Sustainable Development Committee include the following four aspects: 1. Participation in the operation of the company; 2. Awareness of the duties of a member of the committee; 3. Improvement of the quality of the committee's decision making; and 4. Composition and appointment of the members of committee. The Company has completed the 2022 performance evaluation for the Board of Directors, the board members, the Audit Committee, the	

Evaluation Item	Corporate Governance			Variance from "The Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Description	
			Remuneration Committee and the Sustainable Development Committee in January 2023. The evaluation results were generally excellent and were reported to the Board of Directors on March 7, 2023 and submitted to the Remuneration Committee for reference	
(IV) Does the company regularly evaluate the independence of CPAs?	V		(IV) The Company has established the "Reviewing Policies for the Appointment of Certified Public Accountants" and regularly evaluates the independence, qualification and professionalism of the certified public accountants on an annual basis. The Company obtains the "Statement of Independence" from the certified public accountants and confirms that the certified public accountants have no business relationship related to financial interests with the Company except for the auditing fees of the audit and tax engagement. In 2023 the Company applied the audit quality indicators (AQIs) to evaluating the independence and suitability of appointed CPAs and reports the above evaluation results to the Board of Directors for approval. The assessment of CPAs for 2022 and 2023 was submitted to the Audit Committee meeting dated March 3, 2022 and the Board of Directors meeting dated March 7, 2023, which reviewed and approved the results of assessment of the independence and suitability of attesting CPAs.	No Material Difference
IV. Does the company have an adequate number of corporate governance personnel with appropriate qualifications, and has a Chief Corporate Governance Officer been appointed to be in charge of corporate governance affairs (including but not limited to providing information for directors and supervisors to perform their functions, assisting directors and supervisors with legal compliance, handling matters relating to board meetings and shareholders meetings according to laws, producing minutes of board meetings, and shareholders meetings)?	V		The Company has appointed the Chief Financial Officer as the Head of Corporate Governance from January 1, 2023, and the Corporate Governance Project Team is responsible for corporate governance related matters with duties as follows: (I) Handling of matters relating to board of directors meetings and shareholders meetings in compliance with law; (II) Preparation of minutes of the board of directors meetings and shareholders meetings; (III) Assistance in onboarding and continuing education of the directors; (IV) Provision of information required for performance of duties by the directors; (V) Assistance in the directors' compliance of law; and (VI) Other matters described or established in the Articles of Incorporation or under contract.	No Material Difference
V. Has the company established a communication channel and built a designated section on its website for stakeholders (including but not limited to shareholders, employees,	V		(I) The Company has set a spokesperson and the delegated persons in charge of various business functions to establish a smooth communication channel and to protect the legal rights of each stakeholder.	No Material Difference

Evaluation Item	Corporate Governance			Variance from “The Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Description	
customers, and suppliers), responded appropriately to stakeholders on corporate social responsibility issues?			(II) The Company has built a “Stakeholder Zone” on its website and disclosed the contact telephone number and email address for the spokesperson and delegated person of each Sales Division. Stakeholders (including but not limited to shareholders, employees, customers, and suppliers) can communicate with each other via phone or email when necessary. The Company also handles important CSR issues which are concerned by stakeholders appropriately to respect and protect the stakeholders’ rights and interests. (III) Stakeholders can make proper use of the “Corporate Governance Zone" on the Company's website and the “Market Observation Post System” to learn about the Company's related information. (IV) Please refer to Note 2 of the Appendix on p.46 of this annual report for more information on the stakeholders’ rights.	
VI. Has the company appointed a professional shareholder service agency to deal with shareholder affairs?	V		The Company appointed “KGI Securities Co., Ltd. Transfer Agency Department” as shareholder service agency to deal with shareholder affairs.	No Material Difference
VII. Information Disclosure (I) Does the company have a corporate website to disclose both financial standings and the status of corporate governance? (II) Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)? (III) Does the company announce the annual financial report within 2 months after the end of the fiscal year, and announce the Q1, Q2, Q3 financial reports and monthly operation status before the deadlines?	 V V V		(I) The company has set a corporate website and regularly discloses the updates on both financial standings and the status of corporate governance. (Website: http://www.o-ta.com.tw) (II) The Company has appointed a spokesperson and deputy spokesperson(s) to communicate with the public, and has made good use of the Market Observation Post System for disclosure so that the shareholders and stakeholders can fully understand the Company's financial standings, business conditions and the implementation of corporate governance. The presentation slides in both English and Chinese for Investor Conference are available on the Market Observation Post System and the Company's website for reference. (III) The Q1, Q2 and Q3 financial statements and the business results for each month are announced and reported in advance to the prescribed deadline. The Company will make efforts to do the same for the annual financial statements.	 No Material Difference No Material Difference No Material Difference
VIII. Is there any other important information to facilitate a better understanding of the company’s corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors’ and supervisors’ training	V		(I) Employee rights: In accordance with government regulations and the Company's personnel management policies, the Company provides employees with fundamental labor conditions, including the working hours mechanism and a well leave policy, a stable and safe working environment, and regular medical examination and a comprehensive retirement plan in	No Material Difference

Evaluation Item	Corporate Governance			Variance from "The Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Description	
records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?			addition to basic employee benefits such as labor insurance, health insurance and pension contributions. (II) Employee wellness: The Company has formulated the "Employee Appeal Management Policy", "Proposal Management Policy" and "Consultation and Communication Procedures" to receive and deal with employees' suggestions, and to make the problems reported by employees visible in order to convey them to the top management of the Company to improve and solve the problems. (III) Investor relations: The Company's objective is to protect the interests of its shareholders. In addition to the "Procedures for Handling Material Inside Information", the Company makes immediate and simultaneous disclosure of material information on the Market Observation Post System and the Company's website (please refer to "O-TA's website - Corporate Governance Information" (http://www.o-ta.com.tw) for the Company's policies). In addition, the Company lists its email address and contact telephone number on its website in order to establish a smooth communication channel between investors and the Company. (IV) Supplier relations: The Company continues to promote ISO 9001, implement quality management and quality assurance policies, maintain good relationships with the suppliers, comply with relevant regulations in environmental protection, security and health related issues, contribute to corporate social responsibility, and perform regular evaluations for its suppliers on an annual basis. (V) Rights of stakeholders: The Company has formulated the "Corporate Governance Best Practice Principles" and maintains smooth communication channels with its stakeholders and protects their legitimate rights and interests in accordance with the code. In addition, a "Stakeholder Zone" is set up on the Company's website. (VI) For the Continuing Education of Directors in 2022, please refer to Note 1 on p.45 of this annual report and the "Market Observation Post System - Corporate Governance Information". (VII) Risk management policies and risk evaluation measures: The Company has established various regulations and internal control systems in accordance with the law and performed risk management and risk assessment, which is audited by internal audit division on both regular and random basis. (VIII) Implementation of customer relations policies: The company has	

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Corporate Governance</th><th rowspan="2">Variance from “The Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Description</th></tr>
<tr><td></td><td></td><td></td><td>established the procedures for handling the customers’ appeal and conducted customer satisfaction surveys to properly deal with customers’ complaints and regularly evaluate customers’ satisfaction in order to provide desirable products and services for customers.
(IX) Purchasing insurance for directors: The Company has purchased liability insurance for directors and managers in terms of their liabilities under the law for their performance of business, and reported the details of insurance to the Board of Directors.
(X) Status of internal auditors obtaining relevant licenses: The internal auditor officer of the Company obtains the license of Certified Internal Auditors.</td><td></td></tr>
<tr><td colspan="5">IX. Please explain the improvements which have been made in accordance with the results of the Corporate Governance Evaluation released by the Corporate Governance Center, Taiwan Stock Exchange, and provide the priority enhancement measures.
Measures adopted by the Company to improve the items listed in the 9th corporate governance evaluation result and the improvement plans for items yet to be improved are as follows:
(I) Items improved: According to the corporate governance review result for the most recent year, major items improved by the Company are as follows:
1. With regard to the diversified policies of the members of the Board of Directors, the specific management objectives and implementation status (2.2).
2. Whether the Company's Board of Directors includes at least one female director (2.6).
3. Establishment of functional committees other than the statutory committees (2.14).
4. Connection between Directors’ and Managers’ Performance Evaluation and their Remuneration (3.14).
(II) Priority items to be improved and the improvement measures: In response to the amendment of the corporate governance review, the Company's priority enhancements are as follows:
1. Establish risk management policies and procedures approved by the Board of Directors.
2. Disclose the English annual financial report, annual report and meeting minutes.
3. Disclose the amount of annual greenhouse gas emissions, water consumption and total weight of waste for the past two years.
(III) The Company will continue to evaluate the feasibility of future improvements for those indicators in which no points have been scored.</td></tr>
</table>

Evaluation Item	Corporate Governance			Variance from "The Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Description	

Note 1: Status of Continuing Education of Directors in 2022

Title	Name	Training Hours	Course	Sponsoring Organization
Director	LEE, KUNG-WEN	3 hrs	Implementation of Sustainable Governance through Leadership	TAIWAN CORPORATE GOVERNANCE ASSOCIATION
		3 hrs	Taiwan Academy of Banking and Finance	Corporate Governance Forum
Director	LIN, CHON-CHEN	3 hrs	Implementation of Sustainable Governance through Leadership	TAIWAN CORPORATE GOVERNANCE ASSOCIATION
Director	LIN, HUN-CHER	3 hrs	Implementation of Sustainable Governance through Leadership	TAIWAN CORPORATE GOVERNANCE ASSOCIATION
		2 hrs	Sustainable Development Roadmap, Promotion Meeting for Industries	TAIWAN STOCK EXCHANGE TAIPEI EXCHANGE
Independent Director	CHEN, SHUH	3 hrs	Compilation of a TCFD Report: Major Reference Points	Accounting Research and Development Foundation
		3 hrs	Corporate Ethics and Sustainable Development	Accounting Research and Development Foundation
Independent Director	HUANG, CHUNG-HUI	2 hrs	Sustainable Development Roadmap, Promotion Meeting for Industries	TAIWAN STOCK EXCHANGE TAIPEI EXCHANGE
		3 hrs	Considerations of Domestic and Overseas M&A Transactions and the Case Studies	TAIWAN CORPORATE GOVERNANCE ASSOCIATION
		3 hrs	Briefing Session for Insiders of TPEx Listed Companies on Stock Ownership	TAIPEI EXCHANGE
		3 hrs	Disclosure of Material Information and Duties of Directors and Supervisors	TAIWAN CORPORATE GOVERNANCE ASSOCIATION
		3 hrs	2022 TPEx Listed Companies - Reference Guide for Independent Directors and Audit Committee on the Exercise of Powers and Briefing Session for Directors and Supervisors	TAIWAN STOCK EXCHANGE TAIPEI EXCHANGE
		3 hrs	Implementation of Sustainable Governance through Leadership	TAIWAN CORPORATE GOVERNANCE ASSOCIATION
Independent Director	CHANG, TIEN-SHENG	2 hrs	Sustainable Development Roadmap, Promotion Meeting for Industries	TAIWAN STOCK EXCHANGE TAIPEI EXCHANGE
		6 hrs	Regulation Analysis and Key Audit Matters for the Board of Directors and the Functional Committees (Audit, Remuneration)	THE INSTITUTE OF INTERNAL AUDITORS - CHINESE TAIWAN
		3 hrs	Implementation of Sustainable Governance through Leadership	TAIWAN CORPORATE GOVERNANCE ASSOCIATION

Evaluation Item	Corporate Governance			Variance from "The Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Description	

Note 2: Stakeholders

Stakeholders	Key Concerns	Communication Channels, Frequency and Responses	2022 Communication Performance with Stakeholders
Shareholders/Investors	1. Business performance 2. Business integrity 3. Legal compliance with environmental protection	Monthly: Revenue results. Quarterly: Financial reports. Annually: Annual reports and shareholders' meetings. Non-scheduled: Seminars from investment institutions and responses to investors or media's questions via phone calls. Contact window: Please refer to the "Stakeholder Zone" on the Company's website.	1. The Company was invited to attend the "Presentation for Business Performance of the Over-the-Counter Market" held by Taipei Exchange on August 12, 2022. 2. The spokesperson responded to questions from shareholders from time to time.
Clients	1. Technology services 2. Clients' privacy 3. Production management	Non-scheduled: Video conference call, visits to clients, and on-site audits by clients at the factory. Annually: Client satisfaction survey Contact window: Please refer to the "Stakeholder Zone" on the Company's website.	1. Client satisfaction survey was conducted and the overall average satisfaction score was 8.64 out of 10. 2. Visits to clients and on-site audits by clients at the factory.
Employees	1. Relations of labor and employment 2. Human rights evaluation 3. Training and education	Non-scheduled: Internal company website, special line & email for sexual harassment appeal, and guild/ employee welfare committee. Quarterly: Labor management conference. Contact window: Please refer to the "Stakeholder Zone" on the Company's website.	1. Conducted courses related to "Ethical Corporate Management" and "Internal Control System". 2. Conducted annual health screening for 2,124 employees.
Suppliers	1. Occupational health and safety 2. Legal compliance with environmental protection 3. Clients' privacy	Non-scheduled: On-site audits at suppliers' factory and communication with purchasing staffs via telephone or e-mail. Annually: Assessment of suppliers (including environmental protection, safety and health management, performance, etc.). Contact window: Please refer to the "Stakeholder Zone" on the Company's website.	74% of the collaborated suppliers have signed the "Integrity Pledges".
Government authorities	1. Wastewater and waste 2. Occupational health and safety 3. Relations of labor and employment	Non-scheduled: Communication through government documents and participation in seminars and meetings held by the competent authorities. Monthly: Announcement of the necessary information on the Market Observation Post System. Contact window: Please refer to the "Stakeholder Zone" on the Company's website.	Participated in the seminars and meetings held by the competent authorities.

(IV) Information on the Composition, Duties and Operation of the Remuneration Committee:

The Company has established a Remuneration Committee on December 27, 2011. The committee is operated in accordance with the Remuneration Committee Charter. The function of this committee is to evaluate the remuneration policies and systems for the Company's directors and managers from a professional and objective perspective, and to propose suggestions to the Board of Directors for reference in decision-making.

1. Information on the Members of the Remuneration Committee

March 26, 2023

Title	Criteria / Name	Professional Qualification and Experience	Independence Status	Number of Other Public Companies Where the Member Concurrently Serves as a Member in the Remuneration Committee
Independent Director Convener	CHANG, TIEN-SHENG	Please refer to p.18 of this annual report for more information.	Please refer to p.18 of this annual report for more information.	0
Independent Director	HUANG, CHUNG-HUI			4
Independent Director	CHEN, SHUH			1

2. Information of the Remuneration Committee Operation

(1) The Company has a Remuneration Committee composed of three members.

(2) Term of the current Committee: From May 26, 2022 to May 25, 2025. The Company convened two (A) Remuneration Committee meetings in 2022 with the following attendance:

Title	Name	Number of Actual Attendance (B)	Number of Proxy Attendance	Actual Attendance Rate (%) (B/A)	Note
Convener	CHANG, TIEN-SHENG	1	0	100%	Was newly elected on May 26, 2022 and expected to attend 1 meeting.
Committee Member	HUANG, CHUNG-HUI	2	0	100%	Was re-elected on May 26, 2022 and expected to attend 2 meetings.
Committee Member	TSAI, CHING-TIEN	1	0	100%	Was removed on May 26, 2022 and expected to attend 1 meeting.
Committee Member	KAO, CHUNG-SHAN	1	0	100%	Was removed on May 26, 2022 and expected to attend 1 meeting.
Committee Member	CHEN, SHUH	1	0	100%	Was newly elected on May 26, 2022 and expected to attend 1 meeting.

Other matters to be recorded:

I. If the Board of Directors chooses not to adopt or revise recommendations proposed by the Remuneration Committee, the date of the Directors' Meeting, session, contents of proposals, results of meeting resolutions, and the Company's disposition of opinions provided by the Remuneration Committee shall be described in detail (also, where the salary and compensation approved by the Directors' Meeting is better than that recommended by the Remuneration Committee, the differences and the reason for the approval shall be described in detail): None.

II. For the decisions made by the Remuneration Committee, if there are members who hold objection or reservation to a resolution and such objection or reservation is on record or raised through a written statement, the date, session, contents of proposals, all members' opinions, and ways in handling these opinions should be elaborated: None.

3. The session, contents of proposals, major resolutions and the responses to all members' opinions of the Remuneration Committee in the most recent year:

Remuneration Committee	Proposal and Follow-up	Resolutions	The Company's Handling of the Opinions of the Remuneration Committee
The 6th Meeting of the 4th Session April 8, 2022	1. Adjustment to the Company's salary structure (2021 salary adjustment).	All present members of the committee unanimously approved the resolution after consultation with the chairman of committee.	Submitted to the 16th meeting of the 12th Board of Directors for approval and carried out in accordance with the resolution of the Board of Directors.
	2. 2021 Performance Review for the Top Managers	All present members of the committee unanimously approved the resolution after consultation with the chairman of committee. The performance review of top managers should be approved by the Chairman of the Company and reported to the Remuneration Committee in accordance with the Company's regulations.	
	3. 2021 Year-end Bonus for the Top Managers	All present members of the committee unanimously approved the resolution after consultation with the chairman of committee.	
	4. Formulation of "Policies for Payment of Remuneration to Directors" by the Company.		
	5. Discussion on the Company's remuneration for directors in 2021.	Directors' remuneration to be paid at 1.5%, which is not different from the expense recognized in 2021, has been approved by the committee after consultation with chairman to all present committee members.	
	6. Discussion on the Company's remuneration for the Top Managers in 2021.	All present members of the committee unanimously approved the resolution after consultation with the chairman of committee.	
	7. Amendment to the Company's "Policies and Procedures of the Salary and Remuneration for the Top Managers"	All present members of the committee unanimously approved the resolution after consultation with the chairman of committee. The performance review of top managers should be approved by the Chairman of the Company and reported to the Remuneration Committee in accordance with the Company's regulations.	
The 1st Meeting of the 5th Session November 14, 2022	1.The Company's remuneration for the Top Managers in 2021.	1. All present members of the committee unanimously approved the resolution after consultation with the chairman of the committee. The resolution will be proposed to the Board of Directors for approval. 2. Members of the Remuneration Committee suggested that the contents of proposals and the relevant regulations should be prepared for future meetings, and the Company's regulations should be reported in advance at the meeting.	Submitted to the 4th meeting of the 13th Board of Directors for approval and carried out in accordance with the resolution of the Board of Directors.
	2. Discussion on "The Compensation for the Company's Newly Promoted Associate Vice President".	1. All present members of the committee unanimously approved the resolution after consultation with the chairman of the committee. The case was proposed to be effective since November 1, 2022 and the resolution will be proposed to the Board of Directors for approval.	

Remuneration Committee	Proposal and Follow-up	Resolutions	The Company's Handling of the Opinions of the Remuneration Committee
	3. Adjustment to the Company's salary structure for Managers (2023 salary adjustment).	1. All present members of the committee unanimously approved the resolution after consultation with the chairman of the committee. 2. Members of the Remuneration Committee recommended that the Company pay a reasonable remuneration to the Chairman of the Company given that the Chairman's basic salary was at a low level.	Submitted to the 4th meeting of the 13th Board of Directors for approval and carried out in accordance with the resolution of the Board of Directors.

(V) Information on the Composition, Duties and Operation of the Sustainable Development Committee

To practice corporate social responsibility and promote economic, environmental and social improvements to achieve the goal of sustainable development, the Company established the Sustainable Development Committee under the Board of Directors on May 26, 2022 in accordance with Article 14 of the Company's Articles of Incorporation and Article 27 of the Corporate Governance Best Practice Principles.

1. Information on the Members of the Sustainable Development Committee

March 26, 2023

Title	Criteria / Name	Professional Qualification and Experience	Independence Status	Number of Other Public Companies Where the Member Concurrently Serves as a Member in the Sustainable Development Committee
Independent Director Convener	CHEN, SHUH	Please refer to p.18 of this annual report for more information.	Please refer to p.18 of this annual report for more information.	1
Independent Director	HUANG, CHUNG-HUI			0
Independent Director	CHANG, TIEN-SHENG			0

2. Information of the Sustainable Development Committee Operation

(1) The Company has a Sustainable Development Committee composed of three members.

(2) The Company and its subsidiaries have set up a number of executive teams under the Sustainable Development Committee to implement related tasks, and the Presidents of the Company and its subsidiaries will report to the Committee on the progress of related work.

(3) Term of the current Committee: From May 26, 2022 to May 25, 2025. The Company convened one (A) Sustainable Development Committee meetings in 2022 with the following attendance:

Title	Name	Number of Actual Attendance (B)	Number of Proxy Attendance	Actual Attendance Rate (%)(B/A)	Note
Convener	CHEN, SHUH	1	0	100%	
Committee Member	HUANG, CHUNG-HUI	1	0	100%	
Committee Member	CHANG, TIEN-SHENG	1	0	100%	

3. The session, contents of proposals, major resolutions and the responses to all members' opinions of the Sustainable Development Committee in the most recent year:

Sustainable Development Committee	Proposal and Follow-up	Resolutions	The Company's Handling of the Opinions of the Sustainable Development Committee
The 1st Meeting of the 1st Session October 25, 2022	1. Promotion of Project Organization by the Sustainable Development Committee	1. All present members of the committee unanimously approved the resolution after consultation with the chairman of committee.	Was proposed to the 3rd meeting of the 13th Board of Directors for approval and carried out in accordance with the resolution of the Board of Directors.
	2. The Company's check on greenhouse gas and its verification schedule plan.	2. For the proposal that the entire time schedule should remain unchanged and the breakdown of the time schedule for each stage should be included, unanimous consent of all present members has been obtained after consultation with the chairman to all present committee members.	

(VI) Promotion of Sustainable Development:

Promotion of Sustainable Development and Deviations from "Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies"

Evaluation Item	Implementation Status (Note 1)			Deviations from "Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Description	
I. Does the company have a governance framework to promote sustainable development in place, with a division authorized by the Board to exclusively or concurrently promote corporate social responsibility policies and is responsible for reporting back to the Board?	V		The Company established the Sustainable Development Committee under the Board of Directors on May 26, 2022. The Company and its subsidiaries have set up a number of executive teams under the Sustainable Development Committee to implement related tasks, and the Presidents of the Company and its subsidiaries will report to the Committee on the progress of related work. The duties of this committee include: amendment to the policies and systems related to the Company's sustainable development, review on the Company's objective of sustainable development and the implementation plans or related management guidelines, review on the implementation and effectiveness of the Company's sustainable development operation, and the regular report to the Board of Directors. The latest report to the Board of Directors was on November 1, 2022. For the composition, responsibilities and implementation of the Sustainable Development Committee, please refer to p.49~50 of this annual report.	No Material Difference
II. Does the company identify environmental, social, and corporate governance issues related to the company's operations in accordance with the materiality principle? (Note 2)	V		The company pursues a sustainable business environment and is committed to implementing management measures in the aspects of environmental protection (E, environment), social responsibility (S, social) and corporate governance (G, governance) to fulfill its corporate social responsibility, aiming to become the most innovative company for daily use products and sports equipment which creates the greatest value and best service for clients, employees, shareholders and the public. In accordance with the materiality principle, the Company has implemented procedures for risk assessment and corresponding measures on ESG sustainability management issues related to the Company's operations in order to fulfill its corporate social responsibility. (I) Environmental Protection	No Material Difference

Evaluation Item	Implementation Status (Note 1)			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Description	
			1. Environmental protection is our manifested duty. The Company will commit itself to pollution prevention and continuous improvement in support of the global environmental campaign. For many a year the Company has been promoting measures to conserve energy and reduce carbon emissions and waste, to raise employees’ environmental awareness, and to improve the efficiency of resources consumption. 2. To implement green R&D and green production, the Company conducts source management at the R&D end while making improvements throughout the whole process, aiming to move its R&D and whole process towards the ideal of “reduction, recycling, and alternatives,” to save energy, reduce carbon emissions, and minimize pollution. 3. The Company will continue to develop inorganic green processes to reduce the pollution made by organic chemicals, focusing on environmental friendliness to achieve energy saving and carbon reduction. 4. Environmental advocacy by reducing energy consumption and carbon emissions through living a green life at the personal level: Love for the Earth by means of a lifestyle that features low carbon emission, a more vegetarian diet, energy conservation, plastic and waste reduction. 5. The Company will work and communicate with related groups on environmental issues. (II) Product Responsibility 1. The Company pursues an environment facilitating sustainable operations and produces exquisite daily necessities and sporting equipment. All our products meet the regulatory requirements, including the environmental and safety requirements on suppliers. 2. The Company has formulated its “Regulations for Assessment of Suppliers’ Safety Management,” by which suppliers are regularly assessed for their product safety and environmental safety, so as to ensure their compliance with the laws and regulations pertaining to environmental protection and safety. 3. The Company implements an ESG-based sustainable	

Evaluation Item	Implementation Status (Note 1)			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Description	
			management framework, under which raw materials are locally sourced and suppliers are encouraged to engage in environmental practices and provide a carbon footprint for their products, thereby gradually building a green supply chain. 4. The Company continues to innovate and develop revolutionary new products and green products, to create unique and irreplaceable deep-level competitiveness. (III) Labor and Employment Relations 1. The Company is committed to employee care by providing a friendly workplace, and salary and welfare package superior to what is required by law. 2. Recruitment is based on the human capital needs of each department to look for outstanding talents meeting O-TA’s core values. 3. The Company values talent retention, understands the reason for employees’ resignation through an exit interview, gathers relevant information, and analyzes the information for a future remedy plan. 4. The Company stimulates employees with a sound reward and bonus system, to share operational achievements with them. In addition, salary is adjusted depending on the macroeconomic conditions, to take care of employees so as to exempt them from economic worries. Salary was adjusted for the past three years. In addition, the Articles of Incorporation stipulated that 6.5% of an annual profit, if any, be allocated as employee compensation and a monthly pension contribution equal to 13% of an employee’s salary be provided as required by the Labor Standards Act. In this sense, the Company’s welfare measures are quite comprehensive. 5. The Company follows the Regulations for Labor Health Protection to launch the various employee care and health promotion activities, so that employees can strike a work-life balance and remain healthy. (IV) Anti-corruption The Company implements anti-corruption measures by formulating its “Ethical Corporate Management Best Practice Principles,” “Procedures for Ethical Management and	

Evaluation Item	Implementation Status (Note 1)			Deviations from "Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Description	
			Guidelines for Conduct," internal control system, authorization system, and division of competency functions along with internal audit operation, self-assessment of internal control, and provision of a channel for whistleblowing on unethical conduct. (V) Clients' Privacy The Company keeps commercial secrets strictly confidential, bans inquiry about or gathering of suppliers' or customers' intellectual property like trade secrets, trademark, patent, and works, and prohibits confidence to any person. In addition, the Company has initiated an information security risk protection mechanism to protect trade secrets. (VI) Social Economic Regulations and Corporate Governance Compliance 1. By following the Regulations Governing Trade between the Taiwan Area and the Mainland Area and international standards, the Company ensures its business operations and environmental protection and complies with the code of ethics. 2. The Company has formulated its "Codes of Ethics for Employees" to provide a framework of ethical conduct for employees to follow. 3. With a sound corporate governance mechanism, internal audit system, information security management measures, and a system that monitors industrial and regulatory changes, the Company is able to circumvent the impact of operating risks	
III. Environmental Issues (I) Does the Company have environmental management systems appropriate for its industry in place?	V		(I) According to the Company's industry features and production positions, the Company focuses the improvements on the working environment of production factories, such as increasing ventilation and exhaust facilities, and conducting pre-employment/in-service/post-employment medical examinations for employees in specific positions to avoid the risk of occupational hazards. For other related environmental management policies, please refer to the information of environmental expenditure on p.117~121 of this annual report.	No Material Difference
(II) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have a low impact on the environment?	V		(II) The Company is committed to improving the efficiency of the utilization of various resources and continues to facilitate "electronic process". By utilizing the document management	No Material Difference

<table>
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<tr><th>Yes</th><th>No</th><th>Description</th></tr>
<tr><td></td><td></td><td></td><td>system, the Company makes the standardized documents fully available online, resulting in a decreasing amount of paper used for standardized documents. The Company also incorporates the concept of environmental protection into its product design; for related policies, please refer to the information of environmental expenditure on p.117~121 of this annual report.</td><td></td></tr>
<tr><td>(III) Does the company evaluate the potential risks and opportunities of climate change on its operations and take actions?</td><td>V</td><td></td><td>(III) As a manufacturing company, the Company has utilized recycling materials to make a more efficient use of resources, in response to the climate change. The Company also reduces water consumption and adopts more efficient transportation methods as the corresponding measures for reducing its operating costs.</td><td>No Material Difference</td></tr>
<tr><td>(IV) Did the company keep track of its greenhouse gas emissions, water consumption, and total weight of waste over last two years, and has the Company established strategies for greenhouse gas reduction, water conservation, and waste management?</td><td>V</td><td></td><td>(IV) The Company has been actively controlling its water consumption and the production of waste in recent years. By executing the water-saving policy and installing a wastewater treatment plant at the Jiangxi O-TA factory with the water reuse facilities added in 2019, the Company decreased its overall water consumption by approximately 9,500 tons and 21,133 tons in 2021 and 2022, respectively, as compared to the previous year.
The Company promotes energy-saving and carbon-reducing measures by implementing the energy-efficient management policy in offices, factories and public areas. With the use of energy-efficient lighting, paperless electronic process in offices, energy-efficient equipment with regular power cuts and the switching off of lights during lunch break, the Company has reduced the waste on energy.
The Company’s ESG information for 2021 is disclosed in the following table:
<table>
<tr><td rowspan="2">Greenhouse gas emissions (including only the statistics on annual electricity consumption of the parent company)</td><td>Direct GHG emissions (scope 1) (in tons of CO2e)</td><td>-</td></tr>
<tr><td>Indirect emissions from energy consumption (scope 2) (in tons of CO2e)</td><td>352.73</td></tr>
</table>
</td><td>No Material Difference</td></tr>
</table>

Evaluation Item	Implementation Status (Note 1)			Deviations from "Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Description	
			(see tables below)	

	Indirect emissions from other sources (scope 3) (in tons of CO2e)	-
	GHG emissions intensity (tons of CO2e per capita)	1.90
Water resources management (including only the statistics on annual water consumption in cubic meters of the parent company)	Water consumption (metric tons)	320.02
	Water consumption intensity (metric tons per capita)	1.72
Waste management (including only the statistics on the annual waste volume declared by the parent company [general domestic waste])	Hazardous waste (metric tons)	0.00
	Non-hazardous waste (metric tons)	10.40
	Total waste (hazardous + non-hazardous) (metric tons)	10.40
	Waste generation intensity (metric tons per capita)	0.06

The Company's ESG information for 2022 is disclosed in the following table:

Greenhouse gas emissions (including only the statistics on annual electricity consumption of the parent company)	Direct GHG emissions (scope 1) (in tons of CO2e)	-
	Indirect emissions from energy consumption (scope 2) (in tons of CO2e)	345.20
	Indirect emissions from other sources (scope 3) (in tons of CO2e)	-

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status (Note 1)</th><th rowspan="2">Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Description</th></tr>
<tr><td></td><td></td><td></td><td>
<table>
<tr><td></td><td>GHG emissions intensity (tons of CO2e per capita)</td><td>2.03</td></tr>
<tr><td rowspan="2">Water resources management (including only the statistics on annual water consumption in cubic meters of the parent company)</td><td>Water consumption (metric tons)</td><td>366.74</td></tr>
<tr><td>Water consumption intensity (metric tons per capita)</td><td>2.16</td></tr>
<tr><td rowspan="4">Waste management (including only the statistics on the annual waste volume declared by the parent company [general domestic waste])</td><td>Hazardous waste (metric tons)</td><td>0.00</td></tr>
<tr><td>Non-hazardous waste (metric tons)</td><td>9.60</td></tr>
<tr><td>Total waste (hazardous + non-hazardous) (metric tons)</td><td>9.60</td></tr>
<tr><td>Waste generation intensity (metric tons per capita)</td><td>0.06</td></tr>
</table>
</td><td></td></tr>
<tr><td>IV. Social Issues
(I) Does the company have appropriate management policies and procedures in place according to relevant regulations and the International Bill of Human Rights?</td><td>V</td><td></td><td>(I) The Company complies with the labor regulations of the government and the local authorities, and is dedicated to protecting employees’ rights and providing employees’ with the maximum rights and benefits. The Company has established various regulations and procedures as the basis of the Company’s standards. The Company carries out the appointment and remuneration of employees in accordance with the Company's “Policies for the Recruitment of Employees”, “Policies for the Appointment and Transfer of Employees”, "Policies for Attendance Management" and "Policies for the Retirement of Employees" to protect the legitimate rights and interests of employees.</td><td>No Material Difference</td></tr>
<tr><td>(II) Does the company declare reasonable employee welfare measures (including salary remuneration policy, regulations for leaves and others) and integrate the company’s performance with</td><td>V</td><td></td><td>(II)1. The Company established the “Working Rules” in accordance with the “Labor Standards Act” and the “Employee Welfare Committee” in accordance with the “Employee Welfare</td><td>No Material Difference</td></tr>
</table>

Evaluation Item	Implementation Status (Note 1)			Deviations from "Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Description	
employees' reward?			Fund Act", and established the "Organizational Regulations on the Employee Welfare Committee" to implement reasonable employee welfare measures. 2. The Company has established the "Policies for Performance Evaluation" to implement employees' performance management through the performance evaluation system. Through performance management, the Company integrates the overall objectives of the Company and the individual occupational objectives of employees for subsequent employee training and development. 3. The Company's Articles of Incorporation stipulate that if the Company makes profits for the year, 6.5% of those profits should be appropriated as employee remuneration. 4. The Company is dedicated to providing a friendly working environment for the employees. As of the publication of this annual report, the number of female employees accounted for 48% of the total number of employees, and the number of female employees in senior management positions accounted for 42% of the total number of senior managers.	
(III) Does the company provide a healthy and safe working environment, and organize training on health and safety for its employees on a regular basis?	V		(III) 1. The Company provides a safe and healthy working environment for employees and is committed to reducing employees' exposure to hazards in order to prevent occupational hazards. 2. The Company provides safety training for new employees or occasional safety-related training for all employees to enhance the professional knowledge of occupational health and safety. 3. The Company regularly monitors the working environment in each year to ensure that the working environment meets the regulatory requirements. 4. The Company requests doctors and nurses to provide the on-site employees' health service programs to assist in preventing occupational hazards and protecting the physical and mental health of employees. 5. The Company provides the employees with annual medical examinations and the protective equipment that is necessary for protection in the workplace. Please refer to 5. on p.119~120 of this annual report for more information.	No Material Difference

Evaluation Item	Implementation Status (Note 1)			Deviations from "Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Description	
(IV) Does the company provide its employees with career development and training sessions?	V		(IV) The company has a comprehensive training system, including orientation training, on-the-job training (training for job skills, etc.) and the excellence-learning training, which can meet the requirements at each stage of training. The company has planned every year to send some employees to participate in excellence-learning training so as to enhance the employees' comprehensive ability. The Company has also established subsidy-related policies for the on-the-job training, such as the "Incentive Policies for Foreign Language Proficiency Certification", to encourage employees to have advanced study and improve their working skills.	No Material Difference
(V) Does the company comply with relevant regulations and international standards about customers' health, safety, privacy, advertise and label of goods and services and establish consumer protection policy?	V		(V) The marketing and labeling of the Company's products and services are conducted in accordance with relevant regulations and international standards. (The company has obtained ISO9001:2015 International Quality Assurance Certification)	No Material Difference
(VI) Does the company have a supplier management policy to regulate suppliers on concern related to environmental protection, labor and human rights, safety, and health?	V		(VI) The Company has established "Supplier Safety Management Assessment" for the management of suppliers, which is led by O-TA's Supply Chain Integration Division and assisted by Purchasing Division of Jiangxi O-TA in the management affairs. Annual assessments are conducted on the product safety, environmental safety and occupational safety management systems of major suppliers to ensure that the suppliers comply with regulations relevant to environmental protection and safety, and are qualified to be included in the list of qualified suppliers. Most of the local and overseas suppliers of the Company are long-term partners with the Company. If there is any possible negative impact on the environment, labor conditions, human rights and society, the Company may terminate or discharge the contract. The 2022 Supplier Safety Management Assessment was conducted based on the ranking of the suppliers' accounts from the highest amount to the lowest amount. 10 suppliers are selected from the top suppliers in order of the amount of accounts and the assessment for selected suppliers has been completed.	No Material Difference

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status (Note 1)</th><th rowspan="2">Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Description</th></tr>
<tr><td>V. Does the company prepare a Sustainability Report that complies with international guidelines to disclose the non-financial information of the Company? Is the Sustainability Report verified by a third party?</td><td></td><td>V</td><td>The Company has built a “Corporate Governance Information” section on the Company's website and will continue to disclose information related to sustainable development in the future.</td><td>The Company will implement corporate governance according to the practical requirements or the legal regulations.</td></tr>
<tr><td colspan="5">VI. If the Company has established the sustainable development principles based on “Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies,” please describe any discrepancy between the Principles and their implementation: None.</td></tr>
<tr><td colspan="5">VII. Other important information to facilitate better understanding of the company’s sustainable development practices:
(I) Endeavor to promote positive culture: Promotion of the culture of care, sharing, gratefulness, and blessings, in the hope to promote sustainable development.
(II) The Company’s chairman in charge uses artistic and aesthetics philosophies, hoping that society is full of harmony and love.
(III) The company creates a friendly and artistic workplace by setting up a cultural creativity and aesthetic center, where art works are exhibited and performance given, and where renowned artistic groups are invited to stage a concert during business hours. In this way, employees are engulfed in a literary and artistic working environment and thus are able to develop innovative, high-quality, and high-added-value products.
(IV) The Company encourages innovation in that it provides millions of dollars of rewards to encourage proposals of innovation. The products developed over the past years are an integration of advanced technology and functions dotted with aesthetic and artistic elements, enabling consumers to enjoy sports and leisure, in addition to an arts feast, while playing golf or riding a bike. In addition, VOLANDO, a privately-owned exquisite bicycle brand, enables users to make friends and lead a slow life, and is an embodiment of environmental protection and sharing economy. This way, users can experience the cultural and aesthetic values while realizing and recognizing their own value
(V) With the core value of offering “natural, eco-friendly, safe and healthy” products, the Company continues to develop, produce and promote the products of lead-free stainless steel faucets, which are made in compliance with the Water Efficiency Label and the National CNS 8499 TYPE 304 food-grade stainless steel standards.
(VI) Aside from being filled with a mood of cultural creativity, aesthetics, and arts, O-TA’s Cultural Creativity and Aesthetic Center is also a health-promoting and assuring premises. The Company values and cares about employees’ health. Aside from promoting employees’ health, the Company also intends to safeguard the health of external community members. By introducing the Smart Health-facilitation and Smart Health Station” and installing an AED (which is superior to the legal requirements), the Company entitles them to health services and allows them to rest assured. The Company also encourages employees to take part in club activities, e.g., badminton, yoga, spinning bike, boxing, and so on. By using the health-facilitation and smart care facilities, employees can understand the benefits they reap through exercise, and grasp the health benefits they have attained, enabling themselves to manage their health smartly.
(VII) The Company abides by the government’s pandemic control regulations and measures, and cares about and values the health and safety of all employees; the Company further urges all employees to abide by the pandemic control measures to contain the pandemic. Correct pandemic control measures are a guarantee of full health. The Company also communicates the objective of building up community immunity to employees and encourages them to do so, typically by recommending those qualified for vaccination to be vaccinated against the COVID-19 virus as soon as possible so as to develop immunity. As a means of encouragement, the Company offers those to be vaccinated paid leave that is superior to the legal requirement. When an employee is confirmed to contract the virus, the Company offers “pandemic battlefield care” by giving them a carefully-prepared pandemic control supply kit, to comfort and care for them, wishing them a good health soon.</td></tr>
</table>

(VIII) Green lifestyle: The Company advocates for love for the Earth by urging employees to reduce energy consumption and carbon emissions through leading a green lifestyle that features low carbon emissions, a vegetarian diet, energy conservation, and plastic and waste reduction. The Company further launches a green life points card program, encouraging employees to earn points by leading a green lifestyle, typically by purchasing green products that are sustainable and safe to eat from manufacturers certified with a green mark. The Company promotes energy-saving and carbon-reducing measures by implementing the energy-efficient management policy in offices, factories and public areas. With the use of energy-efficient lighting, paperless e-business in offices, energy-efficient equipment with regular power cuts and the switching off of lights during lunch break, the Company has reduced the waste of energy.

(IX) Sustainability for the local: e.g., sponsorship for small farmers, preferential purchase of locally-sourced products, etc. The Company supports small local farmers, organic farming, natural farming, and environmental endeavors, to pursue an environment ideal for sustainable operations and safeguard the land's sustainable value.

(X) For many a year the Company has been promoting golf to the grassroots, e.g., sponsorships for Kenting Elementary School, and strategic alliance and industry-academia collaboration programs with National Pingtung University, aiming to share resources, increase benefits, and achieve the common good for all interested parties. By leveraging the advantages of National Pingtung University, the Company launched a smart golf training program, hoping to achieve synergy between talent cultivation and competitiveness. The Company also hopes to jointly fulfill the objectives of sustainable management, innovation of the golf industry, talent cultivation, technological integration, social responsibility, local engagement, and sustainable development.

(XI) Plan to set up a parking lot that is also a photovoltaic power station, which is also a type of employee benefits: O-TA pursues an environment ideal for sustainable operations by leveraging its geographical proximity to invest in renewable electricity generation, carrying its ESG campaign even further forwards.

(XII). The Company implements its Industrial Waste Disposal Plan and, as required by law, declares the whereabouts of waste, which is disposed of or recycled in the manner specified by law.

(XIII) By implementing the recycling of waste and the classification of recycled materials at the plants, the Company has reduced the amount of waste produced.

(XIV) The employees of the Company are treated with equal job opportunities regardless of gender, religion or political beliefs. The Company provides a good working environment to ensure that the employees are free from discrimination and harassment.

(XV) In accordance with the "Act of Gender Equality in Employment" and the "Regulations for Implementing Unpaid Parental Leave for Raising Children", the Company is committed to the prohibition of gender discrimination, the prevention of sexual harassment, and the promotion of workplace equality. The Company has established the complete internal management procedures, such as the policies for the management of employees' leave, resignation, unpaid leave and involuntary termination, the management of employees' appeal (specifying the procedures for handling appeals of sexual harassment), and the management of nursing rooms. The Company has set up friendly nursing rooms for employees.

(XVI) The Company pursues sustainable operations, attaches importance to employee care and benefits, and strives to build a friendly and happy workplace, so that employees can work without worries and strike a work-life balance. In doing so, the Company hopes to create a win-win situation, to retain exceptional employees, improve overall capability, and boost the Company's competitiveness. Various types of employee care measures provided by the Company are superior to the legal requirements. For many years, the Company has allowed employees to work flexible hours and provided them with a more generous leave system. The types of leave provided by the Company that are superior to legal requirements include special business leave, special sick leave, and paid leave for vaccination. In addition, the Company surpasses the legal threshold by offering a half-day official leave to employees for them to attend their children's school affairs. Eligible employees are those with a child at the level of elementary school, junior high school, or senior high school. This is to fulfil the rights of parents to participate in the education of their child, and to facilitate good communication between parents and teachers. (effective from March 2022)

(XVII) The Company's Chairman provides scholarships for the schooling of employees' children, in addition to a big red envelope for childbirth to stimulate employees' willingness to have a baby, thereby improving, or, at least, reducing the decline in, the fertility rate.

(XVIII) The Company has been actively contributing to the local community by donating to the government and local organizations over the years and cooperating with colleges to carry out "Industry-academia Cooperation", such as the cooperation with National Pingtung University of Science and Technology to establish an O-TA research laboratory.

(XIX) The Company's 2022 annual sponsorship or charity events:

Items	Event Overview	Items Sponsored by the Company
Donation to Huashan Social Welfare Foundation for the expenditures of local elders in Neipu of Pingtung.	Taiwan has become an aging society. Given so, Huashan takes care of the 3D elders (i.e., elders with dementia and disability and without dependence) by earmarking the donation to the elders in Neipu of Pingtung.	Funds: NT$50,000
Donation to the Russia-Ukraine War Express Humanitarian Aids Program organized by The Red Cross Society of the Republic of China (Taiwan).	The Russia-Ukraine conflict has given rise to a humanitarian crisis. Our donation, albeit humble, can help alleviate the humanitarian crisis effected by the Russia-Ukraine War.	Funds: NT$50,000
Donation of the expenses of a "disaster relief van" to Neipu Branch, Second Brigade, Pingtung County Fire Department.	The Company as a member of the Manufacturer Association of Neipu Industrial Park of Pingtung County participates in an activity organized by the association and donates a disaster relief van under the name of the association to Neipu Branch, Second Brigade, Pingtung County Fire Department, hoping to give back to society and bring benefits to the local.	Funds: NT$20,000
Donation of fund to Taiwan Fund for Children and Families - Pingtung Branch for children protection and emergency relief fund.	Let's give our love to give children a future. Taiwan Fund for Children and Families has been promoting children protection for 35 years. O-TA supports our Engulfing Children with Love project by making donation, helping parents, thus children, and thus the whole family weather the pandemic.	Funds: NT$30,000
Sponsorships for National Pingtung University of Science and Technology for its 2022 EMBA National Golf Tournament	The 19th EMBA National Golf Tournament and Fundraising Event for 2022 was held by the EMBA Golf Team of National Pingtung University of Science and Technology. The university has been a close partner of O-TA in various industry-academia collaboration projects. By participating in this benefit sports event, namely, Swing to Benefit, the Company hopes this golf event, or golf meetup, can promote the physical and mental health of the elites from all walks of life, enhance interpersonal interaction and interchange among them, and give benefit back to society. Any surplus of the funds raised, if any, will be donated to the charities, namely, Tianyuan Educational Foundation and Genesis Social Welfare Foundation (GSWF) - Pingtung Branch.	Funds: NT$50,000 *Project-based sponsorships - The reward for hole in one is a ***VOLANDO*** bike, which is worth 100,000.
Donate to the Kenting Elementary School Golf Association Fund	The Company promotes golf at the grassroots level by sponsoring the golf activities of Kenting Elementary School in 2022: The Company sponsored a golf course curriculum in March 2006 for the first time; currently the golf course curriculum has become the school-based curriculum of Kenting Elementary School. By providing sponsorships again, the Company supports remote schools and professional coaches in promoting the sports and cultivating talents.	Fund: NT$ 100,000
Participation in the benefit event organized by Anue	The Company has been participating in the benefit event organized by Anue since 2020. In 2022, the Company participated in Anue's benefit project E - Love for Fellows under the "2022 Relay of Love to Guard Our Mentally Challenged Angles".	NT$63,000 inclusive of taxes and publication fee.
Promotion of local sustainability by means of industry-academia collaboration: The Company enters into a contract with National Pingtung University to launch industry-academia collaboration projects and	By signing a contract with National Pingtung University to launch industry-academia collaboration projects and form a strategic alliance, the Company sponsors National Pingtung University's project, namely, "Golf Talents Cultivation using Smart Golf Simulated Training Premises," in the hope to cultivate more golf talents and put them on international competition events.	*Funds: NT$200,000 * Golf equipment: 3 sets

Evaluation Item		Implementation Status (Note 1)			Deviations from "Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
		Yes	No	Description	
	form a strategic alliance.				
	Sponsorships for the activity expenses for the 2022 national sports delegation of the Chinese Taipei Cycling Association.			Chinese Taipei Cycling Association hosts Tour De Taiwan, an event evaluated by the Union Cycliste Internationale (UCI) as the 2.1 stage race in the UCI Asia Tour, every year. Through this event, the Company is able to implement sports diplomacy, promote Taiwan's tourism industry and maintain good relationship with the international cycling organizations.	Fund: NT$ 100,000
	Donation of exquisite bikes to local government agencies or schools to give back to the local.			*Output tax of the 30 donated mountain bikes：NT$51,630 *Pingtung County Government - donation of 5 bikes (NT$171,207); National Pingtung University of Science and Technology - Donation of 5 bikes (NT$180,719); National Pingtung University - donation of 5 bikes(NT$219,316); Meiho University - donation of 10 bikes (NT$298,279); Dong-Ning Primary School in Neipu of Pingtung - donation of 5 bikes (NT$163,075).	*Donation of 30 bikes (worth NT$1,084,226)

Note 1: With regard to "Implementation Status", if the "Yes" column is checked, please specify the policies, strategies, measures and the implementation status. If the "No" column is checked, please specify the status and reasons for the differences in the column of "Deviations from Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons", and specify the future plans for the implementation of relevant policies, strategies and measures. However, for Items 1 and 2, the TWSE/TPEx listed company shall describe its governance and supervisory framework for sustainable development, including but not limited to management policy, strategy and goal formulation, review measures, etc. It additionally shall describe the company's risk management policies or strategies for operations-related environmental, social, and corporate governance issues, and their assessment status.

Note 2: Materiality principle refers to the environmental, social and corporate governance issues that have a significant impact on the Company's investors and other stakeholders.

(VI) The State of the Company's Performance in the Area of Ethical Corporate Management and the Company's Measures:

Ethical Corporate Management and Variance from "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" and the Reason for any Such Variance

Evaluation Item	Implementation Status (Note)			Variance from "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Description	
I. Establishment of ethical corporate management policies and programs				
(I) Does the company have an Ethical Corporate Management Best Practice Principles approved by the Board of Directors, clearly state the policy and procedures in its guidelines and external documents, and demonstrate commitment from the Board of Directors and top management to implement the policy?	V		(I) The Company has established the "Ethical Corporate Management Best Practice Principles" and the "Codes of Ethics for Directors and Managers" to specifically regulate the matters of which all employees, including directors and managers, should take notice in their conduct of business.	No Material Difference
(II) Does the company have policies to prevent unethical conduct, analyze and evaluate the risk of unethical conduct in operating scope periodically, at least including appropriate precautions against high-potential unethical conduct or listed activities stated in Article 2, Paragraph 7 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies?	V		(II) The Company has formulated the "Ethical Corporate Management Best Practice Principles" and the "Codes of Ethics for Directors and Managers" and has enhanced the precautionary measures through the announcement and reporting of material information and related party transactions details, etc. The Company has also formulated the "Codes of Ethics for Employees" and the "Working Rules" as regulatory guidelines for the penalty mechanism for employees who seek to obtain improper interests by concealing information in an opportunistic manner. The Company also encourages internal and external personnel to report the unethical conduct in order to implement the ethical corporate management and to protect the legal rights and interests of the whistleblowers and the parties involved in unethical conduct.	No Material Difference
(III) Does the company have policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, and the commitment to implement the policies and review the policies periodically?	V		(III) The Company has formulated the "Procedures for Ethical Management and Guidelines for Conduct" and has provided educational training for its employees to ensure that the employees fully understand the relevant regulations and the punitive measures. (In 2022, the Company organized courses on "Ethical Corporate Management" and "Internal Control System", with a total of 5 attendees and a total of 10 hours.)	No Material Difference

II. Fulfill operations integrity policy (I) Does the company evaluate business partners' ethical records and include ethics-related clauses in business contracts?	V		(I) The Company has established the "Ethical Corporate Management Best Practice Principles" and conducts its business activities in a fair and transparent manner in accordance with the policy to avoid making transactions with parties involved in the unethical conduct. The contracts signed between the Company and its agencies, suppliers, clients or other business counterparties contain provisions for compliance with the Ethical Corporate Management Best Practice Principles and for termination of the contracts at the time when the business counterparties are involved in unethical conduct.	No Material Difference
(II) Does the company have an exclusively (or concurrently) dedicated unit supervised by the Board of Directors to be in charge of corporate integrity, implementation, and regularly reports to the Board, at least once a year?	V		(II) The Company has set up the Human Resource Unit, the Auditing Office and the Legal Affairs Unit under the R&D Division as parties responsible for the planning and implementation of the Ethical Corporate Management Best Practice Principles. The Auditing Office reports to the Board of Directors on a regular basis. The implementation status of the most recent period was reported at the Board of Directors meeting dated November 1, 2022.	No Material Difference
(III) Does the company have policies to prevent conflicts of interest and provide appropriate communication channels?	V		(III) The Company has established the "Ethical Corporate Management Best Practice Principles" to prevent conflicts of interest and provides appropriate communication channels (e.g., the telephone numbers and e-mail addresses listed on the "Stakeholder" section of the Company's website). In addition, a system designed for the directors' avoidance of motions in conflict of interest is provided in the Company's "Rules of Procedure for Board of Directors Meetings". A director who has an interest with himself/herself or the juristic person he/she represents in the motions of the board meeting should clarify the important details of his/her stakes at the board meeting. If such case has a harmful impact on the Company's interests, the director should not join the discussion or voting and should not act as a proxy to exercise the voting rights on behalf of other directors.	No Material Difference
(IV) Has the company established effective accounting and internal control systems to facilitate ethical corporate management, and has the internal Audit Division formed and executive an audit plan based on unethical conduct risks, or engaged an external accountant to implement the audit?	V		(IV) The Company has set up an effective accounting standard, internal control standard and other related standards. The establishment and amendment of these standards are proposed to the Board of Directors for approval. The Company also set up an Auditing Office and appointed certified public accountants to perform audits for the Company on a regular basis. Non-scheduled project audits will be conducted	No Material Difference

Evaluation Item	Implementation Status (Note)			Variance from "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Description	
			according to the requirements.	
(V) Does the company regularly hold internal and external educational training on ethical corporate management?	V		(V) In addition to promoting the concept of ethical corporate management in meetings from time to time, the Company provides courses related to ethical corporate management in the training of new recruited employees in order to implement the concept.	No Material Difference
III. Channel for reporting complaints (I) Does the company have a system to process complaints and offer reward incentives, a hotline for reporting complaints, and a designated personnel to follow up with complaints? (II) Does the company have standard operating procedures for investigating complaints, follow-up actions, and ensuring the complaints are handled in a confidential manner? (III) Does the company provide proper whistleblower protection?	V V V		(I) The Company has a smooth reporting system to process complaints and has set a designated unit to handle related matters in accordance with the legal regulations. (II) The Company has the responsibility to keep information of the whistleblower confidential. (III) The Company protects whistleblowers from any penalty or punishment due to their report of complaints.	No Material Difference No Material Difference No Material Difference
IV.Strengthening information disclosure Does the company disclose its Ethical Corporate Management Best Practice Principles and the results of its implementation on the company's website and the Market Observation Post System?	V		The Company has disclosed the relevant information of "Ethical Corporate Management Best Practice Principles" and "Procedures for Ethical Management and Guidelines for Conduct"on the Company's website and the Market Observation Post System.	No Material Difference
V. The company has established its Ethical Corporate Management Best Practice Principles based on the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies; please describe any discrepancy between the policies and their implementation: The Company has formulated the " Ethical Corporate Management Best Practice Principles" and disclosed relevant information on the Company's website. The Company's operations on ethical corporate management are consistent with the policy.				
VI. Other important information to facilitate a better understanding of the company's Ethical Corporate Management Best Practice Principles (e.g., review and amend its policies): None.				

Note: For the column of "Implementation Status", regardless of whether the column "Yes" or "No" is checked, the implementation status should be described in the columns of Description.

(VII) If the Company has adopted corporate governance best-practice principles or related bylaws, disclose how these are to be searched:

For the corporate governance regulations established by the Company, please refer to the Investor Relations / Corporate Governance Information webpage on the Company's website (http://www.o-ta.com.tw).

(VIII) Other significant information that will provide a better understanding of the state of the Company's implementation of corporate governance may also be disclosed: None.

(IX) The section on the state of implementation of the Company's internal control system shall furnish the following:

1. Statement on Internal Control System

O-TA Precision Industry Co., Ltd.

Statement on Internal Control System

Date: March 7, 2023

Based on the findings of the self-assessment, the Company states the following with regard to its internal control system during the fiscal year 2022.

1. The Company is fully aware that establishing, operating, and maintaining an internal control system are the responsibility of its Board of Directors and management. The Company has established such a system aiming at providing reasonable assurance of the achievement of objectives in the effectiveness and efficiency of operations (including profits, performance, and safeguard of asset security), the reliability, timeliness, and transparency of reporting, and compliance with applicable norms and applicable laws, regulations, and bylaws.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing the three objectives mentioned above. Furthermore, the effectiveness of an internal control system may be subject to change along with changes in environment or circumstances. The internal control system of the Company contains self-monitoring mechanisms, however, and the Company takes remedial actions as soon as a deficiency is identified.
3. The Company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (hereinbelow, the "Regulations"). The criteria adopted by the Regulations identify five key components based on the process of management control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communications, and (5) monitoring activities. Each component also includes several items. Please refer to the Regulations for details.
4. The Company has assessed the design and operating effectiveness of its internal control system according to the aforesaid criteria.
5. Based on the findings of the assessment mentioned in the preceding paragraph, the Company believes that as of December 31, 2022 its internal control system (including its supervision and management of subsidiaries), encompassing internal controls for understanding the degree of achievement of operational effectiveness and efficiency objectives, the reliability, timeliness, and transparency of reporting, and compliance with applicable norms and applicable laws, regulations, and bylaws, is effectively designed and operating, and reasonably assures the achievement of the above-stated objectives.
6. This Statement will become a major part of the content of the Company's Annual Report and Prospectus and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
7. This Statement has been passed by the Board of Directors Meeting of the Company held on March 7, 2023, where none of the eight attending directors expressed dissenting opinions, and the remainder all affirmed the content of this Statement.

O-TA Precision Industry Co., Ltd.

Chairman: LEE, KUNG-WEN

President: HSU, JUNG-MIN

2. Where a CPA has been hired to carry out a special audit of the internal control system, furnish the CPA audit report: None.

(X) If there has been any legal penalty against the Company or its internal personnel, or any disciplinary penalty by the company against its internal personnel for violation of the internal control system, during the most recent fiscal year or during the current fiscal year up to the publication date of the annual report, where the result of such penalty could have a material effect on shareholder equity or securities prices, the annual report shall disclose the penalty, the main shortcomings, and condition of improvement: None.

(XI) Material resolutions of a shareholders meeting or a board of directors meeting during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report:

1. Important Resolutions Made by the Shareholders' Meeting

Date	Important Resolutions	Implementation Status
May 26, 2022	1. Approving the 2021 business report and financial statements	Approved by voting.
	2. Approving the 2021 earnings distribution chart	The Company's earnings for 2021 have been fully distributed. The ex-dividend date was set for June 25, 2022 and the cash dividends were paid on July 8, 2022 with the distribution of NT$13.7 per share.
	3. Approving the amendment to the Company's "Articles of Incorporation"	The resolution was approved by a vote and has been announced on the Company's website since June 1, 2022. The Company is operating in accordance with the amended articles.
	4. Approving the amendment to the Company's "Rules of Procedure for Shareholders Meetings"	As approved by the voting, it was announced on the Company's website and the Market Observation Post System on June 1, 2022 and has been operated in accordance with the amended procedures.
	5. Approving the amendment to the Company's "Operational Procedures for Acquisition and Disposal of Assets"	
	6. Approving the amendment to the Company's "Operational Procedures for Loaning of Funds"	
	7. Approving the amendment to the Company's "Operational Procedures for Endorsements and Guarantees"	
	8. Approving the election of the 13th session of the Board of Directors	The member list of the 13th session of the Board of Directors is as follow: Directors (5 seats): LI, KUNG-WEN; LIN, CHON-CHEN; LIN, HUN-CHER; Representatives of Nan Feng Xin Co., Ltd.: LAUREN-JACQUELINE PAN; KRISTEN-JULIA PAN. Independent Directors (3 seats): CHEN, SHUH; HUANG, CHUNG-HUI and CHANG, TIEN-SHENG
	9. Approving the cancelation of non-competition clause for newly elected directors and their representatives	As approved by the voting, the resolution was announced on the Market Observation Post System on May 26, 2022.

2. Importation Resolutions Made by the Board of Directors' Meeting

Date	Important Resolutions
March 3, 2022	1. Approving the 2021 consolidated financial statements and individual financial statement 2. Approving the change of the accounting firm and the certified public accountants since Q1, 2022 3. Approving the evaluation of the independence and qualification of certified public accountants 4. Approving the proposal to convene the 2022 General Shareholders' Meeting, the nomination for shareholders and their proposal rights. 5. Approving the 2021 cash dividend distribution 6. Approving the 2021 earnings distribution chart of the Company 7. Approving the amendment to the Company's "Articles of Incorporation" 8. Approving the amendment to the Company's "Rules of Procedure for Shareholders Meetings" 9. Approving the amendment to the Company's "Operational Procedures for Acquisition and Disposal of Assets" 10. Approving the amendment to the Company's "Operational Procedures for Loaning of Funds" 11. Approving the amendment to the Company's "Operational Procedures for Endorsements and Guarantees" 12. Approving the election of the 13th session of the Board of Directors 13. Approving the Company's 2021 Statement of Internal Control System 14. Approving the amendment to the Company's "Corporate Governance Best Practice Principles" 15. Approving the amendment to the internal control system 16. Approving the organizational adjustment to a significant subsidiary
April 12, 2022	1. Approving the discussion on bank credit lines 2. Approving the adjustment to the Company's salary structure for Managers 3. Approving the 2021 performance evaluation and the distribution of year-end bonus for the Managers 4. Approving the distribution of remuneration to employees and directors for 2021 5. Approving the amendment to the Company's internal management policies 6. Approving the formulation of "Policies for Payment of Remuneration to Directors" by the Company. 7. Approving the amendment to the Company's "Rules Governing the Scope of Powers of Independent Directors" 8. Approving the amendment to the Company's "Rules of Procedure for Shareholders Meetings" 9. Approving the amendment to the Company's "Corporate Governance Best Practice Principles" 10. Approving the Board of Directors' nomination of candidates for the election of directors (including independent directors) of the Company. 11. Approving the cancelation of non-competition clause for the Company's newly elected directors and their representatives 12. Approving the 2021 business report 13. Approving the 2022 business plan
May 3, 2022	1. Approving the business plan of overseas groups 2. Approving the Q1, 2022 consolidated financial statements 3. Approving the amendment to the internal control system
May 26, 2022	1. Approving the election of chairman and vice chairman for the 13th session of the Board of Directors 2. Approving the election of the convener of the 2nd session of Audit Committee. 3. Approving the appointment of members of the 5th session of Remuneration Committee 4. Approving the establishment of the 1st session of Sustainable Development Committee
August 2, 2022	1. Approving the Q2, 2022 consolidated financial statements 2. Approving the bank credit lines 3. Approving the the formulation of "Sustainable Development Best Practice Principles" 4. Approving the formulation of "Sustainable Development Committee Charter"
November 1, 2022	1. Approving the Q3, 2022 consolidated financial statements 2. Approving the construction of the second plant at Jiangxi O-TA Precision Technology

Date	Important Resolutions
	Co., Ltd. 3. Approving the organizational adjustment to a significant subsidiary 4. Approving the appointment of Managers of the Company 5. Approving the appointment of Head of Corporate Governance of the Company 6. Approving the 2023 audit plan 7. Approving the formulation of "Audit Committee Charter" 8. Approving the amendment to the Company's "Procedures for Handling Material Inside Information" 9. Approving the amendment to the Company's "Rules of Procedure for Board of Directors Meetings" 10. Approving the amendment to the internal control system
March 7, 2023	1. Approving the 2022 consolidated financial statements and parent company only financial statements 2. Approving the evaluation of the independence and qualification of certified public accountants 3. Approving the list of non-audit services to be provided by Ernst & Young, Taiwan and its affiliates in 2023. 4. Approving the appointment of attesting CPAs and the fees for them. 5. Approving the proposal to inject capital to Jiangxi O-TA Precision Technology Co., Ltd., a subsidiary wholly owned by O-TA GOLF GROUP CO., LTD, which is a subsidiary wholly owned by the Company, and to invest the capital in full. 6. Approving the business plan of overseas groups 7. Approving the 2022 earnings distribution chart of the Company 8. Approving the 2022 cash dividend distribution 9. Approving the distribution of remuneration to employees and directors for 2022 10. Approving the proposal on the criteria for distributing remuneration to employees and directors. 11. Adopting the resolution to distribute remuneration to the Company's managers of 2021. 12. Adopting the resolution to make salary adjustment for 2023. 13. Adopting the resolution to distribute year-end bonus to the Company's managers of 2022. 14. Adopting the resolution on the remuneration of the Company's new managers. 15. Approving the Company's 2022 Statement of Internal Control System 16. Approving the proposal on the convening of the 2023 Annual General Meeting, and the rights of shareholders to submit a proposal. 17. Approving the amendment to the Company's "Rules of Procedure for Board of Directors Meetings" 18. Approving the amendment to the Company's "Procedures for Handling Material Inside Information" 19. Approving the amendment to the Company's "Corporate Governance Best Practice Principles" 20. Approving the amendment to the "Sustainable Development Best Practice Principles". 21. Approving the amendment to the Company's "Standard Operating Procedures for Addressing Directors' Requirements". 22. Approving the proposal on the Company's Business Report.

(XII) Where, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, a director or supervisor has expressed a dissenting opinion with respect to a material resolution passed by the board of directors, and said dissenting opinion has been recorded or prepared as a written declaration, disclose the principal content thereof: None.

(XIII) A summary of resignations and dismissals, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, of the Company's chairman, president, and officers of accounting, finance, internal audit, corporate governance and R&D: None.

V. Information on the Professional Fees of the Attesting CPAs (External Auditors)

Unit: NT$ thousands

Name of CPA Firm	Name of CPA	CPA Audit Period	Audit Fee	Non-audit Fees	Total	Note
Ernst & Young, Taiwan	CHEN, CHENG-CHU	2022/01/01~2022/12/31	2,600	300	2,900	
	LEE, FANG-WEN	2022/01/01~2022/12/31				
	WU, WEN-PIN	2022/1/1~2022/12/31	－	400	400	

1. The Company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year: None.
2. When the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 10 percent or more, the reduction in the amount of audit fees, reduction percentage, and reason(s) therefor shall be disclosed: None.
3. Non-audit fees: tax audit fee NT$ 300 thousand, and transfer pricing & master file documentation fee NT$ 400 thousand.

VI. Where the Company’s Chairman, President, or Any Managerial Officer in Charge of Finance or Accounting Matters Has in the Most Recent Year Held a Position at the Accounting Firm of Its Certified Public Accountant or at an Affiliated Enterprise of Such Accounting Firm, the Name and Position of the Person, and the Period During Which the Position Was Held, Shall Be Disclosed: None.

VII. Any Transfer of Equity Interests and/or Pledge of or Change in Equity Interests of a Director, Managerial Officer, or Shareholder with a Stake of More Than 10 Percent

(I) Change in Shareholding of Directors, Managers and Major Shareholders

Unit: Shares

Title	Name	2022		As of March 31, 2023	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman	LEE, KUNG-WEN	0	0	0	0
Vice Chairman	LIN, CHON-CHEN	0	0	(27,000)	0
Director	LIN, HUN-CHER	0	0	0	0
Juristic Person Director	Nan Feng Xin Co., Ltd.	0	0	0	0
Representative	PAN, SY-LIAN (Note 2)	0	0	-	-
Representative	CHANG, TIEN-JIN (Note 2)	0	0	-	-
Representative	LAUREN-JACQUELINE PAN (Note 3)	0	0	0	0
Representative	Kristen-Julia Pan (Note 3)	0	0	0	0
Independent Director	HUANG, CHUNG-HUI	0	0	0	0
Independent Director	TSAI, CHING-TIEN	0	0	0	0
Independent Director	CHANG, TIEN-SHENG	0	0	0	0
Independent Director	CHEN, SHUH (Note 3)	0	0	0	0
President	HSU, JUNG-MIN	0	0	0	0
Vice President	WANG, SHIH-CHEN	0	0	0	0
Vice President	CHEN, WEN-HSIANG	0	0	0	0
Associate Vice President	LEE, CHUNG-MU	10,000	0	0	0
Associate Vice President	WANG, SHIH-LAN	0	0	0	0
Associate Vice President	CHIEN, MEI-E	8,000	0	0	0
Associate Vice President	WU, JOU-YING	0	0	0	0
Associate Vice President	FEI,YU-JEN (Note 4)	0	0	0	0
Associate Vice President	CHUNG, CHENG-YI (Note 4)	0	0	0	0
Jiangxi Overseas Sales Division Special Assistant to President's Office	CHUNG, CHIN-FENG	0	0	0	0

Note 1: Shareholders who hold more than 10% of the total shares of the Company should be indicated as major shareholders and listed separately.
Note 2: PAN, SY-LIAN and CHANG, TIEN-JIN were removed on May 26, 2022, hence only the increase (decrease) in the number of shares held until the date of their removal is disclosed.
Note 3: LAUREN-JACQUELINE PAN; KRISTEN-JULIA PAN and CHEN, SHUH were elected on May 26, 2022.
Note 4: FEI, YU-JEN and CHUNG, CHENG-YI were promoted to Associate Vice President on November 1, 2022.

(II) Information on Equity Transfer: Not applicable.

(III) Information on Equity Pledge: Not applicable.

VIII. Relationship Information, if Among the Company's 10 Largest Shareholders Any One is a Related Party or a Relative within the Second Degree of Kinship of Another

March 26, 2023

Name	Shares Held		Shares Currently Held by their Spouses and Minor Children		Total Shares Held in the Name of Other Persons		Relationship Between the Company's Top 10 Shareholders Who Are Either Related Parties, Spouses, or Relatives Within the Second Degree of Kinship, His/ Her/Its Title (or Name) and Relationship		Note
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Title (or Name)	Relationship	-
Nan Feng Xin Co., Ltd.	7,650,386	9.13%	0	0%	0	0%	None	None	-
Chairman PAN, SY-LIAN	554,612	0.66%	0	0%	0	0%	LEE, KUNG-WEN PAN, PI-CHEN	Relatives-in-law Siblings	-
LEE, KUNG-WEN	7,272,408	8.68%	2,657,560	3.17%	0	0%	PAN, PI-CHEN PAN, SY-LIAN	Spouse Relatives-in-law	-
PAN, PI-CHEN	2,657,560	3.17%	7,272,408	8.68%	0	0%	LEE, KUNG-WEN PAN, SY-LIAN	Spouse Siblings	-
LIN, HUN-CHER	2,266,088	2.70%	51,564	0.06%	0	0%	LIN, HUI-CHIN LIN, HUNG-CHUN LIN, LI-YING	Siblings Sibling Relatives-in-law	-
LIN, HUNG-CHUN	2,124,000	2.53%	135,000	0.16%	0	0%	LIN, HUI-CHIN LIN, HUN-CHER LIN, LI-YING	Siblings Sibling Relatives-in-law	-
LIN, HUI-CHIN	1,113,118	1.33%	0	0%	0	0%	LIN, HUN-CHER LIN, HUNG-CHUN LIN, LI-YING	Siblings Siblings Relatives-in-law	-
PENG,CHAO-YEN	955,000	1.14%	Note	-	Note	-	None	None	-
LIN, LI-YING	887,357	1.06%	0	0%	0	0%	LIN, HUN-CHER LIN, HUNG-CHUN LIN, HUI-CHIN	Relatives-in-law Relatives-in-law Relatives-in-law	-
Qing Sheng Investment Co., Ltd.	706,358	0.84%	0	0%	0	0%	None	None	-
Fan Mei Development Enterprise Co., Ltd.	691,058	0.82%	0	0%	0	0%	None	None	-

Note: Mr. PENG,CHAO-YEN didn't provide related information for the Company, so the Company couldn't disclose the information.

IX. The Total Number of Shares and Total Equity Stake Held in Any Single Enterprise by the Company, Its Directors, Managerial Officers, and Any Companies Controlled Either Directly or Indirectly by the Company

December 31, 2022; Unit: shares; %

Investee Companies	Investment by the Company		Investment Held by Directors, Supervisors, Managers and Companies Directly or Indirectly Controlled by the Company		Total Investment	
	Number of Shares	Percentage of Ownership (%)	Number of Shares	Percentage of Ownership (%)	Number of Shares	Percentage of Ownership (%)
British Virgin Islands O-TA Golf Group Co., Ltd.	50,000	100%	-	-	50,000	100%
Hong Kong HARVEST FAIR INTERNATIONAL LIMITED Harvest Fair International Limited	-	-	10,000	100%	10,000	100%
Jiangxi O-TA Precision Technology Co., Ltd.	-	-	-	100%	-	100%
VGT Composite Technology (Huizhou) Co., Ltd.	-	-	-	100%	-	100%

Note 1: invested by the Company using the equity method.

Four. Capital Overview

I. Capital and Shares

(I) Source of Capital Stock

1. Formation of Capital

Unit: NT$; shares

Month, Year	Issue Price	Authorized Capital		Paid-in Capital		Note		
		Number of Shares	Amount	Number of Shares	Amount	Source of Capital	Capital Increased by Assets Other than Cash	Other
July, 1988	10	6,850,000	68,500,000	6,850,000	68,500,000	Establishment by cash	None	Omitted
June, 1993	10	13,400,000	134,000,000	13,400,000	134,000,000	Capital increase of NT$65,500 thousand from debt to equity	None	Omitted
December, 1996	10	16,400,000	164,000,000	16,400,000	164,000,000	Capital increase of NT$30,000 thousand through cash	None	Omitted
December, 1997	10	18,204,000	182,040,000	18,204,000	182,040,000	Capital increase of NT$18,040 thousand through capitalization of capital surplus	None	Note 1
March, 1998	10	27,470,000	274,700,000	27,470,000	274,700,000	Capital increase of NT$30,000 thousand through cash; and Capital increase of NT$62,660 thousand through capitalization of earnings	None	Note 2
June, 1999	10	39,600,000	396,000,000	39,600,000	396,000,000	Capital increase of NT$105,760 thousand through capitalization of earnings; and Capital increase of NT$15,540 thousand through capitalization of earnings and capital surplus	None	Note 3
May, 2000	10	53,460,000	534,600,000	53,460,000	534,600,000	Capital increase of NT$138,600 thousand through capitalization of earnings	None	Note 4
June, 2001	10	100,000,000	1,000,000,000	61,689,970	616,899,700	Capital increase of NT$77,784 thousand through capitalization of earnings; and Capital increase of NT$4,516 thousand through capitalization of capital surplus	None	Note 5
August, 2002	10	100,000,000	1,000,000,000	74,516,343	745,163,430	Capital increase of NT$123,380 thousand through capitalization of earnings; and Capital increase of NT$4,884 thousand through the transferring of employees' bonus	None	Note 6
January, 2003	10	100,000,000	1,000,000,000	74,671,620	746,716,200	Capital increase of NT$1,553 thousand converted from convertible bonds	None	Note 7
March, 2003	10	100,000,000	1,000,000,000	74,674,725	746,747,250	Capital increase of NT$31 thousand converted from convertible bonds	None	Note 8
September, 2003	10	100,000,000	1,000,000,000	82,795,601	827,956,010	Capital increase of NT$74,674,720 through capitalization of earnings; and Capital increase of NT$6,534,040 through the transferring of employees' bonus	None	Note 9

Month, Year	Issue Price	Authorized Capital		Paid-in Capital		Note		
		Number of Shares	Amount	Number of Shares	Amount	Source of Capital	Capital Increased by Assets Other than Cash	Other
October, 2003	10	100,000,000	1,000,000,000	82,883,939	828,839,390	Capital increase of NT$883,380 converted from convertible bonds	None	Note 10
January, 2004	10	100,000,000	1,000,000,000	84,094,183	840,941,830	Capital increase of NT$12,102 thousand converted from convertible bonds	None	Note 11
April, 2004	10	100,000,000	1,000,000,000	85,315,020	853,150,200	Capital increase of NT$12,208 thousand converted from convertible bonds	None	Note 12
August, 2004	10	102,702,798	1,027,027,980	90,380,599	903,805,990	Capital increase of NT$50,655,790 through capitalization of earnings (including NT$7,998,280 through the transferring of employees' bonus)	None	Note 13
November, 2004	10	102,702,798	1,027,027,980	92,145,714	921,457,140	Capital increase of NT$17,651,150 converted from convertible bonds	None	Note 14
January, 2005	10	102,702,798	1,027,027,980	92,458,821	924,588,210	Capital increase of NT$3,131,070 converted from convertible bonds	None	Note 15
March, 2005	10	102,702,798	1,027,027,980	92,632,982	926,329,820	Capital increase of NT$1,741,610 converted from convertible bonds	None	Note 16
July, 2005	10	112,952,631	1,129,526,310	103,107,859	1,031,078,590	Capital increase of NT$56,083,990 through capitalization of earnings (including NT$9,669,650 through the transferring of employees' bonus); Capital increase of NT$46,414,340 through capitalization of capital surplus; and Capital increase of NT$2,250,440 converted from convertible bonds	None	Note 17
December, 2005	10	112,952,631	1,129,526,310	103,281,064	1,032,810,640	Capital increase of NT$1,732,050 converted from convertible bonds	None	Note 18
January, 2006	10	112,952,631	1,129,526,310	103,828,384	1,038,283,840	Capital increase of NT$5,473,200 converted from convertible bonds	None	Note 19
March, 2006	10	112,952,631	1,129,526,310	103,830,693	1,038,306,930	Capital increase of NT$23,090 converted from convertible bonds	None	Note 20
July, 2006	10	124,655,216	1,246,552,160	115,554,063	1,155,540,630	Capital increase of NT$65,110,500 through capitalization of earnings (including NT$13,195,150 through the transferring of employees' bonus); Capital increase of NT$51,915,350 through capitalization of capital surplus; and Capital increase of NT$207,850 converted from convertible bonds	None	Note 21
October, 2006	10	124,655,216	1,246,552,160	117,355,189	1,173,551,890	Capital increase of NT$18,011,260 converted from convertible bonds	None	Note 22
March, 2007	10	124,655,216	1,246,552,160	118,065,416	1,180,654,160	Capital increase of NT$7,102,270 converted from convertible bonds	None	Note 23
July, 2007	10	124,655,216	1,246,552,160	120,734,186	1,207,341,860	Capital increase of NT$20,784,430 thousand through capitalization of earnings (including NT$14,881,160 through the transferring of employees' bonus); and Capital increase of NT$5,903,270 through capitalization of capital surplus	None	Note 24
July, 2008	10	140,000,000	1,400,000,000	123,463,282	1,234,632,820	Capital increase of NT$21,254,250 through capitalization of earnings (including NT$15,217,540 through the transferring of employees' bonus); and Capital increase of NT$6,036,710 through capitalization of capital surplus	None	Note 25

Month, Year	Issue Price	Authorized Capital		Paid-in Capital		Note		
		Number of Shares	Amount	Number of Shares	Amount	Source of Capital	Capital Increased by Assets Other than Cash	Other
November, 2008	10	140,000,000	1,400,000,000	121,263,282	1,212,632,820	Capital reduction of NT$22,000,000 by repurchasing treasury stock	None	Note 26
July, 2018	10	140,000,000	1,400,000,000	83,800,000	838,000,000	Capital reduction of NT$374,632,820 by returning cash to shareholders	None	Note 27

Note 1: The capital increase was approved by the Ministry of Economic Affairs (MOEA) by Letter Jing-(86)-Shang-Zi No.124432 dated December 11, 1997.
Note 2: The capital increase was approved by the Ministry of Finance (MOF) by Letter (87)Tai-Cai-Jheng(1) No.28244 dated March 24, 1998.
Note 3: The capital increase was approved by the MOF by Letter (88)Tai-Cai-Jheng(1) No.56520 dated June 22, 1999.
Note 4: The capital increase was approved by the MOF by Letter (89)Tai-Cai-Jheng(1) No.46978 dated May 31, 2000.
Note 5: The capital increase was approved by the MOF by Letter (90)Tai-Cai-Jheng(1) No.138545 dated June 27, 2001.
Note 6: The capital increase was approved by the MOF by Letter Tai-Cai-Jheng(I) No.0910133426 dated June 20, 2002.
Note 7: The capital increase was approved by the MOEA by Letter Jing-Shou-Shang-Zi No.09201031150 dated January 30, 2003.
Note 8: The capital increase was approved by the MOEA by Letter Jing-Shou-Shang-Zi No.09201090180 dated March 26, 2003.
Note 9: The capital increase was approved by the MOF by Letter Tai-Cai-Jheng(I) No.0920136548 dated August 13, 2003.
Note 10: The capital increase was approved by the MOEA by Letter Jing-Shou-Shang-Zi No.09201292780 dated October 21, 2003.
Note 11: The capital increase was approved by the MOEA by Letter Jing-Shou-Shang-Zi No.09301003310 dated January 9, 2004.
Note 12: The capital increase was approved by the MOEA by Letter Jing-Shou-Shang-Zi No.09301052330 dated April 1, 2004.
Note 13: The capital increase was approved by the MOEA by Letter Jing-Shou-Shang-Zi No.09301138980 dated August 13, 2004.
Note 14: The capital increase was approved by the MOEA by Letter Jing-Shou-Shang-Zi No.09301211720 dated November 5, 2004.
Note 15: The capital increase was approved by the MOEA by Letter Jing-Shou-Shang-Zi No.09401006050 dated January 18, 2005.
Note 16: The capital increase was approved by the MOEA by Letter Jing-Shou-Shang-Zi No.09401040870 dated March 28, 2005.
Note 17: The capital increase was approved by the MOEA by Letter Jing-Shou-Shang-Zi No.09401134720 dated July 19, 2005.
Note 18: The capital increase was approved by the MOEA by Letter Jing-Shou-Shang-Zi No.09401235830 dated December 1, 2005.
Note 19: The capital increase was approved by the MOEA by Letter Jing-Shou-Shang-Zi No.09501007820 dated January 16, 2006.
Note 20: The capital increase was approved by the MOEA by Letter Jing-Shou-Shang-Zi No.09501052850 dated March 27, 2006.
Note 21: The capital increase was approved by the MOEA by Letter Jing-Shou-Shang-Zi No.09501157060 dated July 24, 2006.
Note 22: The capital increase was approved by the MOEA by Letter Jing-Shou-Shang-Zi No.09501232850 dated October 17, 2006.
Note 23: The capital increase was approved by the MOEA by Letter Jing-Shou-Shang-Zi No.09601053210 dated March 22, 2007.
Note 24: The capital increase was approved by the MOEA by Letter Jing-Shou-Shang-Zi No.09601153680 dated July 9, 2007.
Note 25: The capital increase was approved by the MOEA by Letter Jing-Shou-Shang-Zi No.09701181290 dated July 22, 2008.
Note 26: The capital reduction was approved by the MOEA by Letter Jing-Shou-Shang-Zi No.09701301130 dated November 25, 2008.
Note 27: The capital reduction was approved by the MOEA by Letter Jing-Shou-Shang-Zi No.10701076030 dated July 20, 2018.

2. Type of Shares

March 26, 2023; Unit: shares

Type of Shares	Authorized Capital			Note
	Issued Outstanding Shares (Note)	Non-issued Shares	Total	
Common Shares	83,800,000	56,200,000	140,000,000	

Note: refer to the listed stock.

3. Information for Shelf Registration: Not applicable.

(II) Shareholders Structure

March 26, 2023; Unit: shares

Shareholders Structure / Number	Government Agencies	Financial Institutions	Other Juridical Persons	Natural Persons	Foreign Institutions and Natural Persons	Total
Number of Shareholders	-	2	95	15,850	78	16,025
Total Shares Held	-	149,000	12,674,691	66,578,951	4,397,358	83,800,000
Percentage of Ownership (%)	-	0.17%	15.12%	79.47%	5.24%	100.00%

(III) Diffusion of Ownership

1. Common Shares

March 26, 2023

Class of Shareholding	Number of Shareholders	Total Shares Held	Percentage of Shareholding (%)
1 to 999	5,608	1,139,310	1.36%
1,000 to 5,000	8,851	16,288,517	19.44%
5,001 to 10,000	802	6,281,990	7.50%
10,001 to 15,000	259	3,361,129	4.01%
15,001 to 20,000	130	2,406,218	2.87%
20,001 to 30,000	125	3,165,659	3.78%
30,001 to 40,000	71	2,536,521	3.03%
40,001 to 50,000	43	2,010,999	2.40%
50,001 to 100,000	71	5,175,511	6.18%
100,001 to 200,000	30	4,270,029	5.10%
200,001 to 400,000	11	3,272,357	3.90%
400,001 to 600,000	11	5,689,271	6.79%
600,001 to 800,000	5	3,276,572	3.91%
800,001 to 1,000,000	2	1,842,357	2.20%
Over 1,000,001	6	23,083,560	27.53%
Total	16,025	83,800,000	100.00%

2. Preferred Shares: The Company has not issued preferred shares.

(IV) List of Major Shareholders (with shareholding of 5% or more, or the top 10 shareholders)

March 26, 2023

Shareholding / Shareholder's Name	Total Shares Held	Percentage of Ownership (%)
Nan Feng Xin Co., Ltd.	7,650,386	9.13%
LEE, KUNG-WEN	7,272,408	8.68%
PAN, PI-CHEN	2,657,560	3.17%
LIN, HUN-CHER	2,266,088	2.70%
LIN, HUNG-CHUN	2,124,000	2.53%
LIN, HUI-CHIN	1,113,118	1.33%
PENG,CHAO-YEN	955,000	1.14%
LIN, LI-YING	887,357	1.06%
Qing Sheng Investment Co., Ltd.	706,358	0.84%
Fan Mei Development Enterprise Co., Ltd.	691,058	0.82%

(V) Share Price, Net Worth Per Share, Earnings Per Share, and Dividends Per Share

Unit: NT$

Item \ Year			2022	2021	Current Year, as of March 31, 2023 (Note 5)
Market Price Per Share	Highest		155	184	139.5
	Lowest		90.7	57.6	116.5
	Average		129.79	128.30	130.84
Net Worth Per Share	Before Distribution		53.94	44.12	–
	After Distribution		41.09(Note 1)	30.42	–
Earnings Per Share	Weighted Average Shares (1,000 shares)		83,800	83,800	
	Earnings Per Share		21.4	20.15	–
Dividends Per Share	Cash Dividends		12.85	13.7	–
	Stock Dividends	Earning Distribution	–	–	–
		Capital Distribution	–	–	–
	Accumulated Undistributed Dividend		–	–	–
Return on Investment	Price/Earnings Ratio (Note 2)		6.06	6.37	–
	Price/Dividend Ratio (Note 3)		10.10	9.37	–
	Cash Dividend Yield (Note 4)		9.90%	10.68%	–

*In the case of dividend distributed by capitalization of earnings or capital surplus, the market price and cash dividend should be retroactively adjusted for the number of shares issued and such information should be disclosed.

Note 1: The proposal of earning distribution for 2022 has been approved by the Board of Directors on March 7, 2023, but has not yet gained approval at the Shareholders' Meeting.

Note 2: Price/Earnings Ratio = Average Market Price/Earnings Per Share.

Note 3: Price/Dividend Ratio = Average Market Price/Cash Dividends Per Share.

Note 4: Cash Dividend Yield = Cash Dividends Per Share/Average Market Price.

Note 5: Up to March 31, 2023, the publication of this annual report, the financial statements for the first quarter of 2023 have not been reviewed by the auditors.

(VI) Dividend Policy and Implementation Status

1. Dividend Policy Stipulated in the Articles of Incorporation

In accordance with Article 26, Paragraph 5 of the Company's Articles of Incorporation, the Company is operating in a steady development stage. Considering the Company's demand for future capital and the shareholders' demand for cash inflow, the Company should pay cash dividends of no less than 50% of the total amount of cash and stock dividends in each year upon the distribution of the earnings and bonuses (as mentioned in Article 26, Paragraph 4 of the Articles of Incorporation). In future years, the Company may raise the percentage of the amount of cash dividends to the total amount of distributed dividends if there are sufficient earnings and capital.

With the approval by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors, the Company will report to the Shareholders' Meeting regarding the proposal that all or part of the distributable dividends shall be paid in cash.

The annual dividend rate is expected to be no less than 50% for the next three years.

2. Proposed Distribution of Cash Dividends at the Shareholders' Meeting

(1) The Company pursues a sustainable business environment and strives to become the most innovative company for daily use products and sports equipment, creating the maximum value and best services for clients, employees, shareholders and the public. Therefore, the Company adopts a balancing dividend policy, taking into account the Company's future business growth and demands for capital, to improve its financial structure and to protect the interests of shareholders for their long-term investment.

(2) The Company proposed to distribute cash dividends of NT$12.85 per share, with a total of NT$1,076,830,000, from the distributable earnings for 2022 to the shareholders recorded in the register of shareholders on the ex-dividend date in proportion to their shareholdings.

O-TA Precision Industry Co., Ltd.

Earnings Distribution Chart
For the Year of 2022

Unit: NT$

Description	Amount
Undistributed earnings, at the beginning of the period	668,911,821
Add: Net income after tax	1,793,141,944
Less: 2022 Gains (losses) on remeasurement of defined benefit plans after tax	11,766,874
10% legal reserve	121,777,032
Reversal of special reserve	(180,490,882)
Distributable earnings	2,415,106,789
Distributed items:	
Cash dividends for common shares (NT$12.85 per share)	(1,076,830,000)
Undistributed earnings, at the end of the period	1,338,276,789

Chairman: LEE, KUNG-WEN President: HSU, JUNG-MIN Accounting Officer: LEE, CHUNG-MU

3. Expected Significant Changes in Dividend Policy: Not applicable.

(VII) Effect Upon Business Performance and Earnings Per Share of Any Stock Dividend Distribution Proposed or Adopted at the Most Recent Shareholders' Meeting: Not applicable.

(VIII) Employees' and Directors' Remuneration

1. The Percentages or Ranges with respect to Employee and Directors Remuneration, as set forth in the Company's Articles of Incorporation

According to Article 25 of the Company's Articles of Incorporation, the Company should appropriate 6.5% of the annual profit as remuneration to employees for each profitable fiscal year, and the appropriated amount of remuneration to directors should not be more than 1.5% of the annual profit. However, if the Company has accumulated deficits, the Company should reserve the amount to offset the cumulative losses.

The Company may, by a resolution adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors, decide the way of distribution for employees' remuneration and the proportion of profits distributed as directors' remuneration for the fiscal year, and report to the shareholders' meeting for such distribution.

The remuneration for directors is recommended by the Remuneration Committee and proposed to the Board of Directors for approval.

The Company's profitable fiscal year, as mentioned in the first paragraph, is defined as the year with profits calculated based on the net income before tax and the distribution of employees' and directors' remuneration for the year.

2. The Basis for Estimating the Amount of Employees and Directors' Remuneration, for Calculating the Number of Shares to Be Distributed as Employee Remuneration, and the Accounting Treatment of the Discrepancy, if any, Between the Actual Distributed and the Estimated Figure, for the Current Period:

In accordance with the aforementioned Articles of Incorporation, the Company estimates to distribute NT$141,149 as employees' remuneration and NT$32,573 as directors' and supervisors' remuneration for 2022. If the actual amount of distributed remuneration resolved at the shareholders' meeting in the following year is different from the estimated amount, the difference amount will be recorded as profit or loss in the year of resolution. If the Board of Directors resolves to distribute employee compensation through stock, the number of stock distributed is calculated based on the closing price of the day before the Board of Directors' meeting.

3. Distribution of Remuneration Approved by the Board of Directors for 2022:

(1) Proposed amount of employees' and directors' remuneration distributed in cash:

Unit: NT$ thousands

Proposed Distributed Items	Distributed Amount
Employees' Remuneration	141,149
Directors' Remuneration	32,573

Difference between the actual distributed amount and the amount recognized in 2022 of the aforementioned employees' and directors' remuneration: None.

(2) The amount of any employee remuneration distributed in stocks, and the size of that amount as a percentage of the sum of the after-tax net income stated in the parent company only financial reports or individual financial reports for the current period and total employee remuneration: Not applicable for the Company since the employees' remuneration is distributed in cash.

4. Actual Distribution of Remuneration for Employees, Directors and Supervisors for 2021

Unit: NT$ thousands

Proposed Distributed Items	Distributed Amount
Employees' Remuneration	139,863
Directors' Remuneration	32,276

Difference between the actual distributed amount and the amount recognized in 2021 of the aforementioned employees' and directors' remuneration: None.

(IX) Repurchases of Treasury Stock For the Most Recent Fiscal Year and Up to the Publication of this Annual Report: None.

II. Issuance of Corporate Bonds

(I) Unretired bonds and unissued bonds for which an issue is currently under preparation: None.

(II) Issued exchangeable corporate bonds: None.

(III) Common corporate bonds raised and issued by the shelf registration method: None.

(IV) Issued corporate bonds with warrants: None.

(V) Any private placement of corporate bonds during the 3 most recent fiscal years: None.

III. Preferred Shares: None.

IV. Global Depositary Receipts: None.

V. Employee Share Subscription Warrants: None.

VI. Issuance of New Restricted Employee Shares: None.

VII. Status of Mergers, Acquisitions and Divisions: None.

VIII. Implementation of the Company's Capital Allocation Plans

Up to the publication of this annual report, the Company has no uncompleted issuance plan or completed plan with unrealized benefit within the latest three years.

Five. Overview of Business Operations

I. Description of the Business

(I) Business Scope

1. Major Lines of Business of the Company

(1) The manufacturing, contract processing, assembly and sales of golf club heads and those work-in-process products.

(2) The manufacturing, processing and sales of casting art sculptures (with stainless steel and copper).

(3) The import and export trading of the aforementioned products.

(4) Wholesale and Retail sale of Bicycle and Component Parts Thereof. (provides bicycle-related products, sales and leasing services)

(5) Premium stainless steel faucets and the wholesale and retail business of their accessories.

2. Relative Weight of Each Line of Business

In 2022, the Company is mainly engaged in the research and development, production, manufacturing, and processing golf club heads, shafts, golf equipment and other accessories, and the sales of complete bikes and their parts.

Item	2022 Sales Mix
Iron head	43.18%
Metal wood	34.56%
Assembly (shipment of golf equipment)	4.17%
Golf club	8.87%
Bicycle	5.74%
Other	3.48%
Total	100.00%

3. Current Products and Services Provided by the Company

The company is not merely a manufacturer but also a design and manufacturing service provider which is customer-oriented and provides customers with exclusive “One-stop Shopping” services.

Main products provided by the Company are as follows:

(1) Casting or forged Metal Woods made of stainless steel, titanium alloy, or composite materials.

(2) Casting or forged Iron Heads made of stainless steel, titanium alloy, or composite materials.

(3) CNC Putters, or the casting or forged Putters made of stainless steel, titanium alloy, or composite materials.

(4) Golf Shaft

(5) Assembly: the assembly services for golf club heads.

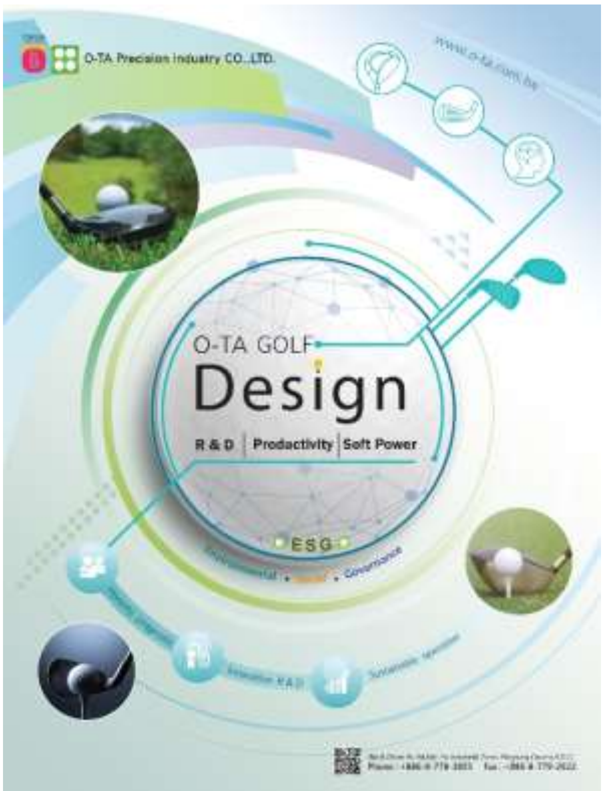
(6) Sales of complete bikes and frame sets of the Company’s bicycle brand and bicycle rental services.

(7) Innovative design and casting art sculpture.

(8) Premium stainless steel faucet products.

The company is not merely a manufacturer but also a design and manufacturing service provider which is customer-oriented and provides customers with exclusive “One-stop Shopping” services. The Company possesses “the core technique of metal precision casting” and “the highly creative aesthetic design skills", and created its own brands: “**VOLANDO**”, the luxury bicycle brand and “ALLTAS”, the aesthetic craft brand (stainless steel faucet series).

Since O-TA’s establishment in 1988, it has been a precision casting company with core craftsmanship in metal precision casting and strong cultural and aesthetic design capabilities, providing design, R&D and manufacturing services for the world’s leading golf brands, such as Bridgestone, Honma, Mizuno, PXG, Titleist, Tsuruya, YAMAHA, Mitsubishi, etc. O-TA has long been recognized and trusted by its worldwide golf brand customers for its provision of professional services. The golf heads, clubs and equipment developed and produced by O-TA are mainly exported to the Japanese and the U.S. markets, and the customers are all well-known brands worldwide. With strong R&D capability, perfect product quality and excellent services, O-TA is a professional golf OEM/ODM manufacturer.



Based on O-TA’s vision of “pursuing a sustainable business environment and becoming the most innovative company for daily use products and sports equipment in order to create maximum value and the best services for customers, employees, shareholders and the public”, O-TA has been strengthening its capabilities through research and development and replacing tradition with innovation. O-TA not only continuously refines its materials used and its craftsmanship, but also integrates the cultural and artistic aesthetic energy into its product design, creates its own product style and builds its unique competitive advantages. With 30 years of craftsmanship in GOLF, the Company has made the following business achievements:

1. In terms of **GOLF**, the Company continues to make innovations and has possessed the soft powers of “**sports**

technology and cultural creativity" and "cultural innovation and aesthetic design", which have demonstrated the results and won the customers. With the success in winning awards for consecutive years, O-TA has proved itself to be a company not only in the manufacturing industry, but also in the "design, manufacturing and service industry".

※ In 2011, the Company received the "Outstanding Enterprise Innovation Award" in the 1st National Industrial Innovation Award.

※ At the end of 2012, the Company launched the "Super lightweight golf club- **AE-1/AE-2**", demonstrating its strong capability in "cultural innovation and aesthetic design".

※ At the end of 2013, the Company creatively launched the classic "Bamboo Weaving" putter, which amazed the judges to achieve the Taiwan Excellence Award. The innovative "Bamboo Weaving Putter" is made of "Taiwan Makino Bamboo" with a special weaving method and color interlacing that surpasses the limitations of manufacturing traditional golf equipment and fascinates people so much.

※ O-TA's design team was recognized by the Red Dot Design Awards in Germany in 2013, 2015, 2017, 2018 and 2021.

2. **VOLANDO is the achievement of O-TA applying its renowned and sophisticated craftmanship in the golf industry to the making of premium carbon fiber bicycles.**

In 2003, O-TA entered into the bicycle OEM industry through its reinvested subsidiary Inda Composite Technology Company and manufactured carbon bikes for its clients. In just a few years, the Company has won the attention of many renowned bicycle brands worldwide. Encouraged by many parties, O-TA realized the dream of creating its own brand "**VOLANDO** Carbon-Fiber Bicycle" with the design concept of creative aesthetics in August 2009. Despite being a new brand, the well designed premium carbon fiber bicycles of this brand immediately emerged as a major player in the market. Since the establishment of the brand, **VOLANDO** has continued to refine itself and gradually take root in the market. The brand's strong design capability has been deeply recognized and awarded for consecutive years. Since the brand was founded, 17 bikes have been recognized with Taiwan Excellence Award in 10 years.

*Premium Frame Set designated for collection: The Taiwan Premium Road Bike ARLEX and Taiwan Premium Road Bike Frame Set were designated by National Science and Technology Museum for collection.

*Other award records: The **VOLANDO** bike "Charming Snow" has won the 2013 Golden Pin Design Award and 2014 China Red Star Design Award. V1 TEAM has won the silver medal in 2015 Design For Asia Awards. (Design For Asia **Awards，DFA**)

【*VOLANDO - Brand Story*】

【*VOLANDO*】 A beautiful Italian name ...

The "**V**" in **VOLANDO** stands for an appeal of freedom and the flying wings. The weave in the **logo** implied the brand's focus in carbon fiber craft. The bicycle is distinguished by its extreme artistic craft, engraving the marks of unchained luxury.

VOLANDO's brand spirit "**Luxury Freedom**" is taken from the Italian "fly, surf" for those who are busy but eager for to be able to realize their self-worth and enjoy a moment of pleasant happiness.

VOLANDO is not only a bike, but also a fine art for collection. It serves not only as a means of transportation, but also as elegant wings that can take you to the land of your dreams. While you enjoy the relaxing and joyful ride of **VOLANDO**, the brand is also caring for the earth and environmental protection. **For its luxury, safety, comfortableness and distinguished taste, VOLANDO is the best choice for everyone to trust. It is also the best approach to realize one's self-worth.**

VOLANDO specializes in the research and development of carbon fiber technology, using its exquisite craftsmanship and top-quality materials to form a partnership with each person that matches his or her vision. VOLANDO creates the most beautiful lifetime memories with you and allows you to travel freely in life.

VOLANDO is made of high-tech nano-carbon fiber by O-TA to form a lightweight and fashionable shape, with the use of the same grade of graphite fiber as aerospace components which is 30% higher in specific stiffness than traditional carbon fiber! This high-performance composite material has many advantages, such as high specific stiffness, high degree of design freedom, corrosion resistance, shock absorption, fatigue resistance, etc., demonstrating both performance and fashion!

Product development process - conforms with fluid dynamics and ergonomics to provide the best structural performance and product quality for customer as a commitment.

Carbon Fiber Technology	VOLANDO's Advantages in Frame Set
Using the same grade of graphite fiber as the aerospace components used in the A380 and the Boeing 787 .	With high temperature resistance, wear resistance and high tensile strength, the frame sets are able to withstand the pressure from different directions, increasing safety for a more secure ride.

Carbon Fiber Technology	VOLANDO's Advantages in Frame Set
High stiffness, high degree of design freedom, corrosion resistance, shock absorption, and fatigue resistance.	**With good elongation**, the frame can be made into a streamlined shape to improve the aesthetic look of product. With corrosion resistance and fatigue resistance, the product can resist the influence of environmental factors, making the product's useful life longer; the frame set has the ability of strong shock absorption, which can reduce vibrations while riding on the road and make the customer more comfortable!
Graphite fibers of the most advanced "46 tons HS40 High Modulus" and "60 tons E60 Super High Modulus" in Japan, with newly developed nanoscale resin base material.	With the high modulus/strength graphite fiber, the frame's wall can be made thinner with less deformation and less weight, allowing customers to experience a lighter carbon fiber bike!
30% higher in specific stiffness than the traditional carbon fiber frame set.	Specific stiffness = stiffness/density. Product with high specific stiffness means that it can withstand more pressure and be made into thinner pipe to achieve the purpose of **light weight**.

【VOLANDO's Attentive Services】

1. Rental service: VOLANDO Rental provides the rent-to-own services which allow you to enjoy a high-value riding experience. With the concept of "enjoyment no longer begins with ownership", **VOLANDO** provides comprehensive bicycle rental services for each rider to enjoy the high value-added riding experience of **VOLANDO**.

   VOLANDO's rental services emphasize the following three characteristics, which have attracted many consumers' attention:

   (1) "**Safety and Reassurance**": **VOLANDO** provides you with a bike based on your height and conducts health check for the bike, allowing you to participate in any event with peace of mind.

   (2) "**Experience in All Types of Bike**": By experiencing all types of bikes, including mountain carbon bikes, road carbon bikes and racing carbon bikes, along with a variety of bike accessories used according to demand, you can complete all kinds of riding challenges.

   (3) "**Enjoyment with Low Burden**": **VOLANDO** offers carbon fiber bikes, premium gearing sets, carbon fiber wheel sets, sport sunglasses and bike accessories for rental, making for a smooth and easy ride.

2. Bike-related **Convenience Services**: From parts assembly, bike repair, bike delivery, bike packing, roadside assistance to other personalized needs, **VOLANDO** provides services to handle all these matters for you.
3. Recommendation and Consultation for Cycling Event: **VOLANDO** is glad to serve riders for the assistance in domestic cycling events, race challenges, event registration and recommendations on cycling routes. **VOLANDO** fascinates riders with its high-quality activities, making them enjoy fun and leave beautiful and unique memories in their cycling travel.
4. Event support: From maintenance mechanics, event supplies, supply vehicles to bike delivery, **VOLANDO** provides a wide range of services for riders.
5. **Color-playing Customized Service**: Customize your own carbon fiber bike, create your own style and possess the best MIT product!

Let's go on a cycling tour!

Whenever you start, VOLANDO will be your backup!

http://www.volando.com.tw/rent/



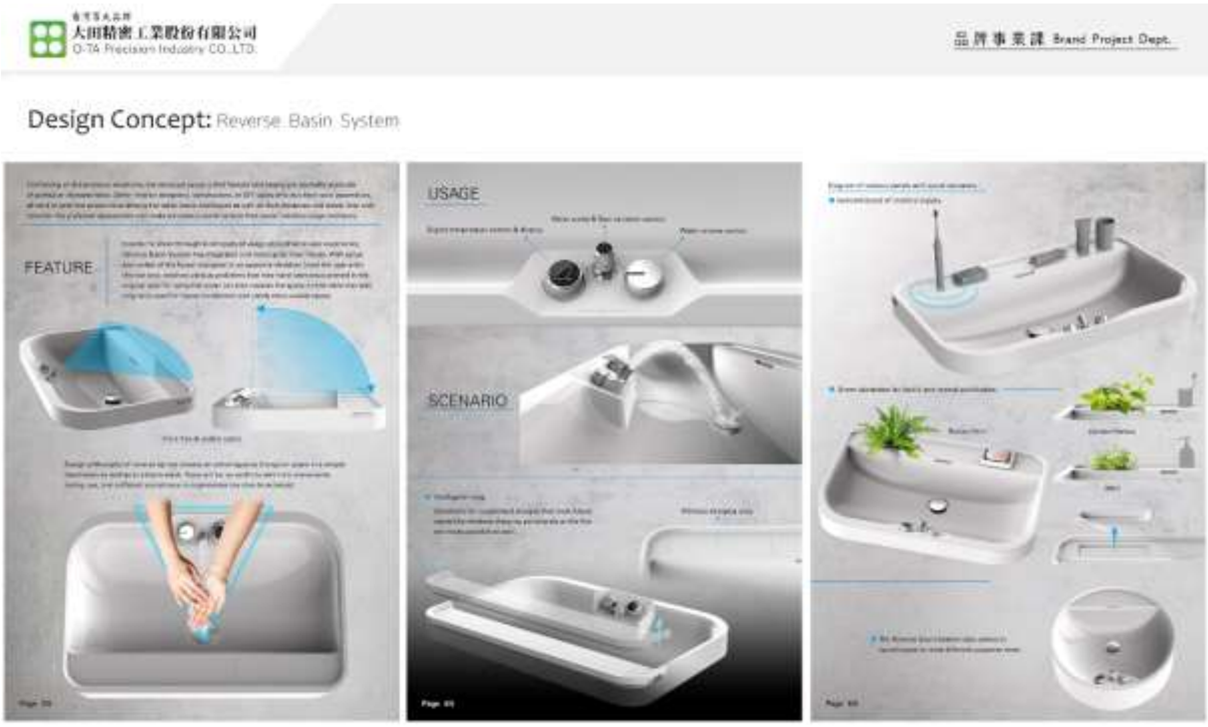

VOLANDO provides you with the rental service of top-quality carbon fiber bikes, allowing you to choose high-quality accessories and ride a premium carbon fiber bike at an affordable price.

VOLANDO give you the best service!

*O-TA's **VOLANDO** hopes to provide the greatest support to the Chinese Taipei Cycling Association. Over the years (2012, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022), VOLANDO has been the title sponsor to support the **Chinese Taipei Cycling Association**. **VOLANDO** invites you to cheer for the Taiwan Freeride National Team!


【Innovative Design Service】

The Company's innovative design team provides quality design services and has been recognized by the German Red Dot Design Award for many years, deeply cultivating the soft power of O-TA.



【ALLTAS Stainless Steel Faucets Premium Series】

In 2015, the Company proudly launched the innovative aesthetic craftmanship brand - **"ALLTAS Stainless Steel Faucet Premium Series", with a concern for taking good care of the water safety and environmental protection. The Company is the first brand in Taiwan to pass with a score of 100% the Mandatory Inspection in the Drinking Water Faucet Commodities conducted by the Bureau of Standards, Metrology and Inspection, MOEA.** The Company views "**Nature, Environmental Protection, Safety and Health**" as the brand's core value, emphasizing "Top Quality, Innovative Design, Health Inheritance, Sustainable Management and Top Reliable Choice". Having the designs made by designers awarded with German Red Dot Design Award, the technology patents and the environmentally friendly food grade 304 stainless steel base materials, the Company demonstrates its concentrated attention to brand management. ALLTAS insists on the use food grade 304 stainless steel on all our products. It is remarkable for its durability, corrosion resistance, temperature resistance, oxidation resistance and sanitary, and it is lead-free and non-toxic. Throughout the whole production process, the Company does not use the plating process in order to be environmental friendly - a way of **environmental protection** with no pollution produced. It is in line with the high-standard requirements worldwide for environmental protection, safety and sustainability. **This is our responsibility to the environment and a concept of green environmental protection.**

4. Newly Planning Products and Services for Development

(1) Golf products

A. The Company continues to develop innovative, shock-absorbing products with the best "sense of strike", "sound of strike" and "sense of control", along with "physical performance" and "high-added value", pursuing the lightweight golf equipment and competitive products.

B. The Company is developing new materials, innovative structures, processes and technologies.

C. The Company is developing new customized materials for customers.

D. The Company is developing golf heads with low specific gravity and high-strength alloy or golf heads with low cost and high strength. Both types of golf heads will be forged or cast by various materials and assembled with tungsten, nickel, copper alloy and screws on the bottom.

E. Titanium alloys, iron alloys, composite materials and other products.

F. Development of the combination of heterogeneous materials applicable to golf heads.

G. High quality, high value-added golf clubs.

H. The Company provides not only the R&D services on the function, technology and materials of golf heads, but also the support for customers on development of external design. It also provides customers with the ideas of ID creativity and aesthetic culture.

I. The Company continues to provide customers with "customized design" and "manufacturing services", including "collaborative design", "performance simulation" and "cost reduction".

(2) Bike and Merchandise

A. Carbon-fiber made, lightweight, distinctive, high-quality, high value-added "Premium" frame sets and complete bikes.

B. Customer-oriented, custom-designed frame sets and complete bikes.

C. Bike merchandise.

D. **Rental service**: carbon fiber bikes, accessories, rentals.

E. **VOLANDO**'s attentive convenience services:

- ✓ Bike-related Services: From parts assembly, bike repair, bike delivery, bike packing, roadside assistance to other personalized needs, **VOLANDO** provides services to handle all these matters for you.
- ✓ Recommendation and Consultation for Cycling Event: **VOLANDO** is glad to serve riders for the assistance in domestic cycling events, race challenges, event registration and recommendations on cycling routes.
- ✓ Event support: From maintenance mechanics, event supplies, supply vehicles to bike delivery, **VOLANDO** provides a wide range of services for riders.

(3) Stainless Steel Faucets Premium Products

(4) Innovative Design and Casting Artwork

(II) Industry Overview

Health issues provide endless business opportunities! In recent years health issues have become increasingly valued, opening up immense business opportunities to the sports and leisure industry. Aside from international sports events, e.g., the Olympics, Asian Games, tennis events, golf events, and the NBA, which generate massive output, cycling and jogging fever have spread all over the world in recent years, piling up leisure sports population and unlocking the potential of business opportunities. According to a research of Plunkett Research, an international survey institution, the global sports industry already topped USD2 trillion well before 2020 when the pandemic broke out, indicating the popularity of sports worldwide. The COVID-19 pandemic has shaped the development of global economy and changed the life pattern worldwide. With the advent of a post-pandemic era, indoor exercise will drive up the demand for outdoor activities, e.g., golf (the USA) and cycling (the Europe). Both golf and cycling are sports that are relatively safe and healthy and pandemic-preventive. The advent of a post-COVID-19 era has scaled up the golf market, and the stickiness of new players to the sports has become robust, facilitating market development.

1. Current Status and Development of the Golf Industry

(1) Current Status and Development of the Golf Industry

The sport of golf originated in Europe and is a long-established sport that is prevalent in the US, Japan and Europe. So far, golf is a mature and growing industry and has been prevalent in North America, Japan and Europe.

In the global competitive market, Taiwan's golf industry plays an indispensable role in golf equipment supply chain. More than 80% of golf club output are covered by Taiwanese manufacturers on OEM/ODM basis, with production sites located in Taiwan, which is now the most important base to provide golf equipment worldwide. Most well-known brand names in the golf industry worldwide have contracted with Taiwanese manufacturers, which can be viewed as the top manufactures for golf equipment around the globe.

Golf club heads are the highest value-added component, with the most complicated technology required, during the manufacturing process of golf equipment. Its manufacturing flow is mainly divided into two segments. The front-end process is technology-intensive, requiring precision casting or forging capabilities, while the back-end process is labor-intensive, needed to be equipped by trained and skilled workers. The design of golf club heads, regardless of material, structure and external design, must strictly comply with the golf rules and undergo the challenges resulted from the limitations in innovative design and technology. Such kinds of challenges are in favor of Taiwanese manufacturers, due to decades of manufacturing experience they have accumulated. These Taiwanese players also own adequate capital, rich skilled manpower, advanced manufacturing technologies, excellent design capacities, long experience in golf head manufacturing and excellent management system. With the excellent product quality, coupled with the rich experience in supply chain management and the satisfactory delivery time for customers, Taiwan has become the largest supply base for golf club heads in the world. Moreover, since a complete supply chain system is required for the process of design, development, production and sales, and the capabilities of technology and development of Taiwanese manufacturers have been long recognized by the major brands, the Taiwanese manufacturers and major brands have established an inseparable long-term partnership, creating barriers for new competitors to enter the market.

Due to the business model which profitability is determined by how close and long-term the manufacturers work with their clients, the manufacturers in the industry have been moving towards the provision of manufacturing services, rather than just simply receiving orders, manufacturing, and delivering goods as in previous time. The collaborative development or collaborative design with customers, as well as the research and development of new process technologies, new materials, new structures, and new styles have become indispensable in the golf industry. Facing the trend of complex design and manufacturing for golf equipment, the major brands are also actively seeking a supply chain system that can make collaborate design and cooperation together in order to co-exist in the market. The golf equipment market has been stable and mature, and the Taiwanese golf manufacturers have mastered the keys to success: customer relationships, R&D capabilities, and economies of scale, resulting in its achievement of indispensable role.

The COVID-19 pandemic in 2020 has brought about a period of prosperity to the golf industry, changing the life pattern as it subsided. The change in composition of players of golf, a type of safe and healthy outdoor sport, has brought a turning point for the industry, boosting the demand. According to data of The R&A and Sport Motivation Scale (SMS), golf has gained popularity worldwide since 2016 in that the number of golfers worldwide has increased from 61 million to 66.6 million, among whom the increase in younger population and women are the most notable; this is conductive to the development of the industry. As the world is gradually removing its pandemic control restrictions, diversified leisure options, inventory adjustment, and economic growth inhibited by inflation will become the three major issues that will pose challenges to the OEMs of golf head clubs in the following year. In the future, the golf industry will return to its pre-pandemic pattern, which features alternate peak-seasons and off-seasons and seasonal marketing. Fortunately, since the golf industry has scaled up compared to its pre-pandemic level, the market potential in the future is still expected.

(2) Relationship between the Upstream, Midstream and Downstream Sectors in the Golf Industry

Upstream Industry	Steel refining industry, metal manufacturing industry, carbon fiber fabricating industry (including suppliers of various materials)
Midstream Industry	Manufacturing industry for golf heads, golf clubs and golf equipment (including various production process such as precision casting, forging, injection molding, composite molding, machining, grinding, coating, assembling, club making, etc.))
Downstream Industry	Major brand names for golf equipment For example: AKIRA, Bridgestone, Callaway, Cleveland, Cobra Puma, Dunlop, HONMA, KASCO, Majesty, Maruman, Mizuno, Ping, PXG, S-Yard, Taylor Made, Titleist, Tour Edge, TSURUYA, Wilson, YAMAHA, Yokohama, etc.

(3) Golf Product Development Trends and Competition

The golf club heads could be divided into three categories: Metal wood, Iron head and Putter.

A. Metal Wood

The 1-wood ("Driver") is used to launch the ball. Its goal is to get the ball as far as possible towards the green with a nice sound. In order to broaden the sweet spot, the driver is designed to be bigger and more lightweight. As is known, titanium is stronger, stiffer and lighter than other metals. Therefore, the driver with a titanium club head, with a higher CT rate, a nicer sound and an improved sweet spot, enables a golfer to hit the ball faster, farther, and straighter. Drivers with titanium club heads have become the mainstream product in the market, and some of these drivers have added with new composite materials. As for the "Fairway" wood, stainless steel is its mainstream material.

In terms of the development of metal woods, the composite metal woods with the combination of heterogeneous materials has recently become a trend due to its best effects of creation and counterweight, and also because of its characteristics of customized elasticity and multiple combinations for the best performance. New materials, new structures, and new styles are used to refine the sense of strike and sound of the golf head, creating the best sense, sound, accuracy, and sense of control. Golf equipment designed with physical functions, customized features and light weight is still an important development trend in the future.

More features in terms of the "sense of control" have been put into driver products, such as "adjustable shaft", "adjustable weight", "adjustable angle" and "aerodynamics". Meanwhile, golf equipment also emphasizes the "aesthetic creativity" of "sound" and "beauty". Therefore, the exterior colors used for products are also moving towards bold and lively, with three-dimensional painting and three-dimensional shapes. The design of the golf head is also moving towards a more fashionable, high-end design in order to attract more customers and encourage customers' willingness to try new golf clubs.

B. Iron Head

The irons are mainly focused on enabling ball to travel much straighter and accurately after contact. Its major material is stainless steel and its appearance is oriented to both beauty and control, targeting a high rebound, high speed and a precise hitting distance. Therefore features such as advanced metal materials, new joint structures, composite materials, vibration absorption and wear resistance, are major development trends now when designing irons.

C. Putter

The putter is used on the green to roll the ball into the hole, so it is important to control the direction and distance to stably and accurately hit the ball. In terms of external shape, although there is still no general standard, the beauty of the shape and the center of gravity are the main concerns in terms of design and function. How to keep the striking surface from rotating while using the putter? In terms of manufacturing, precision casting is the main method, and the use of a CNC golf head can stabilize the center of gravity and maintain its uniformity. In terms of materials, the main focus has been on the combination of composite materials to achieve stability and good control while hitting ball.

With the gradual trend that people do not purchase metal woods and irons as a complete set, new products, especially the metal woods, have been released faster by the manufacturers in order to let customers enjoy the infinite charm of distance. However, brand manufacturers will still make adjustments according to the economy. Making the products large, lightweight, customized (adjustable shaft, adjustable weight, adjustable angle, etc.), beautiful and user-friendly with high performance and better sound is the unchanging trend for development. Since golf club head is a highly designed product regulated by the rules of golf, the manufacturers must develop new products under the challenge of limits for various materials, structures and technologies. Hence, the manufacturers must attract customers' attention by designing the unique features and rapidly changing the design of the golf head, resulting in the importance of computer-aided golf head design technology and golf swing simulation technology. In addition, the development of rapid product development technology and automated, technological and high-precision processes are also important factors in maintaining the industry's competitive edge.

2. Current Status and Development of the Bicycle Industry

(1) Current Status and Development of the Bicycle Industry

※ **The Bicycle Industry Will Continue to Grow.**

In the 1990s, Taiwan was already reputed for being the "Kingdom of Bicycles". In 2020, the total output value of Taiwan's bicycle industry was NT$135.3 billion, which was the second highest amount in the world, and now Taiwan's bicycle industry has become the base of the largest bicycle manufacturers in the world (including Taiwanese manufacturers located in domestic and overseas regions) and the largest high-end products manufacturing base.

With the trend of "cycling for a fun life" formed under the influence of environmental protection and sports and leisure trends all over the world, bicycle riding has become a life style. Nowadays, bicycles are no longer commuting tools, but the representation of the new generation's values, such as environmental protection, energy saving and pursuit of health, since the use of bicycles is fuel-saving and space-saving without pollution and noise.

※ **Rise of the Electric Bicycle**

In response to the advance in technology, the maturity of internet, the rise of artificial intelligence, and the breakthrough of battery and electronic technology, the bicycle industry has been moving towards the direction of electric and intelligent development.

Electric bikes will play a key roll in transportation in the future. According to the data of the Light Electric Vehicle, the USA imported about 790 thousand electric bikes in 2021, an exponential growth from 450 thousand in 2020 and 250 thousand in 2019. According to statistics from Precedence Research, the market value of the global electric bike industry will soar to USD40.98 billion by the end of 2030. In the future, the electric bike industry will be an industry full of potential. The sales of electric bikes are expected to surpass the sales of cars (electric cars and gasoline-powered cars combined) by 2025 at the earliest in the USA and the Europe alike. Asia remains the largest electric bike market, selling tens of millions of electric bikes annually, followed closely by the Europe, and then by the North America. Various industries are devastated by the COVID-19 pandemic. Not the case for Taiwan's bike industry, which has grown against the wind. The sales of e-bikes are especially notable. Innovation will become increasingly important for the bike industry. Currently, industry players are trying hard to conduct research and development to innovate, and have been transitioning to the market with high added-value, e.g, the market for mountain bikes, off-road bikes, and electric bikes. This has opened up opportunities for industry development, maintaining Taiwan as a bike export kingdom, and as a stronghold of the supply of medium-end and high-end bikes.

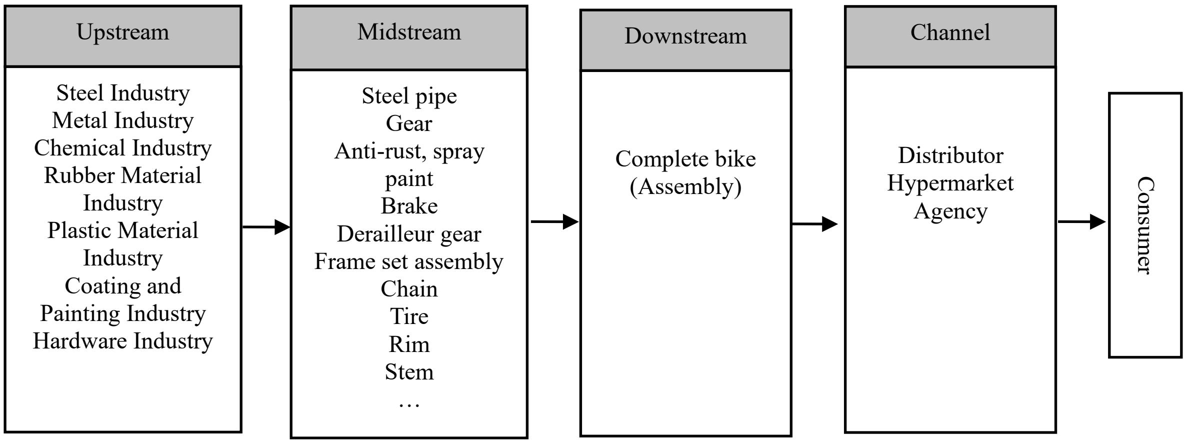
According to the industrial statistics released by the MOEA in 2023, the output value of Taiwan's high-end bikes and electric bikes combined hit a record high. The bike industry has a long history in Taiwan. In addition, brand giants, by forming a strategic alliance with parts manufacturers, has forged a complete supply chain, which boosts industry competitiveness and drives up the output value of bike parts year on year. To leverage the policy of the USA and the Europe to subsidize the bike industry in 2021, central assembly plants aggressively stockpiled materials, driving up the bike parts market, which reached NT$107.7 billion in market value, exhibiting an annual growth rate of 46.6% and constituting a whopping 60.9%. Since the demand for bike parts remained high in 2022, the output value during January and October amounted to NT$110.4 billion, a growth of 26.4% yoy.

(2) Relationship between the Upstream, Midstream and Downstream Sectors in the Bicycle Industry

Taiwan's bicycle industry chain is led by the major manufacturers, which then drives the development of upstream, midstream and downstream manufacturers, resulting in horizontal and vertical collaborative relationships. Please refer to the following diagram for the main relationship of bicycle industry.

In the supply chain of the bicycle industry, the midstream industry, which purchases related raw materials and produces frame set systems, transmission systems, wheel systems, control systems, and other related parts, is the most complicated among all industries. Moreover, the downstream complete bike industry purchases components, produces and sells complete bikes through assembly lines. Therefore, there is a detailed division of labor and process in the bicycle industry, and each kind of parts has its own professional manufacturers. For the complete bike manufacturers, while some of them produce frame sets, most of the others purchase manufacturing parts from professional manufacturers for assembly.

Each bike needs to be assembled with more than 2,000 primary and secondary parts. The bicycle industry can be divided into the complete bike industry and the parts industry, and the scope of the industry covers metal, rubber, alloy and chemical industry, etc. Its technological development and market can drive the development of related basic industries and other industries in the surrounding areas.



(3) Bike Product Development Trends and Competition

The classification standards for bicycle types vary around the world. Generally speaking, the types of bicycles can be divided into Mountain Bikes, Road Bikes, and Lifestyle Bikes based on the function and performance of the bicycle.

A. Mountain Bikes series: Mountain bikes are bikes designed for outdoor activities. Mountain bikes were originally used as tools for multi-purpose riding, but after development of mountain cycling, various specialized mountain bikes were developed to meet the needs of different terrains and applications.

Demand features: high strength, safety, comfort and excellent shock absorption function.

B. Road Bikes series: Road bikes are bikes designed for road riding and performance. So far, Road Bikes have been equipped with a variety of designs to meet the needs of consumers.

Demanding features: Light weight, stable operation and good performance.

C. Lifestyle Bikes series: This type of bike is freedom, relaxation and health-oriented, and is also the diverse series in the market.

Demanding features: Leisure and convenience.

Since its start in the 1950s, Taiwan’s bicycle industry has been developing for 70 years. Developing from the early OEM business model, Taiwan’s bicycle industry now has several well-known brands. For example, the bikes of Giant have been selling worldwide and the brand Giant has obtained the most market share in the global bicycle market; Merida is one of the top three complete bike manufacturers in the world, marketing with its own brand “MERIDA”, joint-venture American brand “SPECIALIZED” and European brand “CENTURION”. Merida mainly produces and sells middle and high-end bikes, being one of the prestigious leading brands for premium bicycles around the world.

The Company’s **VOLANDO** sets “Premium Bike” as its core designed product in the market, with the distinction of “sports equipment implemented with art and culture”. In terms of quality, the Company provides carbon fiber frame sets that are in line with the standards set by three major international cycling races, along with a full set of parts from Japanese SHIMANO or Irish SRAM in order to assemble the bikes in a consistent manner. In terms of service function, the Company provides customized and complete after-sales services, striving to make buyers enjoy the most satisfying experience. With the concept of sharing economy, the Company shares **VOLANDO**’s products with customers through the provision of high-priced premium rental services and various activities, allowing customers to enjoy cycling and experience a relaxed and enjoyable ride.

VOLANDO's bikes series possess the quality assurance of Taiwan's premium products. So far, VOLANDO has launched top-quality carbon fiber road bikes, mountain bikes and racing bikes.

VGT Composite Technology (Huizhou) Co., Ltd., a subsidiary 100% invested by the Company, is a bike manufacturer with customers of renowned brands located in Europe, America and Japan, such as EU：WILIER, ORBEA, DE ROSA, DT-SWISS；JP & US BRIDGESTONE, PODIUM, IBIS, etc.

3. Current Status and Development of the Water Hardware Industry

(1) Current Status and Development of the Water Hardware Industry

According to a report from the Industry & Technology Intelligence Service (ITIS), countries around the world have successively executed free trade agreements under the trends of regional economic integration. For the plumbing hardware industry, USA remains the world's largest importer of plumbing hardware and therefore wields substantial influence over the export of the global plumbing hardware industry. From the perspective of global trade strategy, mainland China is the world's largest manufacturer of bathroom hardware; its exports of plumbing hardware constitute 20% of the world's total exports of plumbing hardware and it produces nearly 35% of the world's plumbing accessories. In recent years, China's plumbing hardware industry grew in tandem with its pace of construction to satisfy its urbanization needs, making its domestic market extremely potential. China's import of plumbing hardware ranks second in the world every year.

Taiwan's plumbing hardware industry supplies more than 50% of the world's faucets, making Taiwan renowned as the "faucet kingdom." The annual output value is estimated to be at least NT$60 billion, of which 40% comes from cupper faucets, 20% from zinc faucets, 5% from aluminum faucets, 2% from stainless steel faucets, and the rest from ceramic faucets. As the regulations for drinking water take effect successively, the plumbing hardware industry will boost its use of stainless steel in order to meet the world's demanding requirements of "Eco-friendliness, safety, health, and sustainability". Taiwan's plumbing hardware industry is mainly engaged in the export business. Since there are no universal laws as of now and certification standards among the various countries, a massive amount of time and costs are required for product certification and testing, erecting a steep entry barrier for plumbing hardware manufacturers. Therefore, it is hoped that relevant government agencies will assist domestic companies in seeking international certification and meeting the regulatory certification requirements of the various countries, thereby enabling Taiwan's plumbing hardware industry to win orders on the volatile international market and boost its competitiveness.

(2) Relationship between the Upstream, Midstream and Downstream Sectors in the Water Hardware Industry

Upstream Industry	Steel refining industry, metal manufacturing industry, plastic material manufacturing industry (manufacturers of mandrel, rod, parts package, etc.), rubber material (water-seal and oil-seal manufacturers).
Midstream Industry	Water hardware industry, valves assembly (including various production process such as precision casting, forging, machining, grinding, coating, etc.))
Downstream Industry	Hotels, trading companies, agency, building materials firms, hardware chain stores, household goods chain stores, construction companies, electrical and plumbing stores, etc.

(3) Water Hardware Product Development Trends and Competition

Faucets are the most widely used appliance at home, especially in the kitchen and bathroom, and are therefore indispensable to consumers of the general public for washing, cooking, face cleansing, brushing, and cleaning. Although faucets don’t look it, they are essential to drinking water safety and people’s health. Inferior faucets with excessive lead content wield immense adverse impacts.

Due to the competition from manufacturers in mainland China, traditional plumbing hardware has become abundant in volume and is increasingly cheaper. Taiwan’s plumbing hardware industry, thanks to its solid foundation of good quality as always, has aptly responded by actively expanding its product portfolio, adding functional, artistic, and ornamental elements, and providing a wide range of after-sale services. This not only brings the industry to life, but also delivers more diverse development possibilities while completing the supply chain. Judging from the rising unit price of exported Taiwanese faucets in recent years, the industry is gradually transitioning towards high added-value and high unit prices.

The essentials to plumbing hardware innovation are the requirements of energy- and water-efficiency, assurance and reliability, high quality, zero-contamination, long lifespan, resistance to wear and tear, resistance to bacteria, and pleasant visual appeal. In addition, advancing electronic application technologies have increased the volume of digital control products and sensor-controlled products (smart temperature control), making it more convenient to apply plumbing hardware.

Developing to date, the water hardware industry has focused on the important issues of water safety, energy saving and the regulation issues of heavy metal contained in products. With the successive implementation of relevant drinking water regulations, the water hardware industry will significantly increase the use of stainless steel materials into its products after the regulations come into effect, which will better meet the global high standards for “environmental protection, safety, health and sustainability”.

With 30 years of experience in manufacturing high-grade stainless steel golf club heads and the top-notch casting technology of “one-piece molding without welding”, O-TA has actively grasped the business opportunities in water hardware industry and established its innovative aesthetic craftmanship brand “ALLTAS”. With the spirit of “Safe Water, Toxic Free”, ALLTAS insists on using food-grade 304 stainless steel, which is lead-free, non-toxic and complies with the requirements set by the Bureau of Standards, Metrology and Inspection, MOEA for drinking health. ALLTAS was the first brand in Taiwan to submit its faucets products to the Bureau of Standards for testing. ALLTAS has recently obtained certificates for 13 relevant products. Since the products’ specifications are much higher than the qualified standards, ALLTAS was the first brand in Taiwan to pass with 100% the Mandatory Inspection in the Drinking Water Faucet Commodities conducted by the Bureau of Standards, Metrology and Inspection, MOEA. Before that, ALLTAS has also been awarded the Water Efficiency Label and recognized by several U.S. UPC certifications, and has obtained many patents for the direct drinking faucet products. ALLTAS hopes to build a non-toxic environment for heathy water usage and for the general public to have a choice in “nature, environmental protection, safety and health”, making itself a role model for the water hardware industry.

(III) Technology and R&D Overview

1. R&D expenses and percentage of R&D expenses to net sales for the most recent year and the current year as of March 31, 2023

Unit: NT$ thousands; %

Item / Year	2022	March 31, 2023
R&D Expense	32,454	5,542
Net Sales	7,700,322	1,300,823
Percentage	0.42%	0.43%

Note: The amount for current year as of March 31, 2023 is the Company's self-assessed amount.

2. 2022 R&D Results

The 2022 R&D results are as follows:

(1) New material technologies and mass production results for golf club heads: high-strength titanium alloy plates, high-strength titanium-based casting materials, high-strength iron-based plates, high-strength iron-based casting materials, variable hardness casting materials, and continuous development of other high-strength plates, etc.

(2) New structure, new design of golf club heads and mass production results: the golf head structure design and manufacturing method with composite materials, the combination structure of heterogeneous materials, the application and production method, and the high-performance golf head structure design, etc.

(3) Development and mass production of golf club heads simulation analysis system technology: high rebound, high MOI structure, weight margin design, audio enhancement, weight distribution, aerodynamics, etc.

(4) Patents: 12 patents were granted in 2022 (as of March 31, 2023), including Taiwan invention patents for “composite golf club head and method for manufacturing the same,” “the handheld shower head,” “the high-strength maraging steel plate and method for manufacturing the same,” “the titanium alloy plate and method for the same having an impact strength layer and a flexible layer,” “the carbon fiber composite golf club head,” and “the golf club head,” along with china invention patents for “the composite golf club head and method for manufacturing the same,” “the composite golf club head manufacturing method,” “the titanium alloy sheet and method of manufacture,” “the crown cover of golf head and golf head having the same,” ”the golf club head titanium alloy material and golf titanium club head,” and “the composite golf club head and method for manufacturing the same,” a total of 11 patent applications are under review including Japan and the U.S. invention patents for “the carbon fiber composite material golf club head,” Taiwan and China invention patents for “the golf club head,” “the Golf club head with composite strike panel,” and “High strength nickel chromium molybdenum steel and manufacturing method the same”, “the striking surface of golf club head, machining tool thereof, machining method thereof,” and China invention patents for “the composition alloy of golf iron head and manufacturing method same”.

3. Future R&D Plans

The Company will continue to refine the quality of golf club heads and enhance its R&D, innovation and process capabilities to meet markets’ and customers’ expectations for products and services.

(1) The Company will focus on the advanced development and application of composite materials, and the combination of heterogeneous materials and external design, pursuing the high performance in products that meets the market’s expectations.

(2) The Company will continue to develop complex designs for golf club heads in order to enhance the

functional and acoustic performance of golf club heads to provide innovative experience for consumers.

(3) The Company will continue to develop inorganic green process to reduce the pollution made by organic chemicals, focusing on environmental friendliness to achieve energy saving and carbon reduction.

(4) The Company will continue to trace the market trends and launch products that meet the market requirements and exceed customers' expectations in order to enhance the Company's competitiveness.

(5) The Company will continue to enhance the CAE computer simulation analysis technology in order to improve the design capability and provide customers with solutions to the development of golf head.

(6) The Company will continue to upgrade intelligent control automated production line to stabilize quality of manufacturing and improve production efficiency.

In respect of intellectual property management, the Company's plans are as follows:

- Intellectual property management policy: to actively conduct research and development in order to keep innovation ability and strengthen competitive advantages; to emphasize the acquisition of intellectual property rights in order to protect the R&D results; to respect the intellectual property rights of third parties (including customers and suppliers) by never infringing their rights and keep their information confidential in order to ensure sustainable management.
- Intellectual property management measure

(1) Patent

i. Patent Review Conference: Conduct internal review for each patent proposal, including the search on international patents and review of patent conditions, to ensuring the feasibility of the patent proposal.

ii. Regular monitoring for patent: Obtain the latest information on patents of the industry to keep up with market development trends.

iii. Construction of patent map: List the relevant patents by technology to understand the current status of the industry.

iv. Regular maintenance review: Review the production status of the approved patented products and their relevance to marketing results in order to evaluate the necessity of annual maintenance.

v. Regular sharing on patents: Stimulate the design ideas of R&D staff and enhance their sensitivity of patentable concepts through the sharing of patent inventors.

vi. Patent reward system: In order to encourage employees to increase thinking on their work, the Company holds the spirit of improvement and proposes improvement plans to rationalize the operation process, increase efficiency and reduce costs. It also promotes innovation and R&D ideas to ensure the legitimate ownership of intellectual property, to implement the R&D results, and to enhance the Company's competitiveness and technological image.

(2) Trademark

i. Layout of brand market: The Company focuses its plan for layout on the locations of design, development, production, manufacturing and sales activities, resulting in a market layout that has covered Asia and Europe.

ii. Regular maintenance review: The examination conference will review the use of registered trademarks to evaluate the necessity of continuous maintenance. Meanwhile, it will observe the corporate planning and development for the future and conduct search on new trademark and application for trademark registration.

(3) Copyright

The Company has signed copyright agreements with its employees that govern the ownership of work done during their employment period, and these agreements do not cease to be effective upon termination of employees' employment in the Company.

(4) Trade Secrets

The Company has signed confidentiality agreements with its employees, including provisions that regulate the obligations for employees to return the Company's property and not to disclose the Company's information or any Company's secret upon termination of their employment.

(5) Information Safety Management

All computer devices should be logged on by employee's personal accounts and passwords. Moreover, the network connections, data access and storage, and instant messaging software are all restricted by authorized license in order to prevent leakage of company information.

(IV) Long-term and Short-term Business Development Plans

1. Short-term Development Plans:

(1) Maintain operational advantages; continue innovation and development; and provide customers with collaborative, tailor-made, high value-added design and manufacturing services.

(2) Operate in a differentiated manner; take orders strategically; and seek high-margin, small yet diverse, and customized orders, so as to tap new sources of profits.

(3) Steadily develop new customer bases; and manage key customers cautiously, aiming to satisfy customers, thereby fueling growth and sales.

(4) Increase production-sale integration capability and pre-production preparation capability, and strive for a leveling, orderly, and stable production throughout the production processes, so as to satisfy customers.

(5) Continuously perfect the supply chain system, improve supplier compliance management capability, and forge a strong partnership, so as to prosper together.

(6) Be market-oriented; continue to advance and implement the technological blueprint; and improve independent, core technologies to increase the extent of automation and the technological capability.

(7) Be committed to the development of key talents and the stability of human capital of the production lines, and continue to increase the speed and flexibility of the capability to be responsive and collaborative.

(8) Continue to promote ESG-based sustainable management; improve the whole process by means of reduction, recycling, and substitution; implement energy conservation and carbon reduction; practice green research and development, green production, and green life; and fulfill corporate social responsibilities.

2. Long-term Development Goals

(1) The company pursues a sustainable business environment and implements management measures in the aspects of environmental protection (E, environment), social responsibility (S, social) and corporate governance (G, governance) to fulfill its corporate social responsibility, aiming to become the most innovative company for daily use products and sports equipment which creates the greatest value and best service for clients, employees, shareholders and the public.

(2) Upholding the ideal of "Integrity and Practicality; R&D and Innovation; Sustainable Development; and Serving the People," the Company effectively consolidates and streamlines its operational processes and seeks innovation and breakthrough, so as to achieve a management synergy in terms of quality, delivery date, cost, service, and innovation, thereby creating irreplaceable, great competitiveness.

(3) Aiming to build itself as a "design and manufacturing service" that is customer-oriented and provides customers with design and manufacturing services like "collaborative design" and "performance simulation" and of "high added value" and "customization." In addition, aided by its all-process production capability, lean operating process management, and application and development of automatic technologies, the Company will deliver breaking and competitive innovation and R&D results to share with customers, to gain stable revenue in the long term.

II. Analysis of the Market, Production and Marketing Situation

(I) Market Analysis

1. Major Products and Sales by Geographic Region

The Company's main products are golf club heads and golf equipment, and the main regions for sales are as follows:

Unit: NT$ thousands; %

Region \ Year		2022		2021	
		Sales Amount	%	Sales Amount	%
Export	Asia	2,346,800	30.48%	2,142,823	27.19%
	America	4,361,564	56.64%	4,899,539	62.18%
	Europe	731,337	9.50%	626,842	7.96%
	Other	91,778	1.19%	60,988	0.77%
	Subtotal	7,531,479	97.81%	7,730,192	98.10%
Domestic		168,843	2.19%	149,940	1.90%
Total		7,700,322	100.00%	7,880,132	100.00%

Note: The column "Other" includes material sales revenue and processing sales revenue.

2. Major Competitors and Market Share

(1) Golf Market

Although the golf market has been at a mature stage, almost 80% of the global OEM orders are taken by Taiwanese manufacturers. Moreover, since most of the Taiwanese OEM manufacturers have strategic alliances with major international brands, those manufacturers are able to receive orders without risk. At present, the top four manufacturers for golf club heads in Taiwan are Fusheng, Advanced, O-TA and Dynamic, with a common layout pattern which is to receive orders in Taiwan and complete mass production in China, Vietnam or other regions, while Dynamic has moved its production plant in China back to Taiwan.

In 2022, the Company has shipped 5.2 million golf club heads and golf equipment for sales. The estimated market share for the Company is 8 % (based on a rough estimate of 66 million units sold worldwide per year). Additionally, the estimated total market share of the four manufacturers, including O-TA, Fusheng, Advanced and Dynamic, is over 80%.

(2) Bicycle Market

Nowadays, among the top three bike manufacturers in Taiwan, Giant and Merida have switched their production strategies to OBM in order to market their own brands to the domestic bike manufacturers; while Ideal is still using OEM as its main strategy.

VGT Composite Technology (Huizhou) Co., Ltd. (100% invested by Inda Composite Technology) is a bike manufacturer with customers of renowned brands located in Europe, America and Japan. The Company's **VOLANDO** sets "Premium Bike" as its core designed product in the market, with the distinction of "sports equipment implemented with art and culture". By integrating the "Taiwanese elements" into the painting design, **VOLANDO** has been recognized by Taiwan Excellence Awards for many years. In terms of quality, the Company provides carbon fiber frame sets that are in line with the standards set by three major international cycling races, along with a full set of parts from Japanese SHIMANO or Irish SRAM in order to assemble the bikes in a consistent manner. In terms of service function, the Company provides customized and complete after-sales services, striving to make buyers enjoy the most satisfying experience. With the concept of sharing economy, the Company shares **VOLANDO**'s products with customers through the provision of high-priced premium rental services and various activities, allowing customers to enjoy cycling and experience a relaxed and enjoyable ride. **VOLANDO** is committed to the provision of comprehensive service. It fascinates riders with its high-quality activities, making them enjoy fun and leave beautiful and unique memories in their cycling travel.

(3) Water Hardware Market

The annual output value of Taiwan's plumbing hardware industry has broken NT$60 billion, most were derived from exports. When breaking the amount down by material used, 40% came from copper products, 20% from zinc products, 5% from aluminum products, 2% from stainless steel products, and the rest from ceramic products. As the regulations for drinking water take effect successively, the plumbing hardware industry will boost its use of stainless steel in order to meet the world's demanding requirements of "Eco-friendliness, safety, health, and sustainability".

With 30 years of experience in manufacturing high-grade stainless steel golf club heads and the top-notch casting technology of "one-piece molding without welding", O-TA has actively grasped the business opportunities in water hardware industry and established its innovative aesthetic craftmanship brand "ALLTAS", which is at present in a initial developing stage.

3. Future Industry Supply & Demand and Growth

(1) Future Industry Supply & Demand and Growth of the Golf Market

At present, the global golf market is mainly dominated by the United States, Japan and Europe, with a total of market demand accounting for more than 90% of the entire market. While the future supply and demand and the growth of the golf market - new markets and new demand - should not be underestimated, especially the growth of emerging golf markets such as China, Korea and India and the growth of women and youth playing golf.

The golf industry boosted against the tide of the COVID-19 pandemic. Phil Anderson, chief development officer at the R&A, said, "Golf is in full-scale popularization. We have seen soaring participation in sports worldwide, especially during the pandemic over the past two years when people found out that outdoor sports could be safer and give more health benefits." "

As pandemic restrictions were gradually lifted, the consumption market recovered exponentially. As a result, outdoor activities allowing the keeping of social distance has become a popular option. Golfing is seen as safe and healthy outdoor activities, and it gives a sense as if one were abroad. Golfers structure changed (e.g., featuring younger and more women golfers), but the number grew against the wind. All golf tournaments were resumed successively, spurring demand. The golf consumption market in the USA, Japan, and the Europe skyrocketed, driving down the inventory level of golf distributors in the downstream while cutting time to market of new products launched by brand owners, causing the demand for all products to surpass the supply.

The growth of the golf industry during the pandemic was mainly attributable to the demand for outdoor sports as a result of the pandemic, which in turn increased the number of both golfers and golf outings and caused brand owners to actively replenish their inventory, do marketing, and prepare for the Olympic Games. In the post-COVID-19 era, the golf market has scaled up and the stickiness of new golfers to the sports has become robust; this will facilitate the development of the golf market, thereby steadily pushing up the demand for replacement of golf clubs. Golfers' preference to custom, differentiated, light, selective golf clubs remains unchanged, which will fuel another wave of demand.

●Supply Side:

Taiwan has become the base of leading golf suppliers in the world and its position will be even more important in the future.

The brand manufacturers in the golf market hold the concept that "the powerful are always powerful", continuing to do contract manufacturing (ODM/OEM) by using their brand image and purchase high-quality and competitively priced products from various places around the world. Moreover, with their strong financial resources, they launch promotions, create new market channels, enhance their service to consumer to strengthen their loyalty to the brand. Since Taiwan has more than 30 years of history in the manufacturing of golf equipment, and has a wealth of production experience, technology and a complete system of relevant industries, Taiwan has become the top choice for the golf brands in United States and Japan to cooperate with. Currently, the major golf manufacturers have completed the integration of resources by setting Taiwan as the R&D and management center and China or Vietnam as the production base. Taiwan's major manufacturers, such as O-TA, Fusheng and Advanced, have moved the production center to the Mainland China or Vietnam. Despite the influence of U.S. major manufacturers in continuing to release its OEM and purchase orders to companies located in Far East Asia, Taiwan remains an important base for the supply of global golf equipment and a major center for international brands to purchase golf products, playing a crucial role in the global market.

The Company operates at a stable stage and serves a diversity of customers. It is also highly flexible with strong R&D and manufacturing capabilities, excellent production technology, high product quality, perfect customer service and good customer relationship. Since both software and hardware equipment of the Company are well recognized by the customers, the Company has become one of the major partners of international brands.

Over the years, the Company has collaborated with the clients to design and develop high-quality and high value-added products that have been well recognized by the clients, who have long relied on O-TA to produce their products. The golf equipment produced by O-TA has continuously been recognized by magazine awards and won gold medals, proving itself the best tool for players to win the championship. Moreover, the Company's products represent the fruits of close collaboration between O-TA and its clients.

●Demand Side:

A. The global golf market is dominated by the United States, Japan and Europe, while the population of golfers in emerging markets (especially mainland China, where the State Council has classified golf as a leisure sports) and the female market are also growing.

B. Aging society and the increasing population of senior golfers.

C. Return of golf to the Olympics spurs demand: Golf returned to the Olympics for 2016 and was officially reinstated as an Olympic sport, stimulating the global golf industry. It is expected that an emerging wave of demand will come from the teenagers, who remain the major consumers of low-price golf equipment. This is the market that brand giants are set to tap into, so the OEM business is expected to boom in tandem.

D. Demand fueled by golf tournaments: Stimulated by Tiger Woods's recent win of the Masters Tournament championship, the demand for golf boomed, injecting significant driving forces into golf and the golf industry.

E. With the popularity of golf sport and the increasing population of female golfers, the demand in golf market will continue to grow.

As golf gains a rapid access to consumers with ordinary income, golfing has thrived in the USA and Japan, and the number of golfers and female golfers in Asia and other regions has also gradually increased, a reason why demand is picking up. Many brand giants have launched pink golf equipment, signifying the importance they attach to the market aimed at female golfers

F. Products which are customized, differentiated and made light-weight with less quantity but multiple varieties can better meet consumers' needs.

Customers have developed the habit of making a repeat purchase of a golf club every 1~1.5 years. Novel technology that allows interchange of golf club heads, shafts, and grips, and the use of composite materials or new materials increase consumers willingness to buy and shorten the purchase cycle.

The life cycle of golf clubs has been shortened. The introduction of new golf clubs often represents a further breakthrough in its materials, structures, technology, controllability and striking distance. With the new strategies continuously launched by the manufacturers, consumers have focused more on the sense of accomplishment in golf swinging and been more willing to switch golf clubs according to the trend. In addition, due to the increase in national income of each country and the rising awareness of sports and leisure activity, consumers apparently tend to buy more golf equipment while the same type or different types of products and brands are launched, showing a trend of repetitive consumption.

G. Golf has become a sport for the general public and the cash prize awarded for a golf game is extremely rewarding, which has made the sport game more attractive and raised the awareness of the overall sport activities, especially in the rapidly developing countries.

H. Driven by the COVID-19 pandemic, the demand for golfing has soared. Because golfing allows players to keep at a social distance and is thus a safe and healthy outdoor activity, it has become a popular option that can keep the pandemic at bay. Therefore, golfers as a whole have become younger, and the consumption market has boomed. The advent of a post-COVID-19 era has scaled up the golf market, and the stickiness of new players to the sports has become robust, facilitating the development of the golf market

(2) Future Industry Supply & Demand and Growth of the Bicycle Industry

●Supply Side:

At present, China, Taiwan and India are the three major production bases for bicycles in the world. The positioning of these three major producing countries in the bicycle industry is quite different. For Chinese manufacturers, in addition to supplying products to meet domestic demand, they export products to countries worldwide. For Indian manufacturers, they mainly sell products in the domestic market, while Taiwanese manufacturers focus on exporting products to overseas markets.

●Demand Side:

The awareness of environmental protection, energy conservation, carbon reduction and leisure has promoted the trend of cycling in Taiwan. Bicycle riding has become a lifestyle, and nowadays bikes are no longer commuting tools. With the influence of the global trend “cycling for a fun life”, bicycles have become a representation of the new generation’s values, such as environmental protection, energy saving and pursuit of health, since the use of bicycle is fuel-saving and space-saving without pollution and noise. As the economy grows, there is trend showing that people are willing to collect high-end bikes (premium bikes) or possess more than one bike individually according to their needs of various functions. The bike-sharing economy has also become a great business opportunity.

Cycling is an outdoor activity that allows people to maintain social distance to protect safety and health. It has become a popular activity for people to enjoy in the post-pandemic era, and the demand in the European and American bicycle market has been increasing substantially.

(3) Future Industry Supply & Demand and Growth of the Stainless Steel Faucet Market

●Supply Side:

Taiwan’s water hardware industry is highly export-oriented. The major competitors are in China, Vietnam and Southern European countries.

●Demand Side:

Recently, Taiwan’s water and hardware industry has started to value the importance of the green revolution. In order to make their products more competitive in the international market, relevant manufacturers have made efforts to transform their business and make more high value-added products. Traditional industries have gradually regarded green production as the main direction for industrial development and industrial upgrading. With the rising awareness of environmental protection, the issues such as how to effectively reduce the waste of water resources, how to improve the efficiency in the use of water resources, and how to reduce the negative impact on the environment and human bodies have been gradually valued by consumers. Therefore, the green-design products which are made of non-heavy metal and made in pursuit of energy-saving, water-saving, fashionable external design, health and environmental protection have been gradually gaining attention in the market.

4. Competitive Niche, Business Development Advantages, Disadvantages and Countermeasures

The Company started its business as a precision casting manufacturer with core craftsmanship in metal precision casting and strong cultural and aesthetic design capabilities. The Company continues to make innovations and provides design (manufacturing) services from OEM → ODM → IDM → Branding. In respect of its golf business, while the Company’s production capacity is not ranked at the top of the industry, it has been able to attract major international brands and continuously receive orders from those brands. With continuous efforts on making innovative and high-value added products, the Company has achieved an irreplaceable position in the market!

(1) Advantages

A. The Company has set customer-specific teams to provide dedicated services for customers from the business of development and design, order taking to mass production and shipment. Following the trend of “the powerful are always powerful”, the Company cooperates with major brand customers to increase their market share. The Company not only provides R&D services on the function, technology and materials of golf heads, but also supports customers’ development projects in terms of external design, hoping to improve its business growth along with the business development of major customers.

In addition, in order to show the soft power of Taiwanese industry, the Company has put into practice the concept of "combining sports technology with culture and creativity". The innovative products designed by the Company have been recognized by the Taiwan Excellence Award and favored by the customers.

O-TA's design team was recognized by the Red Dot Design Awards in Germany in 2013, 2015, 2017, 2018 and 2021.

B. The Company is stable and customer-oriented, providing customers with exclusive "One-stop Shopping" services. It serves a diversity of customers with high flexibility and provides a complete product line from the production of golf heads and golf clubs to the assembly of golf equipment, satisfying the customers' diverse demand for "One-stop Shopping". In terms of OEM/ODM/IDM collaboration, the Company also maintains long-term and good relationship with renowned international brands, such as BRIDGESTONE, MAJESTY, MIZUNO, PXG, TITLEIST, TOUREDGE, YAMAHA, etc.

C. The Company continues to hold all kinds of lean management programs internally and implement management to deepen its competitiveness.

Jiangxi O-TA, the Company's golf production base, has stable workforce and a complete supply chain system. The introduction of process automation has significantly improved its efficiency and yield in production and built a long-term competitive advantage. In the future, the Company will continue to improve its process capability through intelligent automation and concentrate more on cost management and technology management, making the overall operations more effective in order to demonstrate better business performance.

D. With strong R&D capability, advanced production technology, patent protection and a complete R&D system, the Company has possessed the core technology and shares its distinguished R&D results with customers immediately. Currently, the Company sets Taiwan as the R&D center and China as the mass production base. The hardware and software equipment developed in Taiwan or the hardware facilities used in China have all been positively recognized by customers. The customers have long relied on O-TA to produce their products. The golf equipment produced by O-TA has continuously been recognized by magazine awards and won the gold medals, proving itself the best tool for players to win the championship. Moreover, the Company's products represent the fruits of close collaboration between O-TA and its clients.

E. The Company has an excellent R&D team who successfully shortened the research and development time by using CAD, CAM, high-precision CNC processing machines, and automated equipment. Moreover, the Company has a strong team of production, process and technology which specializes in sample development and the introduction of mass production. With good collaboration among all the team members, the Company is able to provide customers with immediate R&D results that meet their needs.

F. The Company has established a good and complete supply chain system around the production base. It also has good ability in supply chain management and maintains perfect and specific collaborative relationship with each supplier in the supply chain system. As the Company expects to create mutual benefits with its strategic partners, each supplier also supports the company faithfully.

G. The Company has been granted SGS UKAS ISO-9001 International Quality Management System certification. The quality of the Company's products is excellent and well recognized by major international brands.

H. The awareness of environmental protection, energy saving, carbon reduction and leisure has promoted the trend of cycling in Taiwan. The Company created its own bicycle brand mainly to demonstrate its capability (carbon fiber technology) and creativity (application of aesthetic creativity from golf equipment to bicycle products).

I. The Company positions VOLANDO, a privately-own bike brand, as a top-notch exquisite carbon fiber bike brand in the market. As "a fusion of arts and culture, "the brand has been recognized with multiple Taiwan Excellence Awards. In terms of quality, a carbon fiber bike frame, which is parallel to the frame used for The Tour, the Giro, and the Road World Cycling, is fitted with top-notch components, giving a sense of coordination to an assembled bike. By offering customized and complete after-sale services, the Company strives to satisfy customers

J. O-TA provides prime services (including rental services) to riders of its VOLANDO bikes; services in this regard include prime, professional lead-out service and custom service, attracting riders with qualify activity content and building a close relationship with them.

K. The Company's innovative aesthetic craftmanship brand ALLTAS holds the spirit of "Safe Water, Toxic Free" and views "Nature, Environmental Protection, Safety and Health" as the brand's core value, emphasizing "Top Quality, Innovative Design, Health Inheritance, Sustainable Management and Top Reliable Choice". ALLTAS has designs made by designers awarded with German Red Dot Design Award. It also possesses technology patents and the environmentally friendly food grade 304 stainless steel base materials, which is non-toxic and lead-free. The Company does not use the plating process in order to be environmental friendly - a way of environmental protection with no pollution produced. Based on the vision of taking good care of water safety and convenience for the public, the Company operates its brand and business with passionately.

L. In response to the requirements set by the Bureau of Standards, Metrology and Inspection, MOEA for drinking health, ALLTAS was the first brand in Taiwan to submit its faucets products to the Bureau of Standards for testing, and the first brand to obtain certificates for 13 relevant products. Since the products' specifications are much higher than the qualified standards, ALLTAS was the first brand in Taiwan to pass with 100% the Mandatory Inspection in the Drinking Water Faucet Commodities conducted by the Bureau of Standards, Metrology and Inspection, MOEA. Before that, ALLTAS has also been awarded the Water Efficiency Label and recognized by several U.S. UPC certifications, and has obtained many patents for the direct drinking faucet products. ALLTAS hopes to build a non-toxic environment for heathy water usage, making itself a role model for the water hardware industry.

M. VGT Composite Technology (Huizhou) Co., Ltd. ("VGT"), a subsidiary 100% invested by the Company, is a bike manufacturer with customers of renowned brands located in Europe, America and Japan, such as EU：WILIER, ORBEA, DE ROSA, DT-SWISS, JP & US BRIDGESTONE, PODIUM, IBIS, etc. With the technology developed by Inda Composite Technology Company ("Inda"), the Company has the core technique of using VGT composite material. In addition to the innovative research and development of new EPUS process technology, the Company also continues to improve the process and has been highly recognized by the customers. The development of technology from Inda to VGT has demonstrated O-TA's strong manufacturing and R&D capabilities in the composite material business. Additionally, the newly developed EPUS process has become VGT's unique core competitiveness for its long-term development. The subsidiaries are able to grow their business with the development of electric bicycles as well as insulating composite materials, composite accessories, industrial grading rings and AV composite materials used in the automotive and aviation industries.

(2) Disadvantages

A. Due to the increase of labor costs, the Company has no cost advantage for the products produced in Taiwan. The Company's operating costs in China have also been increasing over years.

The golf club head manufacturing industry is a labor-intensive industry that relies heavily on manpower since the processing at the end of the manufacturing process is complicated and not easily automated. With the increasing labor costs in Taiwan, the industry is having difficulty in cost reduction and experiencing declining competitiveness. The Company has also faced the problem of rising operating costs for its production activities in China in recent years.

Countermeasures:

By setting Taiwan as the operation and R&D management center and China as the mass production management base, the Company integrates operational functions and utilizes the advantages of both regions to seek the most advantageous division of labor in the value chain. The Company also actively holds lean management programs, implements management mechanism, utilizes key technologies and develops automation solutions, improving its process capabilities through rationalization, automation, technology, and labor saving.

At the same time, the Company is dedicated to providing employees with educational training. The Company has carried out a series of measures to stabilize the workforce and cultivate employee growth, seeking to stabilize the production process, improve production quality and efficiency and make efficient use of human resources to reduce the overall operation costs.

Jiangxi O-TA, the Company's golf production base, has a stable workforce and a complete supply chain system. The introduction of process automation has significantly improved its efficiency and yield in production and built a long-term competitive advantage.

B. In recent years, China has experienced labor shortages, inflating labor costs, and tightening ESG regulatory grip.

Countermeasures:

Labor supply in O-TA's Jiangxi Plant, a golf manufacturing base, is quite stable, and the plant has access to a complete supply chain. The benefits that come from O-TA's efforts in smart automation and cost and technology management enable it to cope with issues leading to rising production costs, e.g., labor shortages, soaring labor costs, and plant-originated environmental contamination. The automatic processes introduced include automatic dipping, automatic cutting, automatic gate grinding, automatic wielding, automatic grinding, automatic coating, and so on, greatly improving the benefits and yield and building a long-term competitive advantage. In the future, O-TA will continue to “enhance the automation level and expand technological capability,” so as to make the overall operations more efficient to gain greater operational achievements and benefits.

C. Rising proportion of demand for customization makes it harder to establish a safety stock.

Since the Company mainly takes orders from international giants for OEM and ODM services, some materials and material suppliers of certain products are designated by clients, making it harder to establish a safety stock.

Countermeasures:

The Company has a department which is dedicated to supply chain management, and puts in place a teamwork mechanism, enabling the Company to fully grasp market changes. In addition, the Company always keeps close contact with clients to keep abreast of the status of orders, and enhance its production-sale coordination to align inventory with orders. Besides, the Company has been maintaining a good relationship with raw material suppliers for a long time, to gain a preferential assess to raw materials in case of a supply crisis.

D. Exchange rate changes increase the exchange risk:

90% of the Company’s golf club heads are exported, and materials purchased are paid often in a foreign currency. Therefore, any significant change in the exchange rate of USD, CNY, or JPY will impact the Company’s revenue, costs, and profits to a certain extent.

Countermeasures:

The Company will use proper foreign exchange tools to hedge its exchange risk, or negotiate with clients for a limit of quotation variation that reflects the effects of exchange rate changes. The Company will also keep close contact with banks to gather exchange rate information and grasp the exchange rate running trends

E. The economic climate has affected the golf market and the golf industry fluctuates more significantly in the low and peak seasons.

Golf has been affected by the fluctuating economic climate, which will influence the overall sports and leisure industry and also have great impacts on the golf industry. This will result in a change of consumers’ willingness to switch to new golf clubs. Major customers will also make adjustments in response to the global economic situation and economic recovery.

Countermeasures:

Depending on the economic climate, the Company will provide the most appropriate development and design proposals to the customers in a timely manner and launch new plans in line with the customers’ strategies. During an unstable economic situation, the Company will adjust its organizational structure through lean management programs to meet the customers’ diverse needs on time.

Over a long period, the Company has placed considerable value on R&D and innovation and has collaborated with the clients for design and development. A number of development projects are currently in progress.

F. Golf Industry: The population of golfers may be affected by online games and virtual reality; the time for playing golf may be affected by climate change (e.g., longer winters in the U.S.).

Countermeasures:

The Company continues to make innovations and provide high-quality, high value-added products and services to attract the markets. The Company pursues a sustainable business environment and expects to become the most innovative company for daily use products and sports equipment, creating maximum value and the best services for customers, employees, shareholders and the social public.

G. Tariff barrier erected by the China-US trade war

Countermeasures:

The Company will be client-oriented and establish a long-term, indispensable partnership with brand clients, typically by providing them with collaborative, tailor-made, and high value-added design and manufacturing services, including performance simulation services.

By setting Taiwan as the operation and R&D management center and China as the mass production management base, O-TA integrates operational functions and utilizes the advantages of both regions to seek the most advantageous division of labor in the value chain. The Company also actively holds lean management programs, implements management mechanism, utilizes key technologies and develops automation solutions, improving its process capabilities through rationalization, automation, technology, and labor saving. At the same time, the Company is dedicated to providing employees with educational training. The Company has carried out a series of measures to stabilize the workforce and cultivate employee growth, seeking to stabilize the production process, improve production quality and efficiency and make efficient use of human resources to reduce the overall operation costs. Currently, Jiangxi O-TA, the Company’s golf production base, has a stable workforce and a complete supply chain system. The introduction of process automation has significantly improved its efficiency and yield in production and built a long-term competitive advantage. It will leverage the management synergy to reduce the influence of impacts

H. The bicycle brand **VOLANDO** is not yet well known by the public:

Countermeasures:

The Company has expanded the application of its excellent carbon fiber technology to bicycle products, and the quality of the frame sets produced by the Company is in line with that of the world’s major manufacturers. The design of bikes also shows the rich culture of Taiwan. With an outstanding bicycle management team, the Company has set up a complete bike operation system and is actively raising brand awareness, enhancing brand image and focusing on relationship marketing to increase sales. Since its launch, VOLANDO bikes has been recognized with multiple Taiwan Excellence Awards. A total of 17 VOLANDO models were recognized with the Taiwan Excellence Award, in addition to the Golden Pin Design Award, Red Star Design Award, and Asia Design Award - Silver. The Company believes that such achievements should create an unique branding effect.

VOLANDO bikes come with personalized services, in addition to the service of rental of high-unit-price exquisite carbon fiber bikes, a type of service that is an embodiment of the "sharing economy" ideal. This allows riders to enjoy the exquisite VOLANDO bikes and for the Company to accumulate branding experience. Courting the favor from riders by placing them on the VOLANDO bikes might be the best way to spur demand and thereby expand sales. VOLANDO fascinates riders with its high-quality activities, leaving them beautiful and unique memories from their adventures

I. The brand **ALLTAS** (stainless steel premium series) is still at the initial developing stage and is not yet well known by the public:

Countermeasures:

With the core casting technology, the Company develops water hardware products made of 304 stainless steel materials and achieves differential marketing with its premium products. The Company views "Nature, Environmental Protection, Safety and Health" as the brand's core value, emphasizing "Top Quality, Innovative Design, Health Inheritance, Sustainable Management and Top Reliable Choice". ALLTAS has designs made by designers awarded with the German Red Dot Design Award. It also possesses technology patents and the environmentally friendly food grade 304 stainless steel base materials. Based on the vision of taking good care of water safety and convenience for the public, the Company operates its brand and business with full heart.

With the spirit of "Safe Water, Toxic Free", **ALLTAS** insists on using food-grade 304 stainless steel, which is lead-free, non-toxic and complies with the requirements set by the Bureau of Standards, Metrology and Inspection, MOEA for drinking health. ALLTAS was the first brand in Taiwan to submit its faucets products to the Bureau of Standards for testing. ALLTAS has recently obtained certificates for 13 relevant products. Since the products' specifications are much higher than the qualified standards, ALLTAS was the first brand in Taiwan to pass with 100% the Mandatory Inspection in the Drinking Water Faucet Commodities conducted by the Bureau of Standards, Metrology and Inspection, MOEA. Before that, ALLTAS has also been awarded the Water Efficiency Label and recognized by several U.S. UPC certifications, and has obtained many patents for the direct drinking faucet products. ALLTAS hopes to build a non-toxic environment for heathy water usage and for the general public to have a choice in "nature, environmental protection, safety and health", making itself a role model for the water hardware industry.

J. Supply chain challenges resulting from the Russia-Ukraine war and the recurrence of the pandemic.

Countermeasures:

The Company has established a close communication management system with the customers and integrated local supply chain resources, making a complete supply chain system around the production plants. The Company has adopted lean management in the plants to improve yield and efficiency for production in order to reduce any impact.

(II) Usage and Manufacturing Processes for the Company's Main Products

1. Usage of Main Products

(1) Golf club heads and golf shafts, as the most important parts of the golf equipment, have a significant impact on the performance of the golf equipment.

(2) Frame sets are the key component parts of bikes.

(3) Stainless steel faucets are an important components of water hardware.

2. Manufacturing Process

(1) Casting Product

Molding/Tooling → Wax Injection → Wax Fix → Wax Treeing → Slurry Dipping → Dewaxing → Casting → Cutting → Heat Treatment → AC Inspection → Trimming → (pushing, welding of composite material or in-blowing, laminating of carbon fiber material) → Machining → Grinding → Painting → Golf Head Finished Product for Packing (or shipping after assembly)

(2) Forged Product

Molding/Tooling → Die Making → (external purchase of die) → Die Inspection → Trimming → Die Assembly → (pushing, welding of composite material or in-blowing, laminating of carbon fiber material) → Machining → Grinding → Painting → Golf Head Finished Product for Packing (or shipping after assembly)

(3) Golf Shaft

Cutting → Rolling → Machining and Polishing → Tube Inspection → Painting → Printing → Golf Shaft Finished Product for Shipping or Assembly

(4) Frame Set and Complete Bike

Customer's Demand → Customization and Assembly (frame set assembly, wheel assembly, main assembly and customized painting) → Frame Set and Complete Bike for Shipping

(5) Stainless Steel Faucet

CAD → CAM → Tooling → Wax Injection → Wax Treeing → Slurry Dipping → Dewaxing → Casting → Shell Removal → Cutting → Heat Treatment → CNC Machining → External-Purchase Parts Inspection → Ultrasonic Cleaning → Grinding → Laser Cutting → Faucet Assembly → Water and Air Testing → Exterior Inspection → Packing and Shipping

(III) Supply Situation for the Company's Major Raw Materials

Currently, the supply of main materials is stable and the quality of supply is good. The status of suppliers are as below:

1. Stainless steel ingot: The materials are mainly provided by domestic suppliers, while some are purchased from overseas suppliers. The status of supply is good. In addition to maintaining the original supply chain system, the Company is also looking for new suppliers with good quality for the purchase.
2. AC (as cast): The materials are mainly provided by overseas suppliers, while some are purchased from domestic suppliers. The status of supply is good at present. Due to the fluctuation on raw material prices, the Company will take measures to stabilize the prices through negotiation with suppliers while necessary.
3. Die: The materials are mainly provided by overseas suppliers, while some are purchased from domestic suppliers. The status of supply is good at present.
4. Carbon fiber: The materials are mainly provided by overseas suppliers, and the status of supply is good. In addition to maintaining the original supply chain system, the Company is also looking for new suppliers with good quality for the purchase.

5. Bicycle parts: The supply source varies based on customized demand. The parts are mainly provided by domestic suppliers and some are purchased from overseas suppliers. The status of supply is good.

(IV) Any suppliers and clients accounting for 10 percent or more of the Company's total procurement (sales) amount in either of the two most recent years, the amounts bought from (sold to) each and the percentage of total procurement (sales) accounted for by each.

1. Key Suppliers in the Past Two Years

Unit: NT$ thousands

	2022				2021 (Note 3)				2023, up to the first quarter			
Items	Name	Amount	Percentage of Total Net Purchases (%)	Relationship with the Issuer	Name	Amount	Percentage of Total Net Purchases (%)	Relationship with the Issuer	Name	Amount	Percentage of Total Net Purchases, up to the First Quarter (%)	Relationship with the Issuer
1	MCC	244,758	10.14	None	MCC	305,350	10.41	None	(Note 2)			
2	Other	2,169,437	89.86		Other	2,627,120	89.59					
	Net Purchases	2,414,195	100.00		Net Purchases	2,932,470	100.00					

Note 1: For the supplier whose purchase amounts are more than 10% of total net purchases, its name, purchase amounts and percentages of total net purchases in the last two years should be listed, except for those suppliers whose names are prohibited from disclosure as provided in the signed contracts or those who are individuals and not the related parties of the Company, which may be represented by codes.
Note 2: Up to March 31, 2023, the publication of this annual report, the financial statements for the first quarter of 2023 have not been reviewed by the auditors.
Note 3: The purchase amount in 2022 decreased, mainly due to the decrease in orders.

2. Key Customers in the Past Two Years

Unit: NT$ thousands

	2022				2021 (Note 3)				2023, up to the first quarter			
Items	Name	Amount	Percentage of Total Net Sales (%)	Relationship with the Issuer	Name	Amount	Percentage of Total Net Sales (%)	Relationship with the Issuer	Name	Amount	Percentage of Total Net Sales, up to the First Quarter (%)	Relationship with the Issuer
1	C company	3,255,257	42.27	None	C company	4,079,699	51.77	None	(Note 2)			
2	A company	1,302,998	16.92	None	A company	1,082,866	13.74	None				
3	B company	881,017	11.44	None	B company	651,057	8.26	None				
	Others	2,261,050	29.37		Others	2,066,510	26.23					
	Net Sales	7,700,322	100.00		Net Sales	7,880,132	100.00					

Note 1: For the customer whose sales amounts are more than 10% of total net sales, its name, purchase amounts and percentages of total net sales in the last two years should be listed, except for those customers whose names are prohibited from disclosure as provided in the signed contracts or those who are individuals and not the related parties of the Company, which may be represented by codes.
Note 2: Up to March 31, 2023, the publication of this annual report, the financial statements for the first quarter of 2023 have not been reviewed by the auditors.
Note 3: The sales in 2022 dipped slightly mainly due to the slight decrease in orders as a result of changes in clients' sales strategy, by which they refrained from launching new products - which could have meant a big order - but intended to destock existing inventory instead.

(V) Production Volume of Main Products in the Most Recent Two Years

Unit: NT$ thousands; %

Year / Production Value / Main Products	2022			2021		
	Capacity (Note)	Output	Output Value	Capacity (Note)	Output	Output Value
Iron head	3,500,000	3,459,791	2,291,577	3,000,000	4,340,714	2,707,197
Metal wood	1,200,000	1,177,646	1,739,095	1,000,000	1,048,852	1,476,389
Assembly (golf equipment)	300,000	237,652	256,131	400,000	355,873	335,509
Golf club	2,000,000	2,260,875	522,405	2,000,000	2,110,254	494,058
Bicycle	100,000	95,421	328,155	100,000	78,857	273,107
Other	50,000	6,538	8,836	100,000	5,128	6,131
Total	7,150,000	7,237,923	5,146,199	6,600,000	7,939,678	5,292,391

Note: 1. Production capacity refers to the production volume that the Company can produce under normal operation by using existing production facilities after taking into account the necessary shutdowns, holidays and other factors.

Note 2. Metal wood production line can be adjusted to produce iron head products.

(VI) Sales Volume of Main Products in the Most Recent Two Years

Unit: NT$ thousands; %

Years / Sales value / Main Products	2022				2021			
	Domestic		Export		Domestic		Export	
	Volume	Amount	Volume	Amount	Volume	Amount	Volume	Amount
Iron head	445	775	3,734,228	3,324,499	-	-	4,286,973	3,869,924
Metal wood	1,676	4,789	1,343,322	2,656,683	1,255	3,347	1,057,725	2,297,181
Golf club assembly	361	1,208	248,543	320,043	122	122	356,847	445,634
Golf club	37,323	12,805	2,436,885	670,201	26,532	6,885	2,358,255	603,936
Bicycle	605	1,482	89,443	440,307	15	395	77,417	332,936
Other (Note)	6,248	13,812	-	253,718	4,938	11,794	-	307,978
Total	46,658	34,871	7,852,421	7,665,451	32,862	22,543	8,137,217	7,857,589

Note: "Other" includes sales of water hardwares and materials.

III. Employees

(I) Employee Information in the Most Recent Two Years, Up to March 31, 2023

Items / Year		2022	2021	Current Year, as of March 31, 2023
Number of Employees	Management Staff	908	917	862
	R&D Staff	68	67	67
	Operation Staff	1,953	2,089	1,767
	Total	2,929	3,073	2,696
Average Age		35.11	33.56	35.71
Average Service Length		3.51	3.02	4.33

Items \ Year		2022	2021	Current Year, as of March 31, 2023
Distribution of Academic Qualification	Ph.D.	2	3	2
	Master	30	31	31
	Bachelor	343	349	329
	High School	2,339	870	714
	Below High School	215	1,820	1,620

IV. Disbursements for Environmental Protection

(I) Any losses suffered by the Company in the most recent fiscal year and up to the annual report publication date due to environmental pollution incidents (including any compensation paid and any violations of environmental protection laws or regulations found in environmental inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken.: None.

(II) Countermeasures:

1. Information on Environmental Protection Measures

(1) Improvement Plans

The Company's main products are golf heads and golf clubs. Since the Company's plant in Pingtung and Jiangxi O-TA have obtained ISO9001 certifications in 1997 and 2015, respectively, no significant environmental pollutions and environmental issues will be caused during the manufacturing process. The Company has long been committed to environmental protection and waste reduction. In order to keep up with the environmental conditions, the Company not only provides regular health and safety training for employees but also enhances employees' flexibility to deal with various situations, educating them to keep a clean environment and regularly maintain the equipment for pollution prevention.

The main environmental improvement measures of the Company are as follows:

(A) Water pollution prevention and control measures: In order to strengthen environmental protection measures and fulfill corporate responsibility, the Company's plant in Pingtung is equipped with wastewater sedimentation and treatment facilities, which discharges the clean wastewater to the sewage treatment plant in the Neipu Industrial Park in compliance with the regulations. Jiangxi O-TA is also equipped with a wastewater treatment station, which can treat wastewater through sedimentation and air flotation in order to discharge clean wastewater that meets the regulatory standards to the municipal pipe systems.

(B) Air pollution prevention and control measures: The Company's Pingtung plant has obtained the Permit for Operation of Stationary Pollution Sources (Pingtung Government Huan-Kong-Cao-Zheng-Zi No.T0423-06) on October 12, 2022. Jiangxi O-TA uses equipment such as water film dust collectors and spraying paint machines with water curtains to treat the exhaust gas generated during production before emission.

(C) Waste management measures: The Company's Pingtung plant entrusts a legitimate waste treatment company which was recognized by the environmental protection authorities to clean up the waste produced by the Company. In order to keep track of the flow of waste, the Company implements waste management in accordance with the Industrial Waste Report and reports the flow of waste online in compliance with the law to avoid secondary pollution caused by illegal waste cleaning. Jiangxi O-Ta recycles its scrap materials in the factory; for the waste that cannot be handled, it will be entrusted to qualified disposal companies, which can clean up and recycle the industrial waste in a legal manner.

(2) Estimated Expenditures on Environmental Protection for the Next Three Years

Year / Items	2023	2024	2025
Amount	NT$ 18,049 Thousand	NT$ 24,853 Thousand	NT$ 26,838 Thousand
Purchase plan of pollution prevention equipment and its expenditure	1. Inspection on water, noise, air and waste. 2. Refurbishment and replacement of wastewater treatment pond. 3. Improvement to the waste treatment facilities.	1. Inspection on water, noise, air and waste. 2. According to the regulatory situation, the requirements for waste disposal are more stringent. Waste treatment facilities need to be improved and upgraded. 3. Improvement to the waste treatment facilities.	1. Inspection on water, noise, air and waste. 2. According to the regulatory situation, the requirements for waste disposal are more stringent. Waste treatment facilities need to be improved and upgraded. 3. Improvement to the waste treatment facilities.
Expected improvement status	1. Enhance the treatment of wastewater, waste gas and waste produced in the plant. 2. Reduce the amount of waste produced. 3. Comply with legal requirements and reduce negative impact on the environment.	1. Enhance the treatment of wastewater, waste gas and waste produced in the plant. 2. Reduce the amount of waste produced. 3. Comply with legal requirements and reduce negative impact on the environment.	1. Enhance the treatment of wastewater, waste gas and waste produced in the plant. 2. Reduce the amount of waste produced. 3. Comply with legal requirements and reduce negative impact on the environment.

(3) Impacts After Improvement

Currently, there is no significant contamination condition caused by the Company and hence the impact on the Company's earnings, competitive position and capital expenditures is expected to be small.

2. Conditions for which No Countermeasures Were Taken

(1) Reasons for No Countermeasures

Since other pollution sources have less impact on the Company, the Company has tried to avoid those impacts by enhancing employees' training, wearing PPE and conducting regular maintenance and cleaning.

(2) Pollution Status

The contamination caused by other pollution sources has less impact on the Company.

(3) Possible Loss and Compensation

The possibility of having loss and compensation is very small for the Company.

3. Environmental Policy

Environmental protection is our manifested duty. The Company will commit itself to pollution prevention and continuous improvement in support of the global environmental campaign. Below are the particulars of the Company's environmental policy:

(1) Compliance with the government's environmental regulations and other applicable regulations.

(2) Provision of awareness sessions to employees to raise their environmental awareness.

(3) Tightening the control of environmental pollution sources, e.g., wastewater, waste gas, waste, and noise, making improvement, and giving attention to pollution prevention work.

(4) Moving its R&D and whole process towards the ideal of "reduction, recycling, and alternatives," to save energy, reduce carbon emissions, and minimize pollution.

(5) By implementing the recycling of waste and the classification of recycled materials at the plants, the Company has reduced the amount of waste produced.

(6) The Company will work and communicate with related groups on environmental issues.

(7) Commitment to continuous improvement to ensure sustainable operations.

4. Safety and Health Policy

The Company is committed to providing and maintaining a workplace that complies with safety and health regulations and promotes the safety and health of employees, creating a safe and comfortable working environment. The Company's safety and health policy is as below:

(1) Dedicated to meet the safety and health regulations and relevant requirements.

(2) Continuously improve and reduce the occurrence of injuries to ensure that the losses resulted from hazards can be controlled through a sound management system.

(3) Provide relevant training resources to enhance the safety awareness of employees.

(4) Carry out activities for the promotion of employees' health in accordance with Labor Health Protection Rules, and guide employees to develop regular exercise habits to live a healthy life.

5. Implementation Status of Employee Safety Protection Measures in the Workplace

(1) Specific measures for security and health management

A. Risk assessment and countermeasures

Each division formulates ESH management plan or designs risk control measures based on the assessment of unacceptable risks and illegal items, and submits the implementation results to ESH meeting for review.

B. Health care and management

By adhering to the Regulations for Labor Health Protection, and to the Labor Law of the People's Republic of China applicable to the subsidiary O-TA Jiangxi, the Company and O-TA Jiangxi offer a regular health check-up, including chest X-rays, blood pressure, urine, blood, etc., to employees undertaking a general job or a job with specific hazards before, during, and after they have taken their job. Special check-up items including hearing impairment, lung functioning, and so on, are provided to employees in a post exposed to the risks of specific health hazards, e.g., high temperature, noise, organic solvents, and so on. Employees will then be classified their special check-up results for management purpose. The Company commissions a qualified hospital to carry out a health check-up for employees every year.

The Company requests doctors and nurses to provide the on-site employees' health service programs to assist in preventing occupational hazards and protecting the physical and mental health of employees. Professional medical staff will give health instruction and education to employees, care for them, and track their health condition. In 2022, the professional medical staff assisted the Company to launch the four major plans, namely, "Maternity Health Protection Plan," "Workplace Violation Prevention: Plan to Prevent Illegal Infringement during Performing of Duties," "Human Factors Engineering_Human Factors Hazard Prevention Plan," and "Overwork Prevention: Abnormal Workload-induced Disease Prevention Plan" in order to improve employees' physical and mental functions and health. The occupational health nurses at the factory also have an interview to interact with employees and provide health-promoting activities to employees. The nurses further offer health consultation for employees, including advice on smoking cessation, weight loss, and exercise based on employees' individual condition, so that they understand their physical strength conditions, hoping to help them develop a regular exercise habit to achieve the aim of fitness and a healthy life. To encourage employees to voluntarily set up sports clubs, the Company provides them with subsidies.

O-TA regards employees' health as its most valuable assets. To care for employees' health, the Company set up the Smart Health Station and the mPHR Cloud at the Cultural Creativity and Aesthetic Center, to manage personal health through the use of apps and a cloud platform. In doing so, the Company aims to build O-TA as a smart and healthy workplace reminiscent of cultural creativity, aesthetics, and arts that enables employees to manage their own physical, mental, and spiritual health in a smart way. Visitors can also monitor their health through a single measurement. In addition, the Company has also installed an automatic external defibrillator (AED), to ensure health, happiness, and safety at workplace.

During the pandemic the Company abided by the government's pandemic control measures and encouraged and persuaded those qualified for vaccination to be vaccinated against the COVID-19 virus as soon as possible so as to develop immunity. As a means of encouragement, the Company offers those to be vaccinated paid leave that is superior to the legal requirement. The Company abides by the government's pandemic control regulations and measures, and cares about and values the health and safety of all employees. Employees with a special need are also allowed to apply for working from home. Employees confirmed to have been in contact with the virus are given a carefully-prepared pandemic control supply kit to comfort and care for them, wishing them good health and a speedy recovery.

(2) Implementation of safety and security control

A. The Company and its subsidiary Jiangxi O-TA have implemented special operation controls for elevated operation, fire operation and radiant operation and performed general operation controls for general operations in accordance with the Occupational Safety and Health Act and the assessments results on safety and health risk. Therefore, each division and all employees can follow these measures in their operations.

B. Prevent the occurrence of occupational hazards, implement automatic inspection and enhance safety and health training.

C. Strengthen machine maintenance and add devices that provide extra layer of workplace protection.

(III) In accordance with the provisions of law, for those who should apply for a pollution facility installation permit or waste discharge permit, pay for pollution control fees, or establish the exclusive unit or personnel in charge of environmental protection, the circumstances of application, payment or establishment should be specified:

1. Exclusive personnel: For the current operations of the Pingtung plant, the Company has set exclusive personnel for the prevention of air and waste pollution.

Item	Description
Exclusive personnel for the prevention of air pollution	Permit of Huan-Shu-Xun-Zheng-Zi No.FB100207

Item	Description
Exclusive personnel for the prevention of waste pollution	Grade B: 1 staff Exclusive personnel in the plant - Permit of Huan-Shu-Xun-Zheng-Zi (2019) No.HB301049

2. Permit

Item	Description
Air Pollution Source Installation and Operating Permit	Permit of Pingtung Government Huan-Kong-Cao-Zheng-Zi No.T0423-06
Waste Disposal Plan	Approved Plan of No.T08207210001
Wastewater Discharge Permit	Permit of Pu-Fu-Zi No.1117150963

V. Labor Relations

(I) Welfare Measures for Employees

Since its establishment, the Company has attached great importance to employee welfare and work safety and set up the Employee Welfare Committee on September 22, 1989 in accordance with the law, to deal with various welfare measures. The Company holds regular committee meetings to coordinate activities for implementation of employee welfare, allowing employees to share the corporate business profits. The implementation status of employee welfare measures are as follows:

1. Corporate welfare measures

(1) Set up the performance bonus, year-end bonus and employee remuneration system to reward the employees.

(2) Provide annual health screening for employees. In 2022, the actual number of employees undergoing health screening was 2,124.

(3) Provide employees with fitness and sports venues and equipment (badminton court, aerobics classroom, spinning bike, etc.).

(4) Formulate a retirement system that is superior to the system regulated by law.

(5) Group insurance, labor insurance and national health insurance are insured for employees in accordance with the regulations.

(6) Subsidies for further education and abundant collection of books to help employees acquire more knowledge.

(7) Reward employees for creative proposals: In order to encourage employees to increase thinking on their work, the Company holds the spirit of improvement and proposes improvement plans to rationalize the operation process, increase efficiency and reduce costs. It also promotes innovation and R&D ideas and rewards employees based on the value of their proposals.

2. Employee welfare committee’s welfare measures

The Employee Welfare Committee set by the Company has promoted a diversified welfare system as below:

(1) Subsidies for marriage, childbirth, funeral and hazards.

(2) Subsidies for domestic and overseas company tour and internal group activities.

(3) Festival bonus and birthday bonus.

(4) Scholarships for employees and their children.

(5) Other related employee welfare activities.

(II) Career Development and Training for Employees and the Implementation Status

In response to the future development of enterprise and to encourage employees to have lifelong learning, professional skills and high quality and efficiency on work, the Company has formulated policy and procedures for employee training. Employees can participate in various educational training voluntarily or by appointment of their supervisors according to business needs. The Company also provides subsidies for further education. Detailed information is shown as below:

1. Orientation for new employees
   (1) General training: New employees are guided to familiarize the corporate history, management rules, safety and health rules and the concept of quality assurance.
   (2) Professional training: New employees are guided to obtain professional knowledge and familiarize operating procedures before they officially starts to work.
2. On-the-job training and further education
   (1) The Company conducts a survey to know the demand of each unit for employee training annually, making training plans and schedule according to actual needs.
   (2) The Company provides employees with professional skills training and second expertise training (OJT) every year according to their actual needs.
   (3) The Company's employees may participate in external training, visits, seminars and exhibitions voluntarily or by appointment of their supervisors depending on the business needs.
   (4) The Company offers subsidies for employees to have short to long term study outside the factory. If they achieve excellent scores, the Employee Welfare Committee will provide a fixed amount of scholarship each year for encouragement.
3. In 2022, the actual training hours was 13,032.7 hours, with expenses approximating NT$1,424 thousand.

Type of Training	Total Hours	Number of Participants
Professional Skills Training (OJT)	1,789	1,312
Professional Skills Training (Overseas)	2,088	119
General Knowledge and Management Training (Common Training)	7,157	6,962
Orientation for New Employees	5,119.7	1,697

(III) Retirement System and its Implementation Status

1. The Company and certain subsidiaries have formulated the retirement and pension policies, which belong to defined contribution plans, according to the R.O.C. Labor Pension Act. According to the articles, the amount appropriated by employer monthly to labor pension shall not be less than 6% of the worker's monthly wage. The Company and certain subsidiaries have formulated the retirement and pension policies according to the articles and appropriates 6% of the employee's monthly wage to his/her personal pension fund account each month.
2. Harvest Fair, the Company's subsidiary, pays the mandatory provident fund in accordance with the provisions of the Mandatory Provident Fund Schemes Ordinance of Hong Kong.
3. In accordance with the regulations in China, the Company's subsidiaries Jiangxi O-TA and VGT appropriate a certain percentage of employees' wage to the pension insurance fund, which is paid to the relevant government authorities and saved in a separate account for each employee.
4. The Consolidated Company recognized a defined contribution plan expense of NT$84,965 thousand for the year of 2022.

5. The Company has formulated the retirement policies, which belongs to defined benefit plans, according to the R.O.C. Labor Standards Act. According to the retirement policy, the employee's pension is calculated based on the length of service and the average wage for the six months prior to retirement. Two bases are given for each full year of service rendered. But for the rest of the years over 15 years, one base is given for each full year of service rendered. The total number of bases shall be no more than 45.
6. The Company appropriates 13% of the total monthly wages of each employee as labor pension reserve funds according to the provisions of Labor Standards Act, allowing the Labor Pension Fund Supervisory Committee to manage and deposit such amount in a designated account in Bank of Taiwan. Before the end of each year, if the amount is inadequate to pay pensions calculated for workers retiring in the same year, the Company is required to make up the difference in one appropriation before the end of March the following year. Since April 27, 2004, the Company has been making a monthly pension provision of 4% of the total salaries paid to the directors who are also managers, which was approved by the National Taxation Bureau of the Southern Area (MOF) with the approved letter Chao-Zhou-Yi-Zi No.0930009057 dated April 27, 2004.
7. The Company's monthly appropriated labor pension reserve funds under the Labor Standards Act is managed by the Labor Pension Fund Supervisory Committee, and therefore the Company does not have the right to engage in the use of the pension reserve funds.

(IV) Sound Wage and Compensation System

The Company's employee compensation and reward system is designed to recognize individual effort, encourage innovative ideas, encourage outstanding performance and promote teamwork. The Company provides various incentive bonuses, patents, and proposal systems to reward employees for excellent performance. The Company determines the amount of bonuses based on corporate internal rules, employees' performance and achievement of organizational goals. The Company is dedicated to providing a sound and high-quality welfare measures to take care of all employees.

(V) Employee Communication

The Company pays attention to labor-management relations and holds regular labor-management meetings in order to promote labor-management cooperation and improve work efficiency. With departmental meetings and face-to-face meetings, employees are able to share opinions with colleagues, which shall enhance internal communication and strengthen employees' engagement for the company.

(VI) Other Important Agreements: None.

(VII) List any losses suffered by the Company in the most recent fiscal year and up to the annual report publication date due to labor disputes (including any violations of the Labor Standards Act found in labor inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, the substance of the legal violations, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided: None.

(VIII) Whether there is a code of conduct or ethics for employees: The Company has established the "Codes of Ethics for Employees" to regulate the ethical conduct of all personnel of the Company. Please refer to the Company's website - Human Resources Information (http://www.o-ta.com.tw) for more information on the code. The Company has also established "Working Rules" for employees, which has been approved by the Pingtung County Government.

VI. Cyber Security Management

(I) Cyber security risk management framework, cyber security policy, management plan and resources invested in cyber security management, etc.

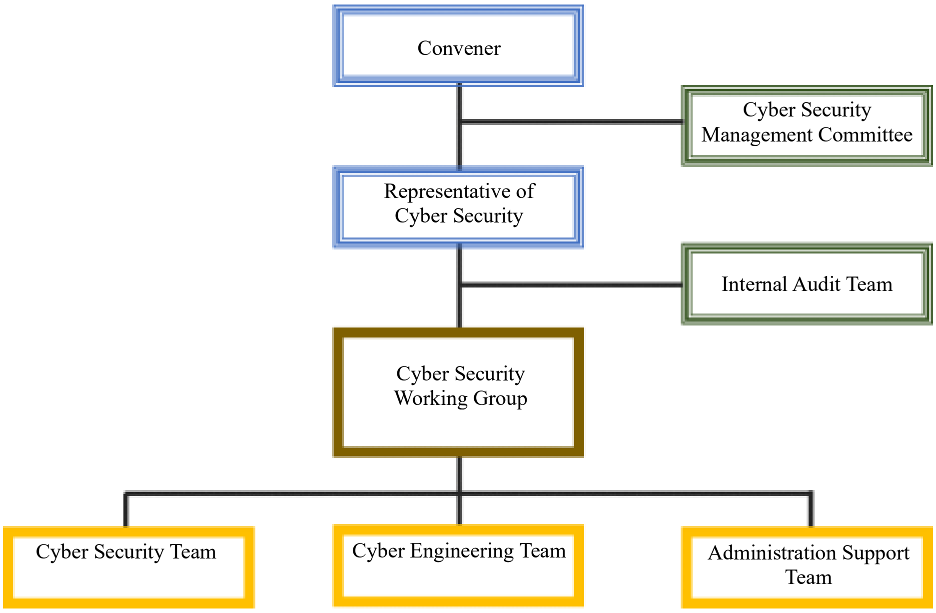
1. Cyber security risk management framework

(1) Cyber Security Management Committee

O-TA has set up the Cyber Security Management Committee under the relevant information divisions, which is responsible for the formulation and implementation of cyber security policy, and performs risk management and audit for cyber security compliance. The head of the Cyber Security Management Committee reports the security management effectiveness, cyber security-related issues and trends to the Company.

In order to implement the cyber security strategy set by the Cyber Security Management Committee and ensure internal compliance with cyber security-related standards, procedures and regulations, the chairman of the committee assigns the person in charge of information technology as the representative of cyber security and the heads of each division as members of the committee. The chairman calls the meeting while necessary to review and resolve the plans and policies of cyber security and information protection, and to effectively implement the cyber security management measures.

(2) O-TA's Cyber Security Management Committee Structure



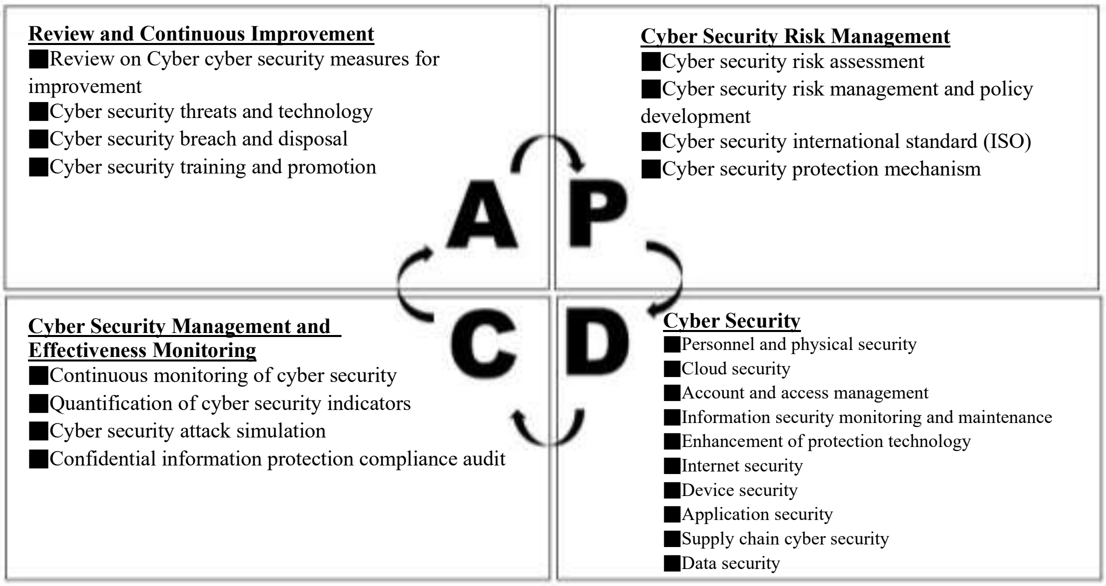
2. Cyber Security Policy

(1) Cyber Security Management Strategy and Structure

In order to effectively implement the cyber security management, O-TA Precision Industry Co., Ltd. holds weekly meetings to respond to cyber security issues through the information divisions of its Taiwan plants and overseas subsidiaries, and adjusts the cyber security policies and information protection measures in a timely manner according to the plan-do-check-act (PDCA) management cycle.

In the "Planning Phase", the Company focuses on cyber security risk management, seeking ways to reduce corporate cyber security threats from the system, technical and procedural aspects, providing high-standard information protection services that meet customers' demand. In the "Doing Phase", the Company has built multi-layer cyber security protection mechanism, continuously introducing new cyber security defense technologies. The Company also internalizes cyber security control mechanisms in the daily operation processes, such as the maintenance for software and hardware equipment, the cyber security management for supply chain, and systematically monitors cyber security to maintain the confidentiality, completeness and availability of important assets. In the "Checking Phase", the Company actively monitors the effectiveness of cyber security management and conducts measurement and quantitative analysis of cyber security indicators based on the checking results. In the "Acting Phase, the Company implements supervision and auditing measures to ensure the effectiveness of cyber security policies based on its continuous review for improvement. Through occasional review, educational training, measures and promotion of cyber security, the Company strives to ensure that the important confidential corporate information will not be leaked.

(2) Cyber Security Management Strategy and Continuous Improvement Structure



(3) Management Plan

A. Multi-layer Cyber Security Protection

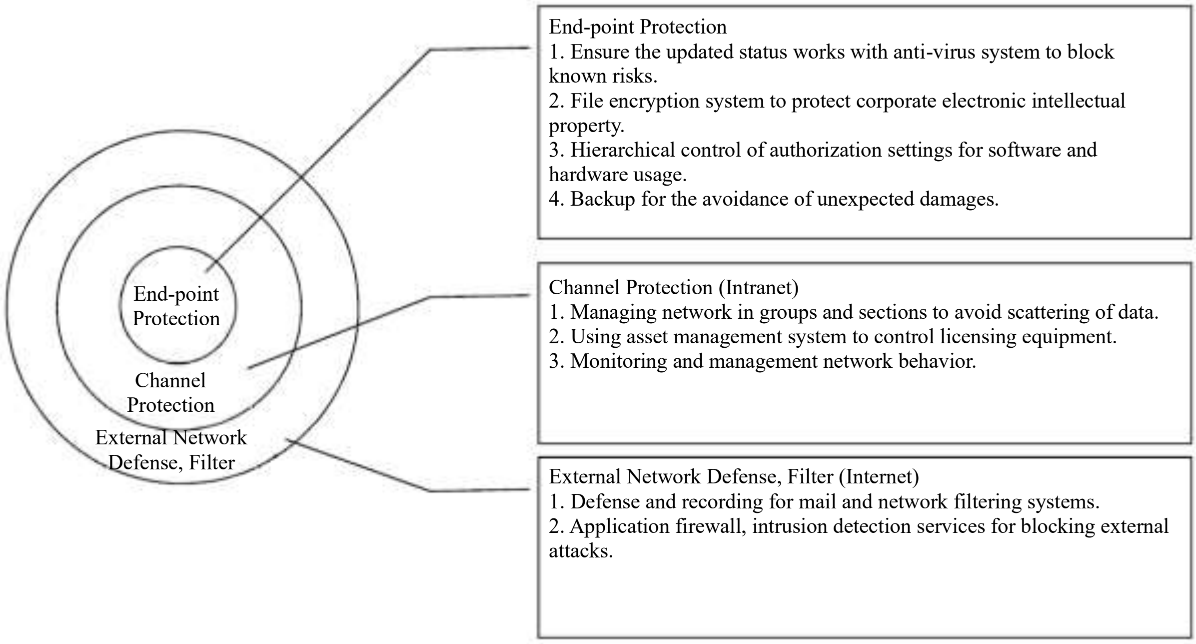
End-point Protection Layer	● The machines with malicious software are prevented from entering the Company's system through the disconnection of the network at the Company's plant and virus scanning for the machines. ● End-point anti-virus measures to prevent the malicious software. ● Mailing control. ● Encrypted control and effective tracking of planning documents and data. ● Using information protection tools, data classification, account and password systems to protect data.
Channel Protection Layer	● Making an application security test and self-testing schedule. ● Continuously strengthening the application security control mechanism.
External Network Defense, Filter Layer	● Introducing advanced technology to perform computer scans and system and software updates. ● Enhancing network firewall and network control to prevent computer viruses from spreading across machines and factories.

B. Review and Continuous Improvement

Training and Promotion	● Assigning the cyber security personnel to actively attend cyber security training courses. ● Enhancing employees' vigilance against to email social engineering attacks and conducting detection for the defense of phishing email. ● Holding cyber security training for employees to raise employees' awareness of cyber security.

C. Monitoring of Cyber Security Effectiveness

Assessment of Cyber Security	● Consulting external experts and vendors for assistance in providing latest knowledge and advanced product testing. ● Continuously collecting threat information and conducting risk analysis to further strengthen cyber security management system.



(4) Resources Invested in Cyber Security Safety Management

The Company has formulated “Cyber Security Management Policy” and related operational procedures to implement relevant plans and continuously improve protection, such as building up application firewalls, malicious mail filtering system, employee Internet protection, operating system update, anti-virus software, electronic data storage platform, etc. Cyber security plays a significant role in the operation of enterprise since it requires continuous improvement and is recognized by all employees to be invested with great resources. In addition to researching the latest technologies, the Company has recently introduced the application firewalls, network cyber security services and enhanced spam filtering systems to prevent the new and advanced cyber attacks; the Company also actively builds solutions to protect its assets and those of the customers and suppliers.

(5) Cyber Security Safety Risks and Management Measures

O-TA has established complete cyber security measures related to network and computer. However, there is no guarantee that its computer systems that control or maintain critical corporate functions such as manufacturing, operations and accounting are completely free from cyber attacks from any third party systems. These cyber attacks are used to illegally hack into the Company’s internal network system to disrupt the Company’s operations and harm the Company’s reputation. In the event of a serious cyber attack, the computer system might lose important Company’s data and the production might be suspended. O-TA ensures the appropriateness and effectiveness of its cyber security policy and procedures through its continuous review and evaluation on the policy. However, the Company cannot guarantee that it could be free from risks and attacks caused by the cyber security threats. Cyber attacks may also attempt to steal the Company’s business information.

Management measures:

A. In addition to the construction of highly usable system functions for the major systems and key data, the Company also carries out server partition management and data backup mechanism to maintain the Company’s operation without interruption.

B. Key information systems are protected and managed by designated teams and personnel.

C. Annual audits on the compliance requirements regarding business secrets, government regulations, production orders, information systems, etc. The Company is able to adjust its systems and controls to keep pace with the times and to meet the requirements and business demand. The current information systems are continuously audited and improved to reduce the impact on operations and, when risks occur, to recover the business quickly, reduce customer losses and maintain the Company’s operations.

(II) List any losses suffered by the Company in the most recent fiscal year and up to the annual report publication date due to significant cyber security incidents, the possible impacts therefrom, and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided.: The Company has not experienced any major cyber attack incidents that impacted the Company’s operations in 2022 and 2023 up to the publication of this annual report.

VII. Important Contracts

Nature of Contract	Party	Contract Dates	Content	Restrictions
Technical Cooperation	Department of Mechanical Engineering, National Pingtung University of Science and Technology	Since 1999	Establishment of O-TA Research Laboratory to conduct academic and application research on golf-related products. Contracts are signed depending on the research projects.	None
Equipment Engineering Cooperation	MST-SOLAR LTD.	Since December 27, 2022	Green energy parking lot and solar panel installation.	None

VIII. Other Matters: Key Performance Indicators (KPI)

Operational (Daily) Management Indicators	Performance Indicators	
	Standard Value	Actual Value
	2022 Average Value	2022 Average Value
1. CAD/CAM Delivery Achievement Rate	100%	100%
2. CAD/CAM Quality Achievement Rate	100%	99%
3. Sample Delivery Achievement Rate	100%	94%
4. Delivery Achievement Rate (Customer Delivery) - By Batch	100%	86%
5. Delivery Achievement Rate (Customer Delivery) - By Total Volume	100%	89%
6. Scrap Rate	Less than 2%	1.91%

Six. Financial Status Overview

I. Condensed Balance Sheets and Statements of Comprehensive Income for the Past 5 Fiscal Years

(I) O-TA Group

1. Consolidated Condensed Balance Sheet - IFRSs

Unit: NT$ thousands

Item / Year		Financial Information for the Most Recent 5 Years					Financial Information for the Current Year, up to March 31, 2023
		2022	2021	2020	2019 (Note 3)	2018	
Current Assets		5,353,318	4,711,785	3,175,677	2,779,386	2,479,719	(Note 1)
Property, Plant and Equipment		685,859	609,238	514,183	510,491	465,466	
Intangible Assets		40,786	42,250	44,313	2,716	2,346	
Other Assets		248,477	355,796	238,733	387,511	187,332	
Total Assets		6,328,440	5,719,069	3,972,906	3,680,104	3,134,863	
Current liability	Before Distribution	1,542,862	1,723,243	1,210,174	986,763	873,210	
	After Distribution (Note 2)	2,619,692	2,871,303	1,629,174	1,305,203	973,770	
Non-current Liability		265,185	298,359	200,706	250,669	101,450	
Total Liabilities	Before Distribution	1,808,047	2,021,602	1,410,880	1,237,432	974,660	
	After Distribution (Note 2)	2,884,877	3,169,662	1,829,880	1,555,872	1,075,220	
Equity Attributable to Shareholders of Parent		4,520,393	3,697,467	2,471,040	2,280,116	1,978,501	
Share Capital		838,000	838,000	838,000	838,000	838,000	
Capital Surplus		101,239	101,239	101,239	101,239	101,239	
Retained Earnings	Before Distribution	3,536,854	2,880,005	1,612,774	1,386,285	1,004,015	
	After Distribution (Note 2)	2,460,024	1,731,945	1,193,774	1,067,845	903,455	
Other Equity Interest		44,300	(121,777)	(80,973)	(45,408)	35,247	
Treasury Stock		—	—	—	—	—	
Non-controlling Interest		—	—	90,986	162,556	181,702	
Total Equity	Before Distribution	4,520,393	3,697,467	2,562,026	2,442,672	2,160,203	
	After Distribution (Note 2)	3,443,563	2,549,407	2,143,026	2,124,232	2,059,643	

Note 1: Up to March 31, 2023, the publication of this annual report, the financial statements for the first quarter of 2023 have not been reviewed by the auditors.

Note 2: The figures for 2022 after distribution are based on the resolutions of the Board of Directors dated March 7, 2023.

Note 3: The Company's indirectly invested company, Inda Composite Technology (Shenzhen) Co., Ltd., has obtained a notice of enterprise deregistration on December 31, 2020. Its parent company, INDA NANO INDUSTRIAL CORP., is resolved to be liquidated and dissolved after the resolution made in the shareholders' meeting on February 5, 2021. Therefore, the relevant financial amount for 2019 is reclassified to the account of profit or loss from discontinued operations after tax.

2. Consolidated Condensed Statement of Comprehensive Income - IFRSs

Unit: NT$ thousands

Item \ Years	Financial Information for the Most Recent 5 Years					Financial Information for the Current Year, up to March 31, 2023
	2022	2021	2020	2019 (Note 2)	2018	
Operating revenues	7,700,322	7,880,132	3,933,116	3,558,392	3,742,425	(Note 1)
Gross profit	2,220,926	2,487,575	1,023,709	825,488	620,173	
Operating profit	1,778,489	1,998,032	682,329	487,413	169,654	
Non-operating income and expenses	219,311	(15,276)	(528)	31,655	(108,444)	
Net income (loss) before tax	1,997,800	1,982,756	681,801	519,068	61,210	
Net income from continuing operations	1,793,142	1,690,175	614,171	487,334	37,546	
Loss from discontinued operations	—	(3,718)	(136,363)	(849)	—	
Net income (loss)	1,793,142	1,686,457	477,808	486,485	37,546	
Other comprehensive income (net amount after tax)	177,844	(42,852)	(40,014)	(88,330)	64,879	
Total comprehensive income	1,970,986	1,643,605	437,794	398,155	102,425	
Net income attributable to shareholders of the parent	1,793,142	1,688,279	544,626	486,984	30,638	
Net income attributable to non-controlling Interest	—	(1,822)	(66,818)	(499)	6,908	
Comprehensive income attributable to shareholders of the parent	1,970,986	1,645,427	509,364	402,175	89,783	
Comprehensive income attributable to non-controlling Interest	—	(1,822)	(71,570)	(4,020)	12,642	
Earnings Per Share	21.40	20.15	6.50	5.81	0.3	

Note 1: Up to March 31, 2023, the publication of this annual report, the financial statements for the first quarter of 2023 have not been reviewed by the auditors.

Note 2: The Company's indirectly invested company, Inda Composite Technology (Shenzhen) Co., Ltd., has obtained a notice of enterprise deregistration on December 31, 2020. Its parent company, INDA NANO INDUSTRIAL CORP., is resolved to be liquidated and dissolved after the resolution made in the shareholders' meeting on February 5, 2021. Therefore, the relevant financial amount for 2019 is reclassified to the account of profit or loss from discontinued operations after tax.

(II) O-TA Company

1. Condensed Balance Sheet - IFRSs

Unit: NT$ thousands

Items		2022	2021	2020	2019	2018	Financial Information for the Current Year, up to March 31, 2023
Current Assets		2,357,445	2,920,892	1,487,209	1,252,723	1,121,535	(Note 1)
Property, Plant and Equipment		104,322	107,678	112,272	117,562	124,158	
Intangible Assets		3,367	3,196	2,920	2,651	2,262	
Other Assets		4,846,416	3,632,709	2,368,872	2,082,575	1,808,235	
Total Assets		7,311,550	6,664,475	3,971,273	3,455,511	3,056,190	
Current liability	Before Distribution	2,572,282	2,731,882	1,395,852	1,068,983	976,239	
	After Distribution (Note 2)	3,649,112	3,879,942	1,814,852	1,387,423	1,076,799	
Non-current Liability		218,875	235,126	104,381	106,412	101,450	
Total Liabilities	Before Distribution	2,791,157	2,967,008	1,500,233	1,175,395	1,077,689	
	After Distribution (Note 2)	3,867,987	4,115,068	1,919,233	1,493,835	1,178,249	
Share Capital		838,000	838,000	838,000	838,000	838,000	
Capital Surplus		101,239	101,239	101,239	101,239	101,239	
Retained Earnings	Before Distribution	3,536,854	2,880,005	1,612,774	1,386,285	1,004,015	
	After Distribution (Note 2)	2,460,024	1,731,945	1,193,774	1,067,845	903,455	
Other Equity Interest		44,300	(121,777)	(80,973)	(45,408)	35,247	
Treasury Stock		–	–	–	–	–	
Non-controlling Interest		–	–	–	–	–	
Total Equity	Before Distribution	4,520,393	3,697,467	2,471,040	2,280,116	1,978,501	
	After Distribution (Note 2)	3,443,563	2,549,407	2,052,040	1,961,676	1,877,941	

Note 1: Up to March 31, 2023, the publication of this annual report, the financial statements for the first quarter of 2023 have not been reviewed by the auditors.

Note 2: The figures for 2022 after distribution are based on the resolutions of the Board of Directors dated March 7, 2023.

2. Condensed Statement of Comprehensive Income - IFRSs

Unit: NT$ thousands

Item \ Years	Financial Information for the Most Recent 5 Years					Financial Information for the Current Year, up to March 31, 2023
	2022	2021	2020	2019	2018	
Operating revenues	7,192,045	7,487,415	3,636,646	3,484,575	3,251,462	(Note 1)
Gross profit	1,135,804	1,100,228	468,520	308,918	249,100	
Operating profit	905,281	811,324	280,552	133,211	91,137	
Non-operating income and expenses	1,092,519	1,168,277	330,751	384,295	(37,031)	
Net income (loss) before tax	1,997,800	1,979,601	611,303	517,506	54,106	
Net income (loss) from continuing operations	1,793,142	1,688,279	544,626	486,984	30,638	
Loss from discontinued operations	—	—	—	—	—	
Net income (loss)	1,793,142	1,688,279	544,626	486,984	30,638	
Other comprehensive income (net amount after tax)	177,844	(42,852)	(35,262)	(84,809)	59,145	
Total comprehensive income	1,970,986	1,645,427	509,364	402,175	89,783	
Net income (loss) attributable to shareholders of the parent	1,793,142	1,688,279	544,626	486,984	30,638	
Net income attributable to non-controlling Interest	—	—	—	—	—	
Comprehensive income attributable to shareholders of the parent	1,970,986	1,645,427	509,364	402,175	89,783	
Comprehensive income attributable to non-controlling Interest	—	—	—	—	—	
Earnings Per Share	21.40	20.15	6.50	5.81	0.3	

Note 1: Up to March 31, 2023, the publication of this annual report, the financial statements for the first quarter of 2023 have not been reviewed by the auditors.

(III) CPAs and Their Opinions for Most Recent 5-Years

Year	Name of CPA Firm	Name of CPA	Auditor's Opinion	Note
2022	Ernst & Young, Taiwan	Chen, Cheng-Chu; Lee, Fang-Wen	Unqualified opinion	Other Matters paragraph- The financial statements for the previous period were audited by other CPAs
2021	Wisdom Professional Certified Public Accountants	Ko, Tsung-Li; Chen, Wen-Ta	Unqualified opinion	—
2020	Wisdom Professional Certified Public Accountants	Ko, Tsung-Li; Tseng, Yoou-Tsair	Unqualified opinion	—
2019	Wisdom Professional Certified Public Accountants	Ko, Tsung-Li; Tseng, Yoou-Tsair	Unqualified opinion	—
2018	Wisdom Professional Certified Public Accountants	Ko, Tsung-Li; Tseng, Yoou-Tsair	Unqualified opinion	—

II. Financial Analyses for the Past 5 Fiscal Years

(I) O-TA Group - IFRSs

Item (Note 3)		Financial Analysis for the Most Recent 5 Years 2022	2021	2020	2019	2018	Current Year, up to March 31, 2023
Financial Structure (%)	Debt to assets ratio	28.57	35.35	35.51	33.62	31.09	(Note 1)
	Ratio of long-term capital to property, plant and equipment	697.75	655.87	537.31	527.60	485.89	
Solvency (%)	Current ratio	346.97	273.43	262.41	281.67	283.98	
	Quick ratio	286.44	211.95	210.93	227.59	222.06	
	Times interest earned	230.24	220.87	54.00	38.97	11.37	
Operating Performance	Accounts receivable turnover (times)	5.26	6.92	5.59	7.13	7.65	
	Average collection days	69	53	65	51	48	
	Inventory turnover (times)	5.84	6.89	5.54	6.21	5.40	
	Accounts payable turnover (times)	12.58	13.90	12.60	16.94	13.38	
	Average days in sales	63	53	66	59	67	
	Property, plant and equipment turnover (times)	11.89	14.03	7.71	8.03	8.08	
	Total asset turnover (times)	1.28	1.63	1.03	1.15	1.04	
Profitability	Return on total assets (%)	29.88	34.95	12.70	14.61	1.18	
	Return on equity (%)	43.64	53.88	19.09	21.14	1.50	
	Ratio of income before tax to paid-in capital (%) (Note 7)	238.40	236.16	65.09	61.88	7.30	
	Net profit margin (%)	23.29	21.40	12.09	12.41	1.00	
	Earnings per share (NT$)	21.40	20.15	6.50	5.81	0.30	
Cash Flow	Cash flow ratio (%)	137.18	70.85	53.56	53.61	50.89	
	Cash flow adequacy ratio (%)	132.06	103.83	89.87	72.98	58.26	
	Cash reinvestment ratio (%)	18.47	18.58	11.13	13.95	0.09	
Leverage	Operating leverage	2.13	1.88	3.07	3.53	16.41	
	Financial leverage	1.00	1.00	1.02	1.03	1.04	

Please explain the causes of changes in the financial ratios in the most recent 2 fiscal years. (Analysis is not required if the increase or decrease is less than 20%.)

(1) Current ratio and quick ratio: Current ratio and quick ratio were changed mainly due to the substantial increase in "current assets - bank deposits" because the Company recorded soaring sales, thus profits, in the most recent two years.

(2) Accounts Receivables turnover (times) and average collection days: mainly due to the increase in average accounts receivable:
The revenue in the fourth quarter of 2022 and 2021 grew exponentially from the fourth quarter of 2020. However, the average collection period of the Company's accounts receivable is about two months, leading to a big increase in accounts receivable at the end of 2022 and 2021 compared to the end of 2020, which in turn caused the accounts receivable at the end of this period to increase.

(3) Total asset turnover (times): Total asset turnover changed mainly due to the substantial increase in "total assets - bank deposits" because the Company recorded soaring golf sales, thus profits, in the most recent two years.

(4) Cash flow adequacy ratio and cash flow ratio: Changed mainly due to the increase in net cash inflow from operating activities.
a. Increase in accounts receivable collected: Since the sales in 2021Q4 through 2022Q3 grew and collection of accounts receivable proceeded well, the accounts receivable collected increased in this period compared to last period.
b. Decrease in inventories and cash outflow from accounts payable: Materials had been prepared in advance to cope with an estimated surge in orders. However, in 2022, considering the clients' market distribution policy, the Company estimated the orders in 2023 to decrease, and therefore reduced raw materials preparation and production in progress at the end of the year, reducing the cash outflow from accounts payable.

Note 1: The consolidated financial statements listed above have been audited and certified by CPAs. Up to March 31, 2023, the publication of this annual report, the financial statements for the first quarter of 2023 have not been reviewed by the auditors.

(II) O-TA Company - IFRSs

Item (Note 3) / Year		Financial Analysis for the Most Recent 5 Years					Current Year, up to March 31, 2023
		2022	2021	2020	2019	2018	
Financial Structure (%)	Debt to assets ratio	38.17	44.52	37.78	34.02	35.26	(Note 2)
	Ratio of long-term capital to property, plant and equipment	4,542.92	3,652.18	2,293.91	2,030.02	1,675.25	
Solvency (%)	Current ratio	91.65	106.92	106.54	117.19	114.88	
	Quick ratio	90.93	105.90	104.28	113.43	111.89	
	Times interest earned	432.02	538.79	160.15	140.04	17.31	
Operating Performance	Accounts receivable turnover (times)	5.44	7.34	6.17	8.26	8.99	
	Average collection days	67	50	59	44	41	
	Inventory turnover (times)	2,421.04	688.31	170.36	162.83	167.87	
	Accounts payable turnover (times)	3.55	5.19	5.62	6.72	8.73	
	Average days in sales	0	1	2	2	2	
	Property, plant and equipment turnover (times)	67.85	68.08	31.65	28.83	25.95	
	Total asset turnover (times)	1.03	1.41	0.98	1.07	0.97	
Profitability	Return on total assets (%)	25.72	31.80	14.75	15.05	1.00	
	Return on equity (%)	43.64	54.74	22.93	22.87	1.32	
	Ratio of income before tax to paid-in capital(%) (Note 7)	238.40	236.23	72.95	61.75	6.46	
	Net profit margin (%)	24.93	22.55	14.98	13.98	0.94	
	Earnings per share (NT$)	21.40	20.15	6.50	5.81	0.30	
Cash Flow	Cash flow ratio (%)	30.23	44.63	20.99	-1.22	29.75	
	Cash flow adequacy ratio (%)	105.42	170.77	104.24	107.05	165.25	
	Cash reinvestment ratio (%)	-7.62	19.76	-0.95	-4.56	-5.53	
Leverage	Operating leverage	7.76	8.96	12.58	25.44	34.71	
	Financial leverage	1.01	1.00	1.01	1.03	1.04	

Please explain the causes of changes in the financial ratios in the most recent 2 fiscal years. (Analysis is not required if the increase or decrease is less than 20%.)

(1) Ratio of Long-term capital to property, plant, and equipment, total asset turnover (times), and return on equity: Changed due to the increase in investment accounted for using the equity method, thus total equity, because the Company recorded soaring sales and profits from the golf business.

(2) Accounts Receivables turnover (times) and average collection days: mainly due to the increase in average accounts receivable:
The revenue in the fourth quarter of 2022 and 2021 grew from the fourth quarter of 2020. However, the average collection period of the Company's accounts receivable is about two months, leading to a big increase in accounts receivable at the end of 2022 and 2021 compared to the end of 2020, which in turn caused the accounts receivable at the end of this period to increase.

(3) Inventories turnover (times) and average days in sales: mainly due to the decrease in cost of goods sold and average inventories:
a. Decrease in cost of goods sold: A consequence of the decrease in sales revenue.
b. Decrease in average inventories: Average inventories decreased drastically because the Company had dealt with old inventories in 2022 and 2021 and had provided allowance for slow-moving inventories of plumbing hardware and bikes.

(4) Accounts Payables turnover (times): Since the revenue in the fourth quarter of 2022 and 2021 doubled the amount from the fourth quarter in 2020, inventories increased, boosting year-end accounts payable in 2022 and 2021 from 2020, thereby driving up average accounts payable.

(5) Cash flow adequacy ratio, cash flow ratio, and cash reinvestment ratio: Changed mainly due to the decrease in net cash inflow from operating activities.
Since the operating revenue in the fourth quarter of 2022 and 2021 increased from the fourth quarter of 2020, purchases increased accordingly, leading to an increase in cash outflow from accounts payable, thereby decreasing net cash inflow from operating activities.

Note 2: The consolidated financial statements listed above have been audited and certified by CPAs. Up to March 31, 2023, the publication of this annual report, the financial statements for the first quarter of 2023 have not been reviewed by the auditors.

Note 3: Formula

1. Financial Structure

(1) Debt to assets ratio = total liabilities / total assets.

(2) Ratio of long-term capital to property, plant and equipment = (total equity + non-current liabilities) / net property, plant and equipment.

2. Solvency

(1) Current ratio = current assets / current liability.

(2) Quick ratio = (current assets - inventory - prepaid expenses) / current liabilities.

(3) Times interest earned = earnings before tax and interest expenses / current interest expenses

3. Operating Performance

(1) Accounts receivable (including accounts receivable and notes receivable arising from business activities) turnover = net sales / average accounts receivable balance (including accounts receivable and notes receivable arising from business activities).

(2) Average collection days = 365 / accounts receivable turnover.

(3) Inventory turnover = cost of goods sold / average inventory.

(4) Accounts payable (including accounts payable and notes payable arising from business activities) turnover = cost of goods sold average accounts payable balance (including accounts payable and notes payable arising from business activities).

(5) Average days in sales = 365 / inventory turnover.

(6) Property, plant and equipment turnover = net sales / average net property, plant and equipment.

(7) Total asset turnover = net sales / average total assets.

4. Profitability

(1) Return on total assets = (net income + interest expenses * (1 - effective tax rate)) / average total assets.

(2) Return on equity = net income after tax / average total equity.

(3) Net profit margin = net income after tax / net sales.

(4) Earnings per share = (income attributable to owners of parent - preferred stock dividends) / weighted average number of shares outstanding. (Note 4)

5. Cash Flow

(1) Cash flow ratio = net cash flows from operating activities / current liabilities.

(2) Net cash flow adequacy ratio = 5-year sum of net cash flow from operating activities / 5-year sum of (capital expenditures + increases in inventory + cash dividends).

(3) Cash investment ratio = (cash from operating activities - cash dividends) / (gross property, plant and equipment + long-term investments + other non-current assets + working capital). (Note 5)

6. Leverage

(1) Operating leverage = (net operating revenue – variable operating costs and expenses) / operating income (Note 6)

(2) Financial leverage = operating income / (operating income - interest expenses).

Note 4: Special attention should be paid to the following when calculating earnings per share by the above equation:

1. The weighted average quantity of outstanding common shares shall be taken as the standard, not the quantity of outstanding shares at the end of the year.

2. If there is any cash capital increase or treasury stock transaction, take the circulation periods into account when calculating the weighted average quantity of outstanding shares.

3. If there is any capitalization of retained earnings or capital surplus, the annual and semi-annual earnings per share of past years shall be retrospectively adjusted pro rata to the size of the capital increase, without considering the issuance period of the capital increase.

4. If the preferred shares are non-convertible cumulative preferred shares, the dividend for the fiscal year (whether it has been distributed or not) shall be deducted from the net income after tax or added to the net loss after tax. If the preferred shares are non-cumulative, the dividend shall be deducted from the net income after tax if there is net income after tax and no adjustment is required in case there is loss.

Note 5: Special attention shall be paid to the following when making the calculations for cash flow analysis:

1. Net cash flow from operating activities refers to the net cash inflow from operating activities in the cash flow statement.
2. Capital expenditures refers to the annual cash outflow used in capital investment.
3. Increase in inventory is counted only when the balance at the end of the period is greater than the balance at the beginning of the period. If the inventory has decreased at the end of the year, it is counted as zero.
4. Cash dividends include the cash dividends of common stock and preferred stock.
5. Gross property, plant and equipment refers to the total property, plant and equipment without deduction of accumulated depreciation.

Note 6: The issuer shall categorize the operating costs and operating expenses into fixed ones and variable ones in accordance with their properties. If the categorization is subject to estimation or subjective judgment, attention shall be paid to ensure that it is done rationally and consistently.

Note 7: If the Company’s shares have no par value or the par value per share is not NT$10, the paid-in capital involved in the calculation of the above ratio shall be replaced by the equity attributable to owners of the parent company on the balance sheet.

III. Audit Committee's Report for the Most Recent Year's Financial Statement

O-TA Precision Industry Co., Ltd.
Audit Committee's Review Report

The board of directors has prepared the Company's 2022 business report, financial statements (including the consolidated financial statements), and proposal for earnings distribution. CHEN, CHENG-CHU CPA and LEE, FANG-WEN CPA of Ernst & Young Taiwan audited the Company's financial statements and has issued an audit report.

The foregoing business report, financial statements (including the consolidated financial statements), and proposal for earnings distribution have been reviewed and determined to be correct and accurate by the audit committee members. According to Article 219 of the Company Act,

We hereby submit this report.

To

O-TA Precision Industry Co., Ltd. 2023 General Shareholders' Meeting

Chairman of the Audit Committee: HUANG, CHUNG-HUI

March 7, 2023

IV. Financial Statement for the Most Recent Fiscal Year, including an auditor's report prepared by a certified public accountant, and 2-year comparative balance sheet, statement of comprehensive income, statement of changes in equity, cash flow chart, and any related footnotes or attached appendices

Independent Auditors' Report

To O-TA Precision Industry Co., Ltd.:

Auditor's Opinion

We have audited the consolidated balance sheet of O-TA PRECISION INDUSTRY CO., LTD. and its subsidiaries (collectively the "Group" hereinafter) as of December 31, 2022, the consolidated statements of comprehensive income, consolidated statement of changes in equity, and consolidated cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the said consolidated financial statements were prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC interpretations, and SIC interpretations that were approved and promulgated by the Financial Supervisory Commission (FSC), and thus presented fairly, in all material aspects, the consolidated financial position of The Group as of December 31, 2022 and 2021, and the consolidated financial performance and cash flows for the period from January 1 through December 31, 2022 and 2021.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the section titled "Auditors' Responsibilities for the Audit of the Consolidated Financial Statements" in our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China and we have fulfilled our other ethical responsibilities in accordance with these requirements. Based on our audits, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Group's Consolidated Financial Statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the Consolidated Financial Statements as a whole and in forming our opinion thereon. As a result, we do not provide a separate opinion on these matters.

<u>Allowance for accounts receivable</u>

The net value of consolidated accounts receivable of the Group as of December 31, 2022, which was NT$1,403,319 thousand, accounted for 22％ of the Group's total assets, and was therefore material to the Group's Consolidated Financial Statements. Since the allowance for accounts receivable is estimated at the life-time ECL and the measurement of of ECL involves judgment, analysis, and estimation, we decided to identify it as the key audit matter.

Our audit procedures included, without being limited to, assessing the reasonability of the policy of provision of allowance formulated by the management; understanding and testing the effectiveness of internal control for accounts receivable formulated by the management; sampling accounts receivable, verifying the authenticity of samples by inquiring from the parities from which the accounts receivable were due, and assessing accounts receivable as a whole collected after the balance sheet date; sampling and testing the accuracy of the age of the samples; and assessing the reasonability of changes in the age of accounts and recalculating the roll rate and loss rate and assessing the appropriateness of ECL rate. We also considered the appropriateness of accounts receivable impairment loss disclosed in Notes (IV), (V), and (VI) to the Consolidated Financial Statements of the Group.

Inventories valuation

The net inventories of the Group as of December 31, 2022 was NT$888,312 thousand, accounting for 14% of total consolidated assets, a percentage considered material to the Consolidated Financial Statements. Most of the Group's finished products and products in process are highly custom products, so the valuation of allowance for slow-moving or obsolete inventories involves significant judgements made by the management. Hence, we decided to identify inventory valuation as the key audit matter.

Our audit procedures included, without being limited to, understanding and testing the effectiveness of internal control system formulated by the management for inventories, including inventories cost carried over; assessing the management's stock-taking plan by observing stock-taking procedures at a significant inventories location to ensure the quantity and state of inventories; sampling the inventory aging analysis table to check whether the age ranges were presented appropriately and analyzing whether the changes among each range is reasonable; assessing the percentage of provision of the losses on price decline and obsolescence; and calculating the allowance for inventories obsolescence loss anew by applying the obsolescence provision rate applicable to each inventories age range. We also considered the appropriateness of inventories disclosed in Notes (IV), (V), and (VI) to the Consolidated Financial Statements of the Group.

Other Matters

The Consolidated Financial Statements for 2021 of the Group were audited by other CPAs, who then issued an independent report containing an unqualified opinion on March 3, 2022.

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

The management was responsible for fairly presenting these Consolidated Financial Statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC interpretations, and SIC interpretations that were approved and promulgated by the Financial Supervisory Commission, and for maintaining the necessary internal control related to the preparation of these Consolidated Financial Statements to ensure that these Consolidated Financial Statements were free of material misstatements, whether due to fraud or errors.

In preparing the Consolidated Financial Statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting, unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including the Audit Committee) are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists in the Consolidated Financial Statements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Consolidated Financial Statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group.'s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the Consolidated Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure, and contents of, and the notes to, the Consolidated Financial Statements, and whether the Consolidated Financial Statements fairly present the underlying transactions and events.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision, and performance of the group audit; we remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings (including any significant deficiencies in internal control that we identify during our audit.)

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Consolidated Financial Statements of the Group for the year ended December 31, 2022 and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Others

The Parent Company Only Financial Statements for 2022 of the Group were audited by other CPAs, who then issued an independent auditors' report containing an unqualified opinion for reference.

Ernst & Young, Taiwan
Official letter of the competent authority granting approval of certified public accountants to audit and attest to the financial reports of public companies:
Jin-Guan-Zheng-Liu-Zi No.0970038990
Jin-Guan-Zheng-Shen-Zi No.1010045851

CHEN, CHENG-CHU

CPA:

LEE, FANG-WEN

March 7, 2023

(English Translation of Consolidated Financial Statement Originally Issued in Chinese)

O-TA Precision Industry Co., Ltd. and Its Subsidiaries

Consolidated Balance Sheets

December 31, 2022 and December 31, 2021

Unit: NT$ thousand

Assets			December 31, 2022		December 31, 2021	
Code	Account	Notes	Amount	%	Amount	%
	Current assets					
1100	Cash and cash equivalents	(IV)/(VI).1	$2,976,304	47	$2,070,553	36
1150	Net notes receivable	(IV)/(VI).3&13	0	-	52	-
1170	Net accounts receivable	(IV)/(VI).4&13	1,395,170	22	1,485,775	26
1180	Accounts receivables - related parties, net	(IV)/(VI).4&13/(VII)	8,149	-	35,047	1
1200	Other receivables		39,264	1	60,403	1
1210	Other receivables - related parties	(VII)	1	-	10	-
130x	Inventories	(IV)/(VI).5	888,312	14	989,518	17
1410	Prepayments		45,618	1	69,927	1
1470	Other current assets		500	-	500	-
11xx	Total current assets		5,353,318	85	4,711,785	82
	Non-current assets					
1517	Financial assets at fair value through other comprehensive income – non-current	(IV)/(VI).2	86,998	1	106,949	2
1600	Property, plants and equipment	(IV)/(VI).7	685,859	11	609,238	11
1755	Right-of-use assets	(IV)/(VI).14	128,058	2	159,808	3
1780	Intangible assets	(IV)/(VI).8	40,786	1	42,250	1
1840	Deferred tax assets	(IV)	26,322	-	29,638	-
1900	Other non-current assets		7,099	-	59,401	1
15xx	Total non-current assets		975,122	15	1,007,284	18
1xxx	Total assets		$6,328,440	100	$5,719,069	100

Liabilities and Equity			December 31, 2022		December 31, 2021	
Code	Account	Notes	Amount	%	Amount	%
	Current liabilities					
2100	Short-term borrowings	(IV)/(VI).9	$440,000	7	$430,000	8
2150	Notes payable		107	-	152	-
2170	Accounts payable		389,065	6	481,040	8
2180	Accounts payable - related parties	(VII)	167	-	602	-
2200	Other payables		563,602	9	625,094	11
2230	Current tax liabilities	(IV)	112,386	2	138,214	2
2280	Lease liabilities - current	(IV)/(VI).14	28,694	1	46,644	1
2300	Other current liabilities		8,841	-	1,497	-
21xx	Total current liabilities		1,542,862	25	1,723,243	30
	Non-current liabilities					
2570	Deferred tax liabilities	(IV)	209,111	3	202,538	4
2580	Lease liabilities - non-current	(IV)/(VI).14	46,090	1	63,038	1
2640	Net defined benefit liabilities - non-current	(IV)/(VI).10	9,764	-	32,566	-
2670	Other non-current liabilities		220	-	217	-
25xx	Total non-current liabilities		265,185	4	298,359	5
25xx	Total liabilities		1,808,047	29	2,021,602	35
	Equity attributable to owners of parent	(IV)/(VI).11				
3100	Share capital					
3110	Ordinary share capital		838,000	13	838,000	15
3200	Capital surplus		101,239	2	101,239	2
3300	Retained earnings					
3310	Legal reserve		941,256	14	772,633	14
3320	Special reserve		121,777	2	80,973	1
3350	Undistributed earnings		2,473,821	39	2,026,399	35
	Total retained earnings		3,536,854	55	2,880,005	50
3400	Other equity interests		44,300	1	(121,777)	-2
31xx	Total equity attributable to shareholders of parent		4,520,393	71	3,697,467	65
3xxx	Total equity		4,520,393	71	3,697,467	65
	Total liabilities and equity		$6,328,440	100	$5,719,069	100

(See the Notes to the Consolidated Financial Statements for details)

Chairman: LEE, KUNG-WEN President: HSU, JUNG-MIN Accounting officer: LEE, CHUNG-MU

O-TA Precision Industry Co., Ltd. and Its Subsidiaries
Consolidated Statement of Comprehensive Income
For the Years Ended December 31, 2022 and 2021

Unit: NT$ thousand

Code	Account	Notes	2022		2021	
			Amount	%	Amount	%
4000	Operating revenue	(IV)/(VI).12/(VII)	$7,700,322	100	$7,880,132	100
5000	Operating costs	(IV)/(VI).5&15/(VII)	(5,479,396)	(71)	(5,392,557)	(68)
5900	Gross profit		2,220,926	29	2,487,575	32
6000	Operating expenses	(IV)/(VI).15				
6100	Selling expenses		(111,204)	(2)	(99,351)	(1)
6200	Administrative expenses		(298,314)	(4)	(379,845)	(5)
6300	Research and development expenses		(32,454)	0	(23,063)	0
6450	Expected credit impairment gains (losses)	(IV)/(VI).13	(465)	0	12,716	0
	Total operating expenses		(442,437)	(6)	(489,543)	(6)
6900	Operating income		1,778,489	23	1,998,032	26
7000	Non-operating income and expenses	(IV)/(VI).16				
7100	Interest income		32,760	0	5,189	0
7010	Other income		62,204	1	33,702	0
7020	Other gains and losses		133,062	2	(45,166)	0
7050	Financial costs		(8,715)	0	(9,001)	0
	Total non-operating income and expenses		219,311	3	(15,276)	0
7900	Net income before tax		1,997,800	26	1,982,756	26
7950	Income tax expense	(IV)/(VI).18	(204,658)	(3)	(292,581)	(4)
8000	Net income from continuing operations		1,793,142	23	1,690,175	22
8100	Profit or loss of discontinued operations	(IV)/(VI).6	0	0	(3,718)	0
8200	Net income		1,793,142	23	1,686,457	22
8300	Other comprehensive income	(VI).17&18				
8310	Items not to be reclassified into profit or loss					
8311	Remeasurement of defined benefit plans		14,709	0	(2,560)	0
8349	Income tax related to items not reclassified		(2,942)	0	512	0
8360	Items that may be reclassified subsequently to profit or loss					
8361	Exchange differences arising on the translation of the financial statements of foreign operations		182,038	3	(30,288)	0
8367	Unrealized profit or loss of debt instrument investments at fair value through other comprehensive income		(19,951)	0	(13,145)	0
8399	Income tax related to items that might be reclassified		3,990	0	2,629	0
	Other comprehensive income (net of tax)		177,844	3	(42,852)	0
8500	Total comprehensive income		$1,970,986	26	$1,643,605	22
8600	Net income attributable to:					
8610	Owners of the parent company		$1,793,142	23	$1,688,279	22
8620	Non-controlling interests		-	0	(1,822)	0
			$1,793,142	23	$1,686,457	22
8700	Total comprehensive income attributable to:					
8710	Owners of the parent company		$1,970,986	26	$1,645,427	22
8720	Non-controlling interests		-	-	(1,822.00)	-
			$1,970,986	26	$1,643,605	22
	Earnings per share (NT$)	(VI).19				
9750	Basic earnings per share					
9710	Net income from continuing operations		$21.40		$20.17	
9720	Net income (loss) from discontinued operations		$ -		($0.02)	
9850	Diluted earnings per share					
9810	Net income from continuing operations		$21.10		$19.79	
9820	Net income (loss) from discontinued operations		$-		($0.02)	

(See the Notes to the Consolidated Financial Statements for details)

Chairman: LEE, KUNG-WEN President: HSU, JUNG-MIN Accounting officer: LEE, CHUNG-MU

(English Translation of Consolidated Financial Statement Originally Issued in Chinese)

O-TA Precision Industry Co., Ltd. and Its Subsidiaries

Consolidated Statement of Changes in Equity

For the Years Ended December 31, 2022 and 2021

Unit: NT$ thousand

		Equity attributable to shareholders of parent									
				Retained earnings			Other equity items				
	Item	Share capital	Capital surplus	Legal reserve	Special reserve	Undistributed earnings	Exchange differences arising on the translation of the financial statements of foreign operations	Unrealized losses on financial assets at fair value through other comprehensive income	Total	Non-controlling interests	Total equity
Code		3100	3200	3310	3320	3350	3410	3420	31xx	36XX	3XXX
A1	Balance on January 1, 2021	$838,000	$101,239	$718,140	$45,408	$849,226	($53,973)	($27,000)	$2,471,040	$90,986	$2,562,026
	Appropriation and distribution of 2020 earnings										
B1	Legal reserve provided	-	-	54,493	-	(54,493)	-	-	-	-	-
B3	Special reserve provided	-	-	-	35,565	(35,565)	-	-	-	-	-
B5	Cash dividends from ordinary shares	-	-	-	-	(419,000)	-	-	(419,000)	-	(419,000)
D1	Net income for the year ended December 31, 2021	-	-	-	-	1,688,279	-	-	1,688,279	(1,822)	1,686,457
D3	Other comprehensive income for the year ended December 31, 2021	-	-	-	-	(2,048)	(30,288)	(10,516)	(42,852)	-	(42,852)
D5	Total comprehensive income	-	-	-	-	1,686,231	(30,288)	(10,516)	1,645,427	(1,822)	1,643,605
O1	Increase/Decrease in non-controlling interests	-	-	-	-	-	-	-	-	(89,164)	-89,164
Z1	Balance on December 31, 2021	$838,000	$101,239	$772,633	$80,973	$2,026,399	($84,261)	($37,516)	$3,697,467	$-	$3,697,467
A1	Balance on January 1, 2022	$838,000	$101,239	$772,633	$80,973	$2,026,399	($84,261)	($37,516)	$3,697,467	$-	$3,697,467
	Appropriation and distribution of 2021 earnings										
B1	Legal reserve provided	-	-	168,623	-	(168,623)	-	-	-	-	-
B3	Special reserve provided	-	-	-	40,804	(40,804)	-	-	-	-	-
B5	Cash dividends from ordinary shares	-	-	-	-	(1,148,060)	-	-	(1,148,060)	-	(1,148,060)
D1	Net income for the year ended December 31, 2022	-	-	-	-	1,793,142	-	-	1,793,142	-	1,793,142
D3	Other comprehensive income for the year ended December 31, 2022	-	-	-	-	11,767	182,038	(15,961)	177,844	-	177,844
D5	Total comprehensive income	-	-	-	-	1,804,909	182,038	(15,961)	1,970,986	-	1,970,986
Z1	Balance on December 31, 2022	$838,000	$101,239	$941,256	$121,777	$2,473,821	$97,777	($53,477)	$4,520,393	$-	$4,520,393

(See the Notes to the Consolidated Financial Statements for details)

Chairman: LEE, KUNG-WEN President: HSU, JUNG-MIN Accounting officer: LEE, CHUNG-MU

(English Translation of Consolidated Financial Statement Originally Issued in Chinese)
O-TA Precision Industry Co., Ltd. and Its Subsidiaries
Consolidated Statement of Cash Flow
For the Years Ended December 31, 2022 and 2021

Unit: NT$ thousand

Code	Item	2022	2021
		Amount	Amount
AAAA	Cash flows from operating activities:		
A00010	Net income from continuing operations before tax	$1,997,800	$1,982,756
A00020	Net loss before tax from discontinued operations	-	(3,718)
A10000	Net income before tax	1,997,800	1,979,038
A20000	Adjustments:		
A20010	Income/expenses items:		
A20100	Depreciation expense	158,563	135,031
A20200	Amortization cost	2,587	2,512
A20300	Expected credit impairment losses (gains)	465	(12,716)
A20900	Interest expenses	8,715	9,001
A21200	Interest income	(32,760)	(5,207)
A22500	Loss on disposal and scrapping of property, plants and equipment	1,514	4,638
A24100	Unrealized foreign currency exchange loss	19,821	7,420
A30000	Changes in assets/liabilities related to operating activities:		
A31130	Notes receivable	52	(52)
A31150	Accounts receivable	82,209	(739,813)
A31160	Accounts receivables - related parties	27,248	(22,434)
A31180	Other receivables	28,442	(40,732)
A31190	Other receivables - related parties	9	5
A31200	Inventories	209,662	(429,153)
A31230	Prepayments	29,159	(23,968)
A32130	Notes payable	(45)	9
A32150	Accounts payable	(125,733)	191,727
A32160	Accounts payable - related parties	(435)	550
A32180	Other payables	(98,101)	243,551
A32230	Other current liabilities	7,338	(2,611)
A32240	Net defined benefit liabilities	(8,093)	(1,622)
A33000	Cash inflow from operations	2,308,417	1,295,174
A33100	Interest received	31,928	5,272
A33300	Interest paid	(4,413)	(3,679)
A33500	Income tax paid	(219,411)	(75,935)
AAAA	Net cash inflow from operating activities	2,116,521	1,220,832
BBBB	Cash flows from investing activities:		
B00010	Acquisition of financial assets at fair value through other comprehensive income	-	(118,294)
B02700	Acquisition of property, plants and equipment	(183,952)	(193,739)
B02800	Disposal of property, plants and equipment	1,288	5,043
B04500	Acquisition of intangible assets	(543)	(621)
B06700	Increase in other non-current assets	53,608	(42,529)
BBBB	Net cash outflow from investing activities	(129,599)	(350,140)
CCCC	Cash flows from financing activities:		
C00100	Increase in short-term borrowings	10,000	50,000
C00600	Decrease in short-term bills payable	-	(50,000)
C04020	Lease principal repaid	(49,565)	(49,397)
C04300	Increase in other non-current liabilities	-	5
C04400	Decrease in other non-current liabilities	(21)	-
C04500	Cash dividends paid out	(1,148,060)	(419,000)
C05800	Change in non-controlling interests	-	(88,623)
CCCC	Net cash outflow from financing activities	(1,187,646)	(557,015)
DDDD	Effect of exchange rate changes on cash and cash equivalents	106,475	(17,267)
EEEE	Increase in cash and cash equivalents during this period	905,751	296,410
E00100	Cash and cash equivalents at the beginning of the year	2,070,553	1,774,143
E00200	Cash and cash equivalents at the end of the year	$2,976,304	$2,070,553

(See the Notes to the Consolidated Financial Statements for details)

Chairman: LEE, KUNG-WEN　　President: HSU, JUNG-MIN　　Accounting officer: LEE, CHUNG-MU

(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(I) Company History

O-TA Precision Industry Co., Ltd. (hereinafter referred to as “the Company”) was incorporated in 1988, mainly engaging in the manufacturing, processing (outsourced by other businesses), assembly, and sales of golf club heads and semi-finished goods. The Company's stock was listed on Taipei Exchange for trading on February 09, 2000.

(II) Date and Procedure for Authorized of Financial Statements

The 2022 and 2021 consolidated financial statements of the Company and its subsidiaries (hereinafter referred to as “the Group”) were authorized for issue by the Board of Directors on March 7, 2023.

(III) Application of New Standards, Amendments and Interpretations

1. Changes in accounting policies due to the initial application of the IFRSs:

   The Group has adopted the IFRSs that have been endorsed by the FSC and are applicable to the fiscal years beginning on or after January 1, 2022, and the initial application of the newly issued and amended standards and interpretations caused no material impact on the Group.

2. The new or amended IFRSs published by IASB and endorsed by the FSC not yet adopted by the Group:

No.	New/Revised/Amended Standards and Interpretations	Effective Date Announced by the IASB
1	Amendments to IAS 1 “Disclosure Initiative — Accounting Policies”	January 1, 2023
2	Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023
3	Amendments to IAS 12 “Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction”	January 1, 2023

(1) Amendments to IAS 1 “Disclosure Initiative — Accounting Policies”

The disclosure of accounting policies to provide more useful information to investors and other major users of financial statements was improved in the amendments.

(2) Amendments to IAS 8 “Definition of Accounting Estimates”

Accounting estimates are directly defined, and IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” was further amended to help an enterprise distinguish between changes in accounting policies and changes in accounting estimates.

(3) Amendments to IAS 12 “Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction”

The scope of deferred tax recognition exemption under paragraphs 15 and 24 of IAS 12 "Income Taxes" was narrowed so that the exemption does not apply to transactions that result in the same amounts of taxable and deductible temporary differences upon initial recognition.

The Group evaluated the above new, revised, and amended standards and interpretations that are applicable to the fiscal years beginning on or after January 1, 2023, and determined that they did not cause any material impact on the Group.

(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

3. Up to the date the financial statements were approved for release, the new or amended IFRSs published by IASB and endorsed by the FSC and not adopted by the Group:

No.	New/Revised/Amended Standards and Interpretations	Effective Date Announced by the IASB
1	Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture	To be determined by the IASB
2	IFRS 17 Insurance Contracts	January 1, 2023
3	Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
4	Amendments to IFRS 16, “Lease Liability in a Sale and Leaseback”	January 1, 2024
5	Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024

If the above-mentioned standards or interpretations, issued by the IASB but not yet endorsed by the FSC, are adopted by the Group in the future periods, the items with potential impact on the Group's financial statements are as follows:

(1) Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture

The amendments aim to address the inconsistency regarding the loss of control due to the investment in an associate or a joint venture through a subsidiary between IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures”. IAS 28 stipulates that when non-monetary assets are invested in exchange for the equity in an associate or a joint venture, the share of the resulting profit or loss shall be eliminated as the treatment method adopted for downstream transactions. IFRS 10 stipulates that the total gain or loss upon loss of control over a subsidiary shall be recognized. The amendments restrict the above requirements of IAS 28: when assets that constitute a business as defined in IFRS 3 are sold or purchased, the total resulting gain or loss shall be recognized.

In the amendments, IFRS 10 was amended so that when an investor sells or invests in a subsidiary (associate or joint venture) that does not constitute a business as defined by IFRS 3, only the profit or loss arising therefrom within the scope not belonging to the investor shall be recognized.

(2) Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”

The classification of liabilities as current or non-current in paragraphs 69 to 76 of IAS 1 “Classification of Liabilities as Current or Non-current” was amended.

(3) Amendments to IFRS 16, “Lease Liability in a Sale and Leaseback”

This is to make consistent application of standards by aligning with the Amendments to IFRS 16, which required of a seller-lessee to perform additional accounting treatment for a leaseback transaction.

(4) Amendments to IAS 1 “Non-current Liabilities with Covenants”

The amendments facilitate the enterprises to provide information on long-term liability contracts. It is to clarify that the conditions with which an entity must comply within twelve months after the reporting period do not affect the classification of a liability into current or non-current at the end of the reporting period.

The Group is currently assessing the potential impact of the above-mentioned new, revised and amended standards or interpretations on its financial position and financial performance and will disclose the relevant impact when completing the assessment.

(IV) Summary of Significant Accounting Policies

1. Compliance statement

The Group's financial statements for the years ended December 31, 2022 and 2021 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively the "IFRSs") endorsed and issued into effect by the FSC.

2. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for the financial instruments at fair value. The consolidated financial statements are presented in thousands of NT dollars (NTD), unless otherwise specified.

3. Basis of Consolidation

Basis for preparation of consolidated financial statements

When the Company is exposed to variable returns from participation in the entity or has rights to said variable returns, and has the ability to affect such returns through its power over the entity, the Company controls the entity. In particular, the Company controls an investee only when it has the following three elements at the same time:

(1) Power over an investee (i.e., existing rights that give the current ability to direct the relevant activities);
(2) Exposed or rights to variable returns from its involvement with an investee; and
(3) Ability to use that power to affect its number of variable returns.

When the Company directly or indirectly holds less than a majority of an investee's voting rights or similar rights, the Company considers all relevant facts and situations to assess whether it has power over the investee, including:

(1) Contractual agreements with other holders of voting rights in the investee;
(2) Rights arising from other contractual agreements;
(3) Voting rights and potential voting rights.

(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

When the facts and situations indicate that one or more of the three elements are changed, the Company reassesses whether it still have control over the investee.

Each subsidiary is included in the consolidated financial statements from the date of acquisition (i.e., the date when the Group gains control) till the date when the Group lost its control over the subsidiary. The accounting period and accounting policies of each subsidiary's financial statements are consistent with those of the parent company. All intra-group account balances, transactions, unrealized gains and losses arising from intra-group transactions and dividends were all eliminated.

Changes in the shareholding in a subsidiary are treated as an equity transaction if the control over the subsidiary is not lost.

Subsidiaries' total comprehensive income is attributed to the owners of the Company and non-controlling interests, even if it results in losses for non-controlling interests.

If the Company loses control over a subsidiary, then

(1) The subsidiary's assets (including goodwill) and liabilities are de-recognized;
(2) The carrying amounts of all non-controlling interests are de-recognized;
(3) The fair value of the acquisition consideration is recognized;
(4) The fair value of any investment retained is recognized;
(5) Any gain or loss is recognized as current profit or loss;
(6) The amounts of the items recognized in other comprehensive income before reclassification to the parent company is recognized in current profit or loss.

The entities in the consolidated financial statements are as follows:

			Ownership (%)	
Investor	Name of subsidiary	Main business	2022.12.31	2021.12.31
The Company	O-TA Golf Group Co.,Ltd.(O-TA BVI.)	Trading of golf club heads and investment business	100％	100％
O-TA BVI.	Harvest Fair International Limited	Trading of golf club heads and bicycle parts	100％	100％
O-TA BVI.	Jiangxi O-TA Precision Technology Ltd., Co.	Production and sales of golf club heads, shafts, equipment, and plumbing parts	100％	100％
O-TA BVI.	VGT COMPOSITE TECHONOLOGY (HUIZHOU) CO., LTD.	Production of carbon fiber composite materials and bicycle parts	100％	100％

4. Foreign currency transactions

The Group's consolidated financial statements are presented in NTD, the Company's functional currency. Each entity within the Group determines its own functional currency and measures its financial statements in the functional currency accordingly.

Transactions in currencies other than the entity’s functional currency (i.e. foreign currencies) are recognized at the exchange rates prevailing on the transaction dates. On each balance sheet date, monetary items denominated in foreign currencies are translated at the exchange rate prevailing on that date. Non-monetary items in foreign currencies measured at fair value are translated at the exchange rate prevailing on that date when the fair value is measured. Non-monetary items in foreign currencies measured at historical cost are translated at the exchange rates prevailing on the initial transaction dates.

Except as stated below, exchange differences arising from settlement or translation of monetary items are recognized in profit or loss for the period in which they occur.

(1) Regarding foreign-currency borrowings incurred to acquire an eligible asset, if the resulting exchange difference is regarded as an adjustment to interest costs, it is part of the borrowing cost and is capitalized as the cost of the asset.

(2) Foreign-currency items to which IFRS 9 "Financial Instruments" applies are handled in accordance with the accounting policies for financial instruments.

(3) Regarding monetary items that form part of a reportable entity's net investment in foreign operations, exchange differences arising therefrom are initially recognized in other comprehensive income and are reclassified from equity to profit or loss when the net investment is disposed of.

When the gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange gain or loss is recognized in other comprehensive income. When the gain or loss on a non-monetary item is recognized in profit or loss, any exchange gain or loss is recognized in profit or loss.

5. Translation of Foreign-currency Financial Statements

When the consolidated financial statements were prepared, the assets and liabilities of the foreign operations were translated into NTD at the closing exchange rate on the balance sheet date. Income and expense items were translated at the average exchange rates for the period. Any exchange differences arising from translation were recognized in other comprehensive income. When the foreign operations were disposed of, the cumulative exchange differences were previously been recognized in other comprehensive income as an independent component under equity was reclassified from equity to profit or loss when the gains or losses on disposal were recognized. Regarding the partial disposal of a subsidiary with foreign operations (over which the control is lost) and the partial disposal of an equity in an associate or a joint arrangement with foreign operations, where the retained equityis a financial asset with foreign operations included, it is also treated as disposal.

Regarding the partial disposal of a subsidiary with foreign operations (over which the control is not lost), the cumulative exchange difference recognized in other comprehensive income is re-attributed to the non-controlling interests of the foreign operations in proportion and is not recognized in profit or loss. The partial disposal of an associate or a jointly controlled entity with foreign operations (over which the significant influence or joint control is not lost), when part of the disposal includes associates of foreign operating institutions or joint arrangements, the cumulative exchange difference is reclassified to profit or loss in proportion.

The Group's goodwill arising from the acquisition of a foreign operation and the adjustment to the fair value of the carrying amounts of its assets and liabilities are regarding as the foreign operation’s assets and liabilities and presented in its functional currency.

6. Criteria for classifying assets and liabilities into current and non-current

Assets that meet one of the following criteria are classified as current assets, otherwise they are non-current assets:

(1) Assets expected to be realized in the normal operating cycle or intended to be sold or consumed;
(2) Assets held primarily for the purpose of trading;
(3) Assets expected to be realized within 12 months after the reporting period;
(4) Cash or cash equivalents, excluding assets restricted from being exchanged or used to settle liabilities for at least 12 months after the balance sheet date.

Liabilities that meet one of the following criteria are classified as current liabilities, otherwise they are non-current liabilities:

(1) Liabilities expected to be settled in the normal operating cycle;
(2) Liabilities held primarily for the purpose of trading;
(3) Liabilities expected to be settled within 12 months after the balance sheet date;
(4) Liabilities with a repayment deadline that cannot be unconditionally deferred for at least 12 months after the balance sheet date. However, the terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

7. Cash and cash equivalents

Cash on hand, demand deposits, and short-term, highly liquid time deposits or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

8. Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities within the scope of IFRS 9 "Financial Instruments" are measured at fair value upon initial recognition; the transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (except financial assets and financial liabilities classified as at fair value through profit or loss) are added to or subtracted from the fair values of the financial assets and financial liabilities.

(1) Recognition and measurement of financial assets

Regular trading of financial assets is recognized and derecognized in accordance with trade date accounting.

The Group classifies financial assets as those subsequently measured at amortized cost, at fair value through other comprehensive income, or at fair value through profit or loss based on the two bases below:

A. The business model for financial asset management
B. Contractual cash flow characteristics of financial assets

Financial assets measured at amortized cost

Financial assets that meet both of the following criteria are measured at amortized cost and are recognized in the balance sheet as notes or accounts receivable, financial assets measured at amortized cost, or other receivables:

A. Business model for financial asset management: Holding financial assets to collect contractual cash flows.
B. Contractual cash flow characteristics of financial assets: The cash flow is entirely the payment for principal and the interest on the outstanding principal.

Such financial assets (excluding those for hedging) are subsequently measured at the amortized cost [the amount measured upon initial recognition, less the principal repaid, plus or less the cumulative amortization of the differences between the initial amount and the due amount (the effective interest method adopted), with the allowance for losses adjusted]. The gain or loss is recognized in profit or loss upon de-recognition, through the amortization process, or when an impairment gain or loss is recognized.

Interest accrued using an effective interest method (effective interest rate multiplied by the total book value of a financial asset) or based on the situations below is recognized in profit or loss:

A. In the case of a credit-impaired financial asset purchased or created, the credit-adjusted effective interest rate is multiplied by the amortized cost of the financial asset;
B. If it is not the case but subsequently becomes credit-impaired, the effective interest rate is multiplied by the amortized cost of the financial asset.

Financial assets measured at fair value through other comprehensive income

Financial assets that meet both of the following criteria are measured at fair value through other comprehensive income and recognized in the balance sheet as financial assets at fair value through other comprehensive income:

A. The business model for financial asset management: Collection of contractual cash flows and sales of financial assets.
B. Contractual cash flow characteristics of financial assets: The cash flow is entirely the payment for principal and the interest on the outstanding principal.

The recognition of relevant gains and losses on such financial assets is specified below:

A. Before de-recognition or reclassification, except for impairment gains or losses and foreign currency exchange gains or losses that are recognized in profit or loss, such gains or losses are recognized in other comprehensive income.
B. Upon de-recognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
C. Interest accrued using an effective interest method (effective interest rate multiplied by the total book value of a financial asset) or based on the situations below is recognized in profit or loss:
   (a) In the case of a credit-impaired financial asset purchased or created, the credit-adjusted effective interest rate is multiplied by the amortized cost of the financial asset;
   (b) If it is not the case but subsequently becomes credit-impaired, the effective interest rate is multiplied by the amortized cost of the financial asset.

In addition, regarding equity instruments within the scope of IFRS 9 that are neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, the Group, upon initial recognition, elects (irrevocably) to recognize the subsequent changes in the fair values thereof in other comprehensive income. The amount recognized in other comprehensive income must not be subsequently reclassified to profit or loss (when such equity instruments are disposed of, it will be included in the cumulative amount of other equity items and directly transferred to retained earnings) and is recognized in the balance sheet as a financial asset at fair value through other comprehensive income. Investment dividends are recognized in profit or loss unless they clearly represent a recovery of part of the cost of the investment.

<u>Financial assets measured at fair value through profit or loss</u>

Except for the above financial assets in alignment with specific criteria that are measured at amortized cost or fair value through other comprehensive income, financial assets are measured at fair value through profit or loss and recognized in the balance sheet as financial assets at fair value through profit or loss.

Such financial assets are measured at fair value, and any gain or loss arising from remeasurement is recognized in profit or loss. The gain or loss recognized in profit or loss includes any dividends or interest received due to the financial asset.

(2) Impairment of financial assets

The Group's investments in debt instruments at fair value through other comprehensive income and financial assets measured at amortized cost are recognized as expected credit losses with an allowance for losses provided. An allowance for losses on an investment in a debt instrument measured at fair value through other comprehensive income is recognized in other comprehensive income without reducing the carrying amount of the investment.

The Group measures expected credit losses in a way that reflects the following:

A. An unbiased, probability-weighted amount determined by evaluating each potential outcome
B. Time value of money
C. Reasonable and corroborative information related to past events, present conditions, and future economy forecasts (which can be accessed without an excessive cost or investment on the balance sheet date)

The methods of measuring an allowance for losses are specified below:

A. Measured at 12-month expected credit losses: Including financial assets with the credit risk not increasing significantly since the initial recognition or those with an estimated low credit risk on the balance sheet date. Also, it also includes an allowance for the lifetime expected credit losses during the prior reporting period, without meeting the indicator that the credit risk has significantly increased since the initial recognition on the balance sheet date of this period.
B. Measured at lifetime expected credit losses: Including financial assets with the credit risk increasing significantly since the initial recognition or credit-impaired financial assets purchased or created.
C. For accounts receivable or contract assets arising from transactions within the scope of IFRS 15, the Group measures an allowance for lifetime expected credit losses.
D. For lease receivable arising from transactions within the scope of IFRS 16, the Group measures an allowance for lifetime expected credit losses.

On each balance sheet date, the Group evaluates whether the credit risk of a financial instrument has increased significantly after the initial recognition by comparing the default risk of the financial instrument on the balance sheet date and the initial recognition date. See Note (XII) for information on credit risk.

(3) Derecognition of financial assets

The Group derecognizes a financial asset held in the case of any of the following circumstances:

A. The contractual rights to receive the cash flows from the financial asset have expired.
B. A financial asset is transferred with all the risks and rewards attached to the ownership of the asset substantially transferred to the counterparty.
C. All the risks and rewards attached to the ownership of the asset are neither substantially transferred nor retained, but the control over the asset is transferred.

When a financial asset as a whole is de-recognized, the difference between its carrying amount and the sum of the consideration received or receivable plus any cumulative gain or loss recognized in other comprehensive income is recognized in profit or loss.

(4) Financial liabilities and equity instruments

Classification of liabilities and equity

Liabilities and equity instruments issued by the Group are classified as financial liabilities or equity as per the substance of the agreement and the definitions of financial liabilities and equity instruments.

Equity instrument

Equity instrument refers to any contract that demonstrates the Group's remaining interest in assets less all of its liabilities. Equity instruments issued by the Group are recognized at the acquisition prices, less the direct issuance cost.

Financial liabilities

Financial liabilities that fall within the scope of IFRS 9 are classified as either financial liabilities at fair value through profit or loss or financial liabilities at amortized cost upon initial recognition.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated at fair value through profit or loss.

When satisfying one of the criteria below, it is classified as a liability held for trading:

A. The acquisition is mainly for short-term sale;
B. It is part of a portfolio of identifiable financial instruments that are managed on a consolidated basis upon initial recognition, with evidence showing that the portfolio has recently been used to make a short-term profit; or
C. Derivatives (excluding financial guarantee contracts or effective designated hedging instruments).

For contracts containing one or more embedded derivatives, an overall hybrid (combined) contract can be designated as a financial liability at fair value through profit or loss; when it is aligned with one of the factors below with more relevant information that can be provided, it is designated as a financial liability at fair value through profit or loss upon initial recognition:

A. The designation eliminates or considerably reduces the measurement or recognition inconsistency; or
B. The performance of a group of financial liabilities or a group of financial assets and financial liabilities is managed and measured at fair value in accordance with the written risk management or investment strategies, and the portfolio information provided to the management team within the Group is also measured at fair value.

Any gain or loss arising from remeasurement of such financial liabilities is recognized in profit or loss. The gain or loss recognized in profit or loss includes any interest paid for the financial liability.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost, including payables and borrowings, are subsequently measured using the effective interest rate method after the initial recognition. When financial liabilities are de-recognized and amortized with the effective interest rate method, the relevant gains or losses and amortizations are recognized in profit or loss.

The amortized cost is calculated with the discount or premium and the transaction cost upon acquisition taken into account.

Derecognition of financial liabilities

When the obligations of financial liabilities are lifted, cancelled, or expire, the financial liabilities are derecognized.

When the Group exchanges debt instruments with materially different terms with a creditor or significantly changes all or part of the terms of the existing financial liabilities (financial difficulties or not), the initial liabilities are derecognized and new liabilities are recognized. When a financial liability is derecognized, the difference between its carrying amount and the total consideration paid or payable (including the non-cash assets transferred or the liabilities assumed) is recognized in profit or loss.

(5) Offset of financial assets and liabilities

Financial assets and financial liabilities can only be offset and presented in the balance sheet as a net amount when the recognized amount is legally entitled to be offset with an intension to be settled in a net amount or realize the asset and settle the liability at the same time.

9. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

(1) in the principal market for the asset or liability; or

(2) in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or most advantageous market should be accessible for the Group to trade in.

The fair value of an asset or a liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

10. Inventories

Inventories are valued at the lower of cost or net realizable value with an item-by-item comparison method.

Costs refer to the costs incurred in bringing inventories to a condition and location ready for sale or production. Raw materials are valued at the actual purchase cost with a weighted average method.
Finished goods and works-in-process include direct raw materials, labor, and fixed manufacturing overhead apportioned based on normal production capacity, excluding the borrowing costs.

The net realizable value is calculated based on the estimated selling price, less the costs and selling expenses required till completion in the ordinary course of business.

The provision of services is handled in accordance with IFRS 15 outside the scope of inventories.

11. Non-current assets held for sale and discontinued operations

Non-current assets held for sale or disposal groups refer to those that can be sold immediately in general terms or commercial practices under the present circumstances, and the sale is highly likely to be completed within one year. Those classified as non-current assets held for sale and disposal groups are measured at the lower of carrying amount or fair value less disposal costs.

The discontinued operations' income and expenses are recognized on the after-tax basis and based on the continuing operations' income and expenses in the statement of comprehensive income during the reporting period and the prior year (comparative period), respectively even when the Group disposed of a subsidiary and still retained a non-controlling interest in it. The relevant after-tax gains and losses of the discontinued operations are presented separately in the statement of comprehensive income.

Once property, plant or equipment or intangible assets are classified as those held for sale, they are no longer depreciated or amortized.

12. Property, plant and equipment

Property, plants and equipment are accounted for on the basis of acquisition cost and recognized after accumulated depreciation and impairment are deducted. The above costs of dismantling and removing the item and restoring the site on which it is located , and necessary interest expenses arising from unfinished projects. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. When a major component of property, plants and equipment needs to be replaced regularly, the Group regards it as an individual asset and recognizes it separately with a specific useful life and a depreciation method. The carrying amount of the replaced part should be derecognized in accordance with the requirement for derecognition under IAS 16 "Property, Plant and Equipment". If a major examination or repair cost meets the criteria for recognition, it is regarded as a replacement cost and recognized as part of the carrying amount of plants and equipment, while other repair and maintenance expenses are recognized in profit or loss.

Assets below are depreciated on a straight-line basis over the estimated useful lives:

Type of asset	Useful lives
Buildings	3–60 years
Machinery and equipment	3–11 years
Transportation equipment	3–6 years
Office equipment	2–5 years
Leasehold improvements	5–10 years
Other equipment	2–40 years

After the initial recognition of property, plants and equipment or any significant parts, if it is disposed of or no economic effect arising from the use or disposal is expected, it will be derecognized and recognized in profit or loss.

The residual value, years of useful life, and depreciation method of property, plants and equipment are assessed at the end of each fiscal year. If the expected value is different from the previous estimate, the change is considered as a change in accounting estimates.

13. Leases

The Group assesses whether or not an contract is (or includes) a lease contract on the inception of the contract . If an contract transfers control over the use of an identified asset for a period of time in exchange for consideration, the contract is (or includes) a lease contract. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, an entity shall assess whether, throughout the period of use, the customer has both of the following :

(1) the right to obtain substantially all of the economic benefits from the use of the identified asset; and
(2) the right to direct the use of the identified asset.

For a contract that is, or contains, a lease, an entity shall account for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Company shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge an entity for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the lessee shall estimate the stand-alone price, maximising the use of observable information.

The Group as lessee

In addition to meeting and selecting short-term leases or leases of low-value underlying assets, when the Group is the lessee of a lease contract, all leases are recognized in right-of-use assets and lease liabilities.

The Group measures the lease liabilities at the commencement date based on the present value of the lease payments not yet paid on that date. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

(1) fixed payment (including in-substance fixed payment) less any lease incentives receivable;
(2) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
(3) amount expected to be payable by the lessee under the residual value guarantee;
(4) the exercise price of purchase option if the lessee is reasonably certain to exercise that option; and
(5) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Group measures the lease liabilities at amortized cost, and increases the carrying amount of the lease liabilities using the effective interest method to reflect the interest on the lease liabilities; the lease payments reduce the carrying amount of the lease liabilities.

At the commencement date, the Group measures the right-of-use assets at cost. The cost of the right-of-use assets shall comprise:

(1) the amount of the initial measurement of the lease liability;
(2) any lease payments made at or before the commencement date, less any lease incentives received;
(3) any initial direct costs incurred by the lessee; and
(4) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Subsequent measurement of the right-of-use assets is presented after the cost less the accumulated depreciation and accumulated impairment loss, i.e. the cost model is applied to measure the right-of-use assets.

If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use assets reflects that the Group will exercise a purchase option, the Group shall depreciate the right-ofuse asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group shall depreciate the right-of-use assets from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Group applies IAS 36 "Impairment of Assets" to determine whether a right-of-use asset is impaired and to deal with any identified impairment losses.

In addition to meeting and selecting short-term leases or leases of low-value underlying assets, the Group presents right-of-use assets and lease liabilities in the balance sheet, and presents lease-related depreciation expenses and interest expenses separately in the statement of comprehensive income.

For short-term leases and leases of low-value underlying assets, the Group chooses to adopt the straight-line basis or another systematic basis to recognize the lease payments related to said leases in expenses over the lease term.

For the rent concessions as a direct result of the COVID-19 pandemic, the Group elected not to assess if it was a lease modification and treated it as changes in lease payments, while applying this practical expedient to all eligible rent concessions.

14. Intangible assets

Intangible assets that are acquired separately are initially measured at cost. The cost of intangible assets acquired through a business combination is the fair value at the acquisition date. After initial recognition, an intangible asset shall be carried at its cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets that do not meet the recognition criteria shall not be capitalized, but shall be recognized in profit or loss when they occur.

The useful life of intangible assets is divided into finite and indefinite useful life.

Intangible assets with a finite useful life are amortized over their useful life, and an impairment test is performed when there are signs of impairment. The amortization period and method of intangible assets with finite useful life are reviewed at least at the end of each fiscal year. If the estimated useful life of an asset is different from the previous estimate, or the expected pattern of future economic benefit consumption has changed, the amortization method or period will be adjusted and considered as a change in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but impairment tests are conducted to each asset or based on the level of cash-generating units each year. Intangible assets with indefinite useful lives are assessed in each period whether there are events and circumstances that continue to support that the asset's useful life is still indefinite. If the useful life is changed from indefinite to finite, the application will be applied prospectively.

The profit or loss arising from the derecognition of an intangible asset is recognized as profit or loss.

The Group's accounting policy for intangible assets is summarized as follows:

	Patent
Useful lives	Finite (6–19 years)
Amortization method	Straight line method
Internal generation or external acquisition	Internal generation and external acquisition

15. Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 “Impairment of Assets” may be impaired. If there is any indication of impairment or an impairment test is required for an asset on a regular basis each year, the Group tests the individual asset or the cash-generating unit to which the asset belongs. If the carrying amount of an asset or the cash-generating unit to which the asset belongs is greater than the recoverable amount in an impairment test, the impairment loss is recognized. The recoverable amount is the higher of fair value or value in use.

At the end of each reporting period, the Group assesses assets other than goodwill to see whether there are indications that the previously recognized impairment losses may no longer exist or may be decreased. In the event of such an indication, the Group estimates the recoverable amount of the asset or cash-generating unit. If the recoverable amount is increased due to the change in the estimated service potential of the asset, the impairment amount is reversed. However, the reversed carrying amount shall not exceed that before recognizing impairment loss and after deducting depreciation or amortization.

The impairment loss and reversal amount of the continuing operations are recognized in profit or loss.

16. Recognition of revenue

The Group’s revenue from customer contracts is mainly from the sales of goods. The accounting treatments are specified below:

<u>Sales of goods</u>

The Group manufactures and sells products and recognizes revenue when the promised products are delivered to a customer and the customer obtains control over them (i.e., the customer’s ability to guide the use of the products and obtain almost all the remaining benefits of the products). Its main products are golf equipment, including the golf club heads. Revenue is recognized on the basis of the prices stated in the contracts, less estimated returns, discounts, and other similar discounts and allowances.

The credit period of the Group’s goods sold ranges from 30 to 90 days. Most of the contracts are recognized as accounts receivable when the control over the goods is transferred with an unconditional right to receive consideration. Such accounts receivable are usually short-term and do not contain significant financial components. A small number of contracts with goods transferred to customers still bear no unconditional right to receive consideration are recognized as contract assets, for which an allowance for impairment should be measured over the lifetime ECLs in accordance with IFRS 9.

17. Borrowing costs

Borrowing costs that can be directly attributable to the acquisition, construction, or production of qualified assets are capitalized as part of the costs of the assets. All other borrowing costs are recognized as expenses in the period in which they are incurred. Borrowing costs include interest and other costs incurred in relation to borrowings.

18. Post-employment benefit plans

The pension plan for the Group's employees applies to all full-time employees. The employee pension fund is fully contributed to the Labor Pension Reserves Committee and deposited in the pension fund account. The aforementioned pension is deposited in the name of the Labor Pension Reserves Committee, which is completely separate from the Company and domestic subsidiaries, so it is not included in the consolidated financial statements in the preceding paragraph. The pension plan for employees at overseas subsidiaries is handled in accordance with local laws and regulations.

For the defined contribution pension plan, the monthly pension payable rate of the Company shall not be less than 6% of the employees' monthly salary, and the amount of the provision shall be recognized in current expenses; overseas subsidiaries make contributions at specified local rates and recognize them in current expenses.

The post-employment benefit plan that is a defined benefit plan is accounted for using the projected unit benefit method based on an actuarial report on the end date of the annual reporting period. The remeasurement of the net defined benefit liabilities (assets) includes any movements in the return on the plan asset and the effects of asset cap, less the amount of net interest included in the net defined benefit liabilities (assets) and actuarial gains and losses. The net defined benefit liability (asset) remeasurement is included in other comprehensive income when incurred and immediately recognized in the retained earnings. The service cost from the prior period is a change in the present value of the defined benefit obligation arising from a plan modification or a reduced plan and is recognized in expenses at the earlier of date of (1) or (2) below:

(1) When a plan modification or a reduced plan takes place; or
(2) When the Group recognizes relevant restructuring costs or severance benefits.

The net interest on the net defined benefit liability (asset) is determined by multiplying the net defined benefit liability (asset) by a discount rate, both of which are determined at the beginning of an annual reporting period. Then, any changes in the net defined benefit liability (asset) due to contributions and benefit payments during the period are considered.

19. Income taxes

Tax expense (tax income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

<u>Current income taxes</u>

The current income taxes liabilities (assets) related to the current and prior periods are measured at the legislated or substantially legislated tax rates and tax laws at the end of the reporting period. The current income taxes related to the items recognized in other comprehensive income or directly recognized in the equity is recognized in other comprehensive income or equity instead of being recognized in the profit or loss.

A surtax of the profit-seeking enterprise income taxes levied on the undistributed earnings is recognized as income taxes expense on the date when the distribution of earnings is resolved.

Deferred tax

The deferred tax is calculated according to the temporary difference between the taxable amount of assets and liabilities and the carrying amount on the balance sheet at the end of the reporting period.

A deferred tax liability shall be recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from:

(1) The initial recognition of goodwill, or the initial recognition of an asset or liability that does not arise from a business combination and does not affect accounting profits and taxable income (loss) at the time of the transaction conducted;
(2) The taxable temporary difference arising from the investment in subsidiaries, associates, and interests in joint arrangements. Also, the timing of reversal is controllable, and it is not likely to be reversed in the foreseeable future.

Except for the following two items, deductible temporary difference and deferred tax assets arising from the taxable losses and income taxes credit are recognized within the range of probable future taxable income:

(1) It is related to the deductible temporary difference from the initial recognition of an asset or liability that does not arise from a business combination and does not affect accounting profits and taxable income (loss) at the time of the transaction conducted;
(2) It is related to the deductible temporary differences arising from the investment in subsidiaries, associates, and interests in joint arrangements. It is recognized within the range of probable reversal in the foreseeable future and there is sufficient taxable income at the time the temporary difference occurred.

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and deferred tax assets shall reflect the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. If the deferred tax is related to items that are not included in the profit or loss, it will not be recognized in profit or loss, but recognized in other comprehensive income according to the relevant transactions or directly recognized in equity. Deferred tax assets are reexamined and recognized at the end of each reporting period.

Deferred tax assets and liabilities can be legally offset against each other only in the current period, and the deferred tax is related to the same taxation entity and is related to the income taxes levied by the same taxation authority.

(V) Significant Accounting Judgments, Estimations and Assumptions

When the consolidated financial statements are prepared by the Group, the management must make judgments, estimates, and assumptions at the end of the reporting period, which will affect the disclosures of income, expenses, assets and liabilities, and contingent liabilities. However, the uncertainty of these significant assumptions and estimates may result in a significant adjustment to the book value of an asset or liability in the future period.

Estimation and assumption

The main source of information on the estimation and assumption with uncertainty at the end of the reporting period has significant risks that result in significant adjustments to the carrying amounts of assets and liabilities in the next fiscal year. The explanations are given as follows:

(1) Fair values of financial instruments

When the fair values of financial assets and financial liabilities recognized in the balance sheet cannot be obtained from the active market, the fair value will be determined using evaluation techniques, including the income approach (such as cash flow discount model) or market approach. The changes in the assumptions of said approaches will affect the fair value of the financial instruments reported. Please refer to Note (XII) for details.

(2) Inventories

The net realizable value of inventories is estimated based on the most reliable evidence of the expected realizable number of inventories available upon estimation by taking into accounting the fact that the inventory may be damaged or wholly or partially obsolete, or the selling price has dropped. Please refer to Note (VI) for details.

(3) Impairment of non-financial assets

An impairment occurs when the carrying amount of an asset or a cash-generating unit exceeds the recoverable amount thereof. The recoverable amount refers to the fair value, less the cost of disposal or the value in use, whichever is higher. The fair value, less the cost of disposal, is calculated at the price that can be received or paid for the transfer of a liability in an orderly transaction between market participants at the measurement date, an amount after the incremental costs directly attributable to the disposal of the asset or cash-generating unit are deducted. Value in use is calculated with a discounted cash flow model.

(4) Post-employment benefit plan

The defined benefit cost of the post-employment benefit plan and the present value of the defined benefit obligation depend on the actuarial valuation results. Actuarial valuation involves various assumptions, including discount rates and movements in expected rate of salary increase or decrease.

(5) Income taxes

The uncertainty of income taxes exists in the interpretation of complex tax regulations and the amount and timing of future taxable income. Due to a wide range of international business relationships and the long-term and complexity of contracts, the differences between actual results and assumptions made, or changes in such assumptions in the future, may cause the booked income taxes benefits and expenses to be adjusted in the future. The recognition of income taxes is a reasonable estimation made according to the possible audit results of the local tax authorities of the countries in which the Group operates. The amount recognized is based on different factors, such as previous tax audit experience and the difference in tax law interpretation between the tax entity and the tax authority. The difference in interpretation may result in a variety of issues due to the local situation of the country where an individual enterprise of the Group operates.

(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

The carryforwards of the taxable loss and income taxes credit and deductible temporary differences are recognized as deferred tax assets within the range of probable future taxable income or taxable temporary differences. The amount of the deferred income taxes assets to be recognized is estimated according to the possible timing and level of the future taxable income and taxable temporary difference, and also, the future tax planning strategy.

(VI) Description of Significant Account

1. Cash and cash equivalents

	2022.12.31	2021.12.31
Cash on hand and demand deposits	$1,527,189	$1,218,171
Time deposits	1,449,115	852,382
Total	$2,976,304	$2,070,553

2. Financial assets at fair value through other comprehensive income

	2022.12.31	2021.12.31
Debt instrument investments at fair value through other comprehensive income - non-current:		
Corporate bonds	$85,198	$105,149
Equity instrument investments at fair value through other comprehensive income - non-current:		
Unlisted stocks	1,800	1,800
Total	$86,998	$106,949

The Group did not provide financial assets at fair value through other comprehensive income as collateral.

See Note (VI)13 for details of an allowance for losses on debt instrument investments measured at fair value through other comprehensive income and Note (XII) for information on credit risk.

3. Notes receivable and notes receivable - related parties

	2022.12.31	2021.12.31
Notes receivable	$-	$52
Less: Allowance for losses	—	—
Subtotal	—	52
Notes receivables - related parties	—	—
Less: Allowance for losses	—	—
Subtotal	—	—
Total	$-	$52

The Group did not receive collateral for the notes receivable.

(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

The Group assessed impairment as per IFRS 9. See Note (VI).13 for information on an allowance for losses and Note (XII) for information on credit risk.

4. Accounts receivables and accounts receivables - related parties

	2022.12.31	2021.12.31
Accounts receivable	$1,397,582	$1,487,487
Less: Allowance for losses	(2,412)	(1,712)
Subtotal	1,395,170	1,485,775
Accounts receivables - related parties	8,157	35,189
Less: Allowance for losses	(8)	(142)
Subtotal	8,149	35,047
Total	$1,403,319	$1,520,822

The Group did not receive collateral for the accounts receivable.

The Group’s credit period for clients usually ranges from 30 to 90 days. The gross carrying amounts at December 31, 2022 and 2021 were NT$1,405,739 thousand and NT$1,522,676 thousand, respectively. See(VI).13 for the information on an allowance for losses for 2022 and 2021 and Note (XII) for the information on credit risk.

5. Inventories

	2022.12.31	2021.12.31
Raw materials	$188,744	$186,428
Supplies	103,189	113,784
Work in progress	394,724	362,002
Finished goods	201,655	305,278
Inventory in transit	—	22,026
Total	$888,312	$989,518

The Group's operating costs recognized in expenses for 2022 and 2021 amounted to NT$5,479,396 thousand and NT$5,392,557 thousand, respectively, including the inventory valuation losses recognized of NT$7,129 thousand and NT$24,446 thousand, respectively.

No collateral is provided for the above inventories.

6. Non-current assets held for sale and discontinued operations

(1) Discontinued operations

With the consideration for long-term operations and production cost reduction, the Group dissolved and liquidated INDA Composite Technology (Shenzhen) Co., Ltd. in March 2020 by the resolution of the Board of Directors; and it ceased production since May of the same year. The cancellation of its company registration was completed on December 31, 2020; thus, the liquidation of INDA Composite Technology (Shenzhen) Co., Ltd. has been completed. Also, its parent company, INDA Nano Industrial Corp., engaging in the trading of bicycle spare parts and investment in INDA Composite Technology (Shenzhen) Co., Ltd. was dissolved and liquidated on February 5, 2021 by the resolution of the shareholders' meeting, and the remaining funds were distributed to shareholders (the part distributed to O-TA BVI. has been written off when the consolidated financial statements were prepared). The registration of the dissolution was completed on May 3, 2021.

(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

The profit or loss and cash flows of the above discontinued operations are as follows:

	2022	2021
Profit or loss of discontinued operations:		
Operating revenue	$-	$-
Operating costs	—	—
Gross loss from operations	—	—
Operating expenses	—	(3,744)
Net operating loss	—	(3,744)
Non-operating income and expenses	—	26
Net loss before tax	—	(3,718)
Income tax expense	—	—
Net loss from discontinued operations	$-	($3,718)
Profit or loss of discontinued operations attributable to:		
Owners of the parent company	$-	($1,896)
Non-controlling interests	—	(1,822)
	$-	($3,718)
Cash flow of discontinued operations:		
Net cash outflow from operating activities	$-	($3,718)
Net cash inflow from investing activities	—	—
Net cash outflow from financing activities	—	(180,864)
Net cash outflow	$-	($184,582)

(2) Disposal of subsidiaries

A. Analysis of assets and liabilities over which the control is lost

Since the date of resolution by the Board of Directors, INDA Nano Industrial Corp. has settled all its liabilities before completing the registration of its dissolution on May 3, 2021 and returned the remaining capital to shareholders.

B. Gain or loss on disposal

	2021
Capital received - to owners of the parent company	$92,241
Net worth of subsidiary disposed off	(92,241)
Cumulative exchange differences reclassified from equity to profit or loss due to loss of control over subsidiary	—
Total	$-

7. Property, plant and equipment

	2022.12.31	2021.12.31
Property, plant and equipment for self-use	$685,859	$609,238

(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

	Land	Buildings	Machinery and equipment	Office equipment	Transportation equipment	Leasehold improvements	Other equipment	Unfinished construction work	Total
Cost:									
2022.01.01	$65,877	$54,158	$576,282	$81,206	$15,621	$265,651	$71,949	$-	$1,130,744
Additions	—	—	147,863	4,791	1,011	20,477	9,677	133	183,952
Disposal	—	—	(5,854)	(86)	(1,350)	—	(7,670)	—	(14,960)
Transfer	—	—	—	—	—	—	—	—	—
Effects of changes in foreign exchange rates	—	—	8,126	253	77	3,855	887	—	13,198
2022.12.31	$65,877	$54,158	$726,417	$86,164	$15,359	$289,983	$74,843	$133	$1,312,934
2021.01.01	$65,877	$54,158	$444,009	$77,963	$14,981	$239,681	$54,665	$1,920	$953,254
Additions	—	—	150,177	3,353	1,725	24,334	17,456	1,371	198,416
Disposal	—	—	(16,165)	(45)	(1,065)	(408)	(263)	—	(17,946)
Transfer	—	—	—	—	—	3,027	256	(3,283)	—
Effects of changes in foreign exchange rates	—	—	(1,739)	(65)	(20)	(983)	(165)	(8)	(2,980)
2021.12.31	$65,877	$54,158	$576,282	$81,206	$15,621	$265,651	$71,949	$-	$1,130,744
Depreciation and impairment:									
2022.01.01	$-	($31,914)	($184,430)	($67,724)	($9,812)	($182,661)	($44,965)	$-	($521,506)
Depreciation	—	(898)	(59,653)	(6,113)	(2,000)	(28,031)	(15,731)	—	(112,426)
Disposal	—	—	3,370	67	1,155	—	7,566	—	12,158
Effects of changes in foreign exchange rates	—	—	(2,114)	(163)	(51)	(2,493)	(480)	—	(5,301)
2022.12.31	$-	($32,812)	($242,827)	($73,933)	($10,708)	($213,185)	($53,610)	$-	($627,075)
2021.01.01	$-	($30,959)	($146,024)	($61,235)	($9,121)	($157,751)	($33,981)	$-	($439,071)
Depreciation	—	(955)	(45,401)	(6,571)	(1,719)	(25,924)	(11,273)	—	(91,843)
Disposal	—	—	6,530	45	1,015	408	204	—	8,202
Effects of changes in foreign exchange rates	—	—	465	37	13	606	85	—	1,206
2021.12.31	$-	($31,914)	($184,430)	($67,724)	($9,812)	($182,661)	($44,965)	$-	($521,506)
Net carrying amount:									
2022.12.31	$65,877	$21,346	$483,590	$12,231	$4,651	$76,798	$21,233	$133	$685,859
2021.12.31	$65,877	$22,244	$391,852	$13,482	$5,809	$82,990	$26,984	$-	$609,238

The Group's property, plants and equipment were not provided as collateral nor mortgaged.

8. Intangible assets

	Patent
Cost:	
2022.01.01	$50,088
Additions	543
Derecognition	(427)
Effects of changes in foreign exchange rates	630
2022.12.31	$50,834
2021.01.01	$49,696
Additions	621
Derecognition	(51)

(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

	Patent
Effects of changes in foreign exchange rates	(178)
2021.12.31	$50,088
Amortization and impairment:	
2022.01.01	($7,838)
Amortization	(2,587)
Derecognition	427
Effects of changes in foreign exchange rates	(50)
2022.12.31	($10,048)
2021.01.01	($5,383)
Amortization	(2,512)
Derecognition	51
Effects of changes in foreign exchange rates	6
2021.12.31	($7,838)
Net carrying amount:	
2022.12.31	$40,786
2021.12.31	$42,250

The amortization amounts of intangible assets recognized are as follows:

	2022	2021
Operating costs	$2,214	$2,167
Operating expenses	$373	$345

9. Short-term borrowings

The details are as follows:

	2022.12.31	2021.12.31
Secured bank loans	$440,000	$430,000
Interest rate range		
Collateral	1.15%～1.75%	0.71%～0.98%
Maturity date	2023.01.05～ 2023.05.31	2022.01.03～ 2022.04.27

As of December 31, 2022 and 2021, the Group's unused short-term lines of credits amounted to about NT$900,000 thousand and NT$940,000 thousand, respectively.

The secured bank loans is jointly guaranteed by the key management personnel. See Note (7) for details of the guarantee provided.

10. Post-employment benefit plan

Defined contribution plans

The Company has an employee retirement plan stipulated in accordance with the Labor Pension Act, which is a defined contribution plan. According to the articles, the amount appropriated by the Company monthly to labor pension shall not be less than 6% of the worker’s monthly wage. The Company makes a monthly contribution equivalent to 6% of the employees’ monthly salary to the personal pension account with the Bureau of Labor Insurance as per the Act.

Harvest Fair, the Company’s subsidiary, pays the mandatory provident fund in accordance with the provisions of the Mandatory Provident Fund Schemes Ordinance of Hong Kong.

In accordance with the regulations in China, the Company’s subsidiaries Jiangxi O-TA and VGT appropriate a certain percentage of employees’ wage to the pension insurance fund, which is paid to the relevant government authorities and saved in a separate account for each employee.

The defined contribution plan expenses recognized by the Group for 2022 and 2021 were N$ 84,965 thousand and NT$69,440 thousand, respectively.

Defined benefit plan

The Company has an employee pension plan stipulated in accordance with the Labor Standards Act, which is a defined benefit plan. The employee pension to be paid is counted based on the number of points accumulated based on the length of service and the average monthly salary when the retirement is approved. Two points are granted for each year of service for the first 15 years and one point for each additional year thereafter, subject to a maximum of 45 units. The Company makes a contribution equal to 13% of the total salaries every month as a pension fund and deposit it in the account in the name of the Supervisory Committee of Labor Retirement Reserve with the Bank of Taiwan. In addition, the Company assess the balance in the aforementioned labor pension reserve account at the end of each year. If the account balance is insufficient to pay the pensions calculated in the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions to make up for the deficit by the end of March of the following year. Since April 27, 2004, the Company has been making a monthly contribution to the pension reserve equal to 4% of the total salaries paid to the directors who are also managers, which was approved by the National Taxation Bureau of the Southern Area (MOF) with the approved letter Chao-Zhou-I No.0930009057 dated April 27, 2004.

The Ministry of Labor allocates assets in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. Investments using the pension fund are made by the ministry itself and an agency, to make strategic medium- and long-term investments in both active and passive manners. Considering the market, credit, liquidity, and other risks, the Ministry of Labor has set a risk limit for the fund and has control plans in place so that there is enough flexibility to achieve the target return without assuming excessive risks.

(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

With regard to the utilization of the fund, its minimum earnings in the annual distributions of the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings are less than aforementioned rates, the government shall make up for the difference after being approved by the competent authorities. The Company has no right to participate in managing and operating the fund, so the Company is unable to disclose the classification of the fair value of plan assets in accordance with paragraph 142 of IAS 19. As of December 31, 2022, the Company plans to contribute NT$8,820 thousand for the defined benefit plan for the following year.

As of December 31, 2022 and 2021, the Company's defined benefit plan is expected to expire in 9 years and 10 years, respectively.

The costs of the defined benefit plan recognized in profit or loss are compiled in the table below:

	2022	2021
Current service cost	$443	$425
Net interest on net defined benefit liability	153	92
Total	$596	$517

The reconciliation of the present values of defined benefit obligations and the fair values of plan assets is as follows:

	2022.12.31	2021.12.31
Present values of defined benefit obligations	$91,679	$99,878
Fair values of plan assets	(81,915)	(67,312)
Other non-current liabilities - net defined benefit liabilities (assets)	$9,764	$32,566

(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

Reconciliation of net defined benefit liability (asset):

	Present values of defined benefit obligations	Fair values of plan assets	Net defined benefit liabilities (assets)
2022.01.01	$99,878	($67,312)	$32,566
Current service cost	443	—	443
Interest expense (income)	485	(332)	153
Subtotal	100,806	(67,644)	33,162
Net defined benefit liabilities/Asset remeasurement:			
Actuarial gains or losses from changes in financial assumptions	(6,615)	—	(6,615)
Experience adjustment	(2,512)	—	(2,512)
Remeasurement of defined benefit assets	—	(5,582)	(5,582)
Subtotal	(9,127)	(5,582)	(14,709)
Benefits paid	—	—	—
Employer's contribution	—	(8,689)	(8,689)
2022.12.31	$91,679	($81,915)	$9,764

	Present values of defined benefit obligations	Fair values of plan assets	Net defined benefit liabilities (assets)
2021.01.01	$102,355	($70,727)	$31,628
Current service cost	425	—	425
Interest expense (income)	308	(216)	92
Subtotal	103,088	(70,943)	32,145
Net defined benefit liabilities/Asset remeasurement:			
Actuarial gains or losses from changes in financial assumptions	(1,799)	—	(1,799)
Experience adjustment	5,378	—	5,378
Remeasurement of defined benefit assets	—	(1,019)	(1,019)
Subtotal	3,579	(1,019)	2,560
Benefits paid	(6,789)	6,789	—
Employer's contribution	—	(2,139)	(2,139)
2021.12.31	$99,878	($67,312)	$32,566

The main assumptions below are adopted to determine the Group's defined benefit plan:

	2022.12.31	2021.12.31
Discount rate	1.29%	0.49%
Expected rate of salary increase	1.50%	1.50%

(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

Sensitivity analysis of each major actuarial assumption:

	2022		2021	
	Increase in defined benefit obligations	Decrease in defined benefit obligations	Increase in defined benefit obligations	Decrease in defined benefit obligations
0.5% increase in discount rate	—	$3,811	—	$4,671
0.5% decrease in discount rate	$4,048	—	$4,834	—
Expected salary increase by 0.5%	$3,959	—	$4,843	—
Expected salary decrease by 0.5%	—	$3,764	—	$4,583

The above sensitivity analysis was conducted on the assumption that other assumptions remain unchanged, and when a single actuarial assumption (such as the discount rate or expected rate of salary) experienced a reasonably possible change, the possible impact on the determined benefit obligations was analyzed. As some actuarial assumptions are associated with each other, it is rare that only a single actuarial assumption experiences a change in practice, so there are limitations in this analysis.

The methods and assumptions adopted in this sensitivity analysis for this period are the same as those adopted in the prior period.

11. Equity

(1) Ordinary shares

As of December 31, 2022 and 2021, the Company's authorized share capital amounted to NT$1,400,000 thousand, and the issued share capital NT$838,000 thousand, with a par value of NT$10 per share. The number of shares was 83,800 thousand at both dates. Each share is entitled to one voting right and to the right to receive dividends.

(2) Capital surplus

	2022.12.31	2021.12.31
Additional paid-in capital	$88,865	$88,865
Others	12,374	12,374
Total	$101,239	$101,239

As per law, capital reserve shall not be used for any purpose except for making up for the Company’s losses. When the Company has no loss, a certain percentage of the income derived from the issuance of new shares at a premium and the income from endowments received by the company shall be applied to replenish the capital per year. The aforementioned capital reserve can be allocated in cash to shareholders in proportion to their shareholdings.

(3) Earnings distribution and dividend policy

As per the Articles of Incorporation, where the Company makes a profit for a fiscal year, it shall distribute the earnings in the order specified below:

A. Paying taxes;
B. Offsetting a deficit;
C. Setting aside 10% of the balance for legal reserve;
D. Setting aside or reverse thespecial reserve in accordance with laws and regulations or the competent authority’s instructions;
E. Any remaining profit, together with any undistributed retained earnings, adopted by the Board of Directors as the basis for making a distribution proposal, which shall then be reported to the shareholders’ meeting.

If the above distribution of shareholder dividends is conducted in the form of cash, the Board of Directors is delegated to do so after it is approved by more than half of the directors present at a board meeting attended by at least two-thirds of all directors and report to the shareholders' meeting.

The Company's dividend distribution policy depends on factors of the Company's current and future investment environment, capital needs, domestic and international competition, and capital budgets, as well as shareholders' interest, dividend equalization, and the Company's long-term financial plan. The Board of Directors draws up a distribution proposal as per law and reports it to the shareholders' meeting per year. The Company provides no lower than 50% of the distributable earnings for shareholder dividends per year, with the priority given to cash dividends, and stock dividends may also be paid out. The total amount of cash dividends to be paid out shall not be lower than 50% of the total shareholder dividends to be paid out.

As per the Company Act, the Company shall set aside a legal reserve unless its total amount has reached the amount of the total paid-in capital. The legal reserve may be used to offset a deficit. When the Company has no loss, the portion of the legal reserve that exceeds 25% of the paid-in capital may be used to distribute shares or cash to shareholders in proportion to their shareholdings.

When distributing the distributable earnings, the Company retroactively sets aside a special reserve for the difference between the balance of the special reserve and the net deduction of other equity items as per law when the IFRS is adopted for the first time. If there is a subsequent reversal of the net deduction of other equity, the special reserve may be reversed for the portion of the net deduction of other equity reversed to distribute earnings.

In accordance with the Letter Jin-Guan-Zheng- Fa-Zi No. 1090150022 issued by the FSC dated March 31, 2021, a special reserve shall be set aside for the unrealized revaluation gains and cumulative translation adjustment (gains), which were reclassified to retained earnings on the conversion date due to the adoption of exemptions under IFRS 1 “First-time Adoption of International Financial Reporting Standards” when IFRS was first adopted. When the Company uses, disposes of, or reclassifies the relevant assets later, it may reverse the portion of the special reserve in the same percentage to distribute earnings.

(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

The Company's Board of Directors meeting and general shareholders' meetings on March 7, 2023 and May 26, 2022, respectively, resolved on the 2022 and 2021 earnings appropriation and distribution proposal and the dividends per share, respectively. The details are as follows:

	Earnings appropriation and distribution proposal		Dividends per share (NT$)	
	2022	2021	2022	2021
Legal reserve	$180,491	$168,623		
Special reserve provided (reversed)	($121,777)	$40,804		
Cash dividends from ordinary shares (Note)	$1,076,830	$1,148,060	$12.85	$13.70

Note: The Board of Directors of the Company has been delegated by the Articles of Incorporation and approved the 2021 ordinary share cash dividend proposal by resolution on March 3, 2022.

Please refer to Note (VI).15 for the relevant information on the estimation basis and recognized amounts of employee remuneration and directors’ remuneration.

12. Operating revenue

	2022	2021
Revenue from customer contracts		
Revenue from product sales	$7,632,423	$7,820,204
Other operating revenue	67,899	59,928
Total	$7,700,322	$7,880,132

The Group's revenue from customer contracts for 2022 and 2021 is as follows:

(1) Breakdown of revenue

2022

	Golf equipment segment	Other segments	Total
Sales of goods	$7,177,209	$455,214	$7,632,423
Others	67,899	－	67,899
Total	$7,245,108	$455,214	$7,700,322
Timing of revenue recognition:			
At certain point in time	$7,245,108	$455,214	$7,700,322

(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

2021

	Golf equipment segment	Other segments	Total
Sales of goods	$7,476,010	$344,194	$7,820,204
Others	59,928	—	59,928
Total	$7,535,938	$344,194	$7,880,132
Timing of revenue recognition:			
At certain point in time	$7,535,938	$344,194	$7,880,132

(2) Transaction prices apportioned to unfulfilled performance obligations

None.

(3) Assets recognized from the costs of obtaining or fulfilling customer contracts

None.

13. Expected credit impairment

	2022	2021
Operating expenses - expected credit impairment losses (gains)		
Notes receivable	$-	$-
Accounts receivable	465	(12,716)
Total	$465	($12,716)

See Note (XII) for information on credit risk.

The Group's receivables (including notes and accounts receivable) are measured at the lifetime expected credit losses. The details of an allowance for losses on December 31, 2022 and 2021 are as follows:

2022.12.31

	Not past due	Number of days past due				
	(Note)	Less than 90 days	91-180 days	181-360 days	361 days and more	Total
Gross carrying amount	$1,402,346	$178	$3,215	$-	$-	$1,405,739
Loss ratio	0.10%	16.53%	30.00%	—	—	
Lifetime expected credit losses	(1,426)	(29)	(965)	—	—	(2,420)
Subtotal	$1,400,920	$149	$2,250	$-	$-	$1,403,319
Carrying amount						$1,403,319

(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

2021.12.31

	Not past due	Number of days past due				
	(Note)	Less than 90 days	91-180 days	181-360 days	361 days and more	Total
Gross carrying amount	$1,520,397	$2,331	$-	$-	$-	$1,522,728
Loss ratio	0.11%	9.76%	－	－	－	
Lifetime expected credit losses	(1,626)	(228)	－	－	－	(1,854)
Subtotal	$1,518,771	$2,103	$-	$-	$-	$1,520,874
Carrying amount						$1,520,874

Note: The Group's all notes receivable are not overdue.

The movements in the allowances for losses on the Group's notes and accounts receivable for 2022 and 2021 are as follows:

	Notes receivable	Accounts receivable
2022.01.01	$-	$1,854
Increase in this period	－	465
Effects of changes in foreign exchange rates	－	101
2022.12.31	$-	$2,420
2021.01.01	$-	$14,609
Decrease in this period	－	(12,716)
Effects of changes in foreign exchange rates	－	(39)
2021.12.31	$-	$1,854

14. Leases

The Group as lessee

The Group has leased a number of different assets including property (land and buildings) and transportation equipment. The lease term under each contract ranges from one to 50 years.

The impact of leasing on the Group's financial position, financial performance, and cash flows is specified below:

A. Amounts recognized in the balance sheet

(a) Right-of-use assets

(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

Carrying amount of right-of-use assets

	2022.12.31	2021.12.31
Land	$53,265	$50,864
Buildings	74,770	108,639
Transportation equipment	23	305
Total	$128,058	$159,808

The Company acquired right-of-use assets in the amount of NT$8,650 thousand and NT$13,496 thousand during 2022 and 2021, respectively.

(b) Lease liabilities

	2022.12.31	2021.12.31
Lease liabilities	$74,784	$109,682
Current	$28,694	$46,644
Non-current	46,090	63,038
Total	$74,784	$109,682

Please refer to Note (VI).16 "Financial costs" for the details of interest expenses for the Group's lease liabilities in 2022 and 2021; please refer to Note (XII).5 "Liquidity risk management" for the details of the maturity analysis of lease liabilities.

B. Amounts recognized in the statement of comprehensive income

Depreciation of right-of-use assets

	2022	2021
Land	$1,418	$1,501
Buildings	44,437	41,405
Transportation equipment	282	282
Total	$46,137	$43,188

C. Lessee's income and expenses related to leasing activities

	2022	2021
Expenses of short-term leases	$158	$1,228
Expenses for leasing of low-value assets (excluding expenses for short-term leasing of low-value assets)	$-	$-

The rent concessions received by the Group as a direct result of the COVID-19 pandemic for 2022 and 2021 were NT$0 and NT$2,361 thousand, which were recognized in other income to reflect the changes in lease payments arising from the practical expedient adopted.

D. Lessee's cash outflows from leasing activities

(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

The amounts of the Group's cash outflows from leasing activities during 2022 and 2021 were NT$49,723 thousand and NT$50,625 thousand, respectively.

E. Other information on leasing activities

Option for lease extension and option for lease termination

The Group's partial property lease contracts include the option to extend the leases. When a lease term is determined, the non-cancellable period for the right to use the underlying asset covers the period, during which it is reasonably certain that the Group will exercise the option to extend the lease, and the period, during which it is reasonably certain that the Group will not exercise the option to terminate the lease. The use of such options maximizes the flexibility of managing such contracts. The option to extend the leases can only be exercised by the Group. When major events or material changes in the circumstances occur after the inception date (under the lessee's control and affecting if it is reasonably certain that the Group will exercise the options that were not included when the lease term was determined or will not exercise the options included when the lease term was determined), the Group reassesses the lease term.

15. Statement of employee benefits, depreciation, depletion, and amortization expenses by function is as follows:

By function / Items	2022			2021		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefit expenses						
Salary and wages	$1,064,715	201,087	$1,265,802	$973,664	255,453	$1,229,117
Labor and health insurance costs	$40,208	11,298	$51,506	$30,740	9,479	$40,219
Pension costs	$77,883	7,678	$85,561	$62,881	7,076	$69,957
Directors' remuneration	$-	37,812	$37,812	$-	37,199	$37,199
Other employee benefit expenses	$62,336	12,426	$74,762	$61,957	10,740	$72,697
Depreciation expense	$136,171	22,392	$158,563	$112,203	22,828	$135,031
Amortization cost	$2,214	373	$2,587	$2,167	345	$2,512

According to the Articles of Incorporation, the Company shall provide 6.5% of the profit, if any, for employees' remuneration and no higher than 1.5% for directors' remuneration, while the Company shall reserve an amount in advance to offset a cumulative deficit, if any. The Company may, by a resolution adopted by a majority vote at a board meeting attended by two-thirds of the total number of directors, decide to pay out the employees remuneration in stock or cash and report to the shareholders' meeting for such distribution. Please visit the Market Observation Post System (MOPS) for information on employee remuneration and directors' remuneration approved by the Board of Directors.

The Group provided no lower than 6.5% and no higher than 1.5% of the profit for 2022 and 2021 as employee remuneration and director's remuneration, respectively. Any difference between the estimated amounts and the amounts paid out by the resolution of the Board of Directors will be recognized in profit or loss for the following year. If the Board of Directors resolves to pay out employee remuneration in stock, the number of shares paid out is counted based on the closing price of the day before the board meeting.

The Company's Board of Directors, on March 7, 2023, resolved to pay out 2022 employee remuneration and directors' remuneration in cash in the amounts of NT$ 141,149thousand and NT$32,573 thousand, respectively. Such amounts are not significantly different from those recognized in expenses in the 2022 financial statements.

(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

There is no significant difference between the amounts of the 2021 employee remuneration and director's remuneration paid out by the Company and the amounts recognized in expenses in the 2021 financial statements.

16. Non-operating income and expenses

(1) Interest income

	2022	2021
Financial assets measured at amortized cost	$32,760	$5,189

(2) Other income

	2022	2021
Other income - others	$62,204	$33,702

(3) Other gains and losses

	2022	2021
Loss on disposal of property, plants and equipment	($1,514)	($4,638)
Net foreign currency exchange gain (loss)	134,984	(40,353)
Others	(408)	(175)
Total	$133,062	($45,166)

(4) Financial costs

	2022	2021
Interest on bank loans	($4,633)	($3,675)
Interest on lease liabilities	(4,082)	(5,326)
Total	($8,715)	($9,001)

(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

17. Components of other comprehensive income

The components of other comprehensive income for 2022 are as follows:

	Arising during this period	Reclassification adjustments during this period	Other comprehensive income	Income taxes benefit (expense)	After-tax amount
Items not reclassified subsequently to profit or loss:					
Actuarial gains or losses on defined benefits	$14,709	$-	$14,709	($2,942)	$11,767
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on the translation of the financial statements of foreign operations	182,038	—	182,038	—	182,038
Unrealized profit or loss of debt instrument investments at fair value through other comprehensive income	(19,951)	—	(19,951)	3,990	(15,961)
Total	$176,796	$-	$176,796	$1,048	$177,844

The components of other comprehensive income for 2021 are as follows:

	Arising during this period	Reclassification adjustments during this period	Other comprehensive income	Income taxes benefit (expense)	After-tax amount
Items not reclassified subsequently to profit or loss:					
Actuarial gains or losses on defined benefits	($2,560)	$-	($2,560)	$512	($2,048)
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on the translation of the financial statements of foreign operations	(30,288)	—	(30,288)	—	(30,288)
Unrealized profit or loss of debt instrument investments at fair value through other comprehensive income	(13,145)	—	(13,145)	2,629	(10,516)
Total	($45,993)	$-	($45,993)	$3,141	($42,852)

(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

18. Income taxes

(1) The major components of income tax expenses (benefits) are as follows:

Income tax recognized in profit or loss

	2022	2021
Current income tax expenses (benefits):		
Income tax payable for the current period	$193,583	$162,379
Income taxes for prior years adjusted into this period	—	852
Deferred tax expenses (benefits):		
Deferred tax expenses (benefits) related to the initial temporary differences and reversal of temporary differences	11,075	128,091
Tax losses, income tax credits, or temporary differences not recognized in prior years and recognized in this period	—	1,259
Income tax expense	$204,658	$292,581

Income tax recognized in other comprehensive income

	2022	2021
Deferred tax expenses (benefits):		
Remeasurement of defined benefit plans	$2,942	($512)
Unrealized profit or loss of debt instrument investments at fair value through other comprehensive income	(3,990)	(2,629)
Income tax related to components of other comprehensive income	($1,048)	($3,141)

(2) The amount of income tax expense and accounting profit multiplied by the applicable income tax rate is adjusted as follows:

	2022	2021
Net income before tax of the continuing operations	$1,997,800	$1,982,756
Income tax counted at the statutory income tax rate that applies to the parent company	$399,560	$395,920
Income tax effect of tax-free income	(211,071)	(236,971)
Income tax effect of non-deductible expenses on tax returns	22	—
Surtax on undistributed earnings	16,196	1,586
Income taxes for prior years adjusted into this period	—	852
Other income tax effects adjusted as per tax laws	(49)	131,194
Total income tax expense recognized in profit or loss	$204,658	$292,581

(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(3) Balance of deferred tax assets (liabilities) related to the items below:

	2022				
	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Effects of changes in foreign exchange rates	Ending balance
Temporary differences					
Inventory valuation losses	$10,630	($1,886)	$-	$-	$8,744
Share of profit or loss of subsidiaries recognized	(198,624)	—	—	—	(198,624)
Net defined benefit liabilities - non-current	5,862	(1,638)	(2,942)	—	1,282
Land value increment tax (Note)	(3,914)	—	—	—	(3,914)
Investment in debt instrument	2,629	—	3,990	—	6,619
Unused tax losses	9,481	—	—	138	9,619
Others	1,036	(7,551)	—	—	(6,515)
Deferred tax (expense) benefit		($11,075)	$1,048	$138	
Deferred tax assets/liabilities, net	($172,900)				($182,789)
The information presented in the balance sheet is as follows:					
Deferred tax assets	$29,638				$26,322
Deferred tax liabilities	($202,538)				($209,111)

	2021				
	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Effects of changes in foreign exchange rates	Ending balance
Temporary differences					
Inventory valuation losses	$7,561	$3,069	$-	$-	$10,630
Expected credit impairment losses	1,220	(1,220)	—	—	—
Share of profit or loss of subsidiaries recognized	(68,536)	(130,088)	—	—	(198,624)
Net defined benefit liabilities - non-current	5,694	(344)	512	—	5,862
Land value increment tax (Note)	(3,914)	—	—	—	(3,914)
Investment in debt instrument	—	—	2,629	—	2,629
Unused tax losses	10,784	(1,259)	—	(44)	9,481
Others	544	492	—	—	1,036
Deferred tax (expense) benefit		($129,350)	$3,141	($44)	
Deferred tax assets/liabilities, net	($46,647)				($172,900)
The information presented in the balance sheet is as follows:					
Deferred tax assets	$25,803				$29,638
Deferred tax liabilities	($72,450)				($202,538)

Note: In accordance with the tax law of the Republic of China, income from land transactions made before January 1, 2016 is exempted for taxation, but at the time of transfer, where the present value for the transfer exceeds the initially stipulated land price or the value recorded for the prior transfer, a land value increment tax shall be levied on the amount in excess of the price/value, less all expenses paid by the landowner for land improvements, which falls within the scope of IAS 12 "Income Taxes". As of December 31, 2022 and 2021, as per the above regulations, the amount of the deferred tax - land value increment tax recognized is NT$3,914 thousand.

(4) Information on unrecognized deferred tax liabilities related to investments

As of December 31, 2022 and 2021, the Company and investees' taxable temporary differences related to, but had yet to be recognized as, deferred tax liabilities amounted to NT$719,522 thousand and NT$ 508,451 thousand, respectively.

(5) Income tax return filings and approval

As of December 31, 2022, the income tax return filings and approval by the Company and its subsidiaries are as follows:

	Income tax return filings and approval
The Company	The income tax returns filed were approved up to 2019.
Subsidiary - O-TA Golf Group Co., Ltd.	The income tax return for 2021 was filed.
Sub-subsidiary - Jiangxi O-TA Precision Technology Co., Ltd.	The income tax return for 2021 was filed.
Sub-subsidiary - Harvest Fair International Limited	The income tax return for 2021 was filed.
Sub-subsidiary - VGT COMPOSITE TECHONOLOGY (HUIZHOU) CO., LTD.	The income tax return for 2021 was filed.

19. Earnings per share

The basic earnings per share is calculated by dividing profit or loss attributable to the holders of the ordinary equity holders of the parent company divided by the weighted average number of ordinary share outstanding in the current period.

The diluted earnings per share is calculated by dividing profit or loss attributable to the holders of the ordinary equity holders of the parent company (after being adjusted for the interest on convertible corporate bonds) divided by the weighted average number of ordinary shares outstanding in the current period plus the weighted average number of ordinary shares to be issued when all dilutive potential ordinary shares were converted into ordinary shares.

	2022	2021
(1) Basic earnings per share		
Attributable to holders of common stock of the parent company		
Profit or loss of continuing operations	$1,793,142	$1,690,175
Profit or loss of discontinued operations	—	(1,896)
Net income	$1,793,142	$1,688,279
Weighted average number of ordinary shares for basic earnings per share (in thousands)	83,800	83,800
Earnings per share of continuing operations	$21.40	$20.17
Earnings per share of discontinued operations	—	(0.02)
Basic earnings per share (NT$)	$21.40	$20.15

	2022	2021
(2) Diluted earnings per share		
Attributable to holders of common stock of the parent company		
Profit or loss of continuing operations	$1,793,142	$1,690,175
Profit or loss of discontinued operations	—	(1,896)
Net income	$1,793,142	$1,688,279
Weighted average number of ordinary shares for basic earnings per share (in thousands)	83,800	83,800
Dilution effect:		
Employee remuneration - stock (in thousand shares)	1,201	1,616
Weighted average number of ordinary shares (in thousand shares) with the dilution effect adjusted	85,001	85,416
Earnings per share of continuing operations	$21.10	$19.79
Earnings per share of discontinued operations	—	(0.02)
Diluted earnings per share (NT$)	$21.10	$19.77

There was no other transaction performed to cause significant changes to the outstanding ordinary shares or the potential ordinary shares after the reporting period and before the release of the financial statements.

(VII) Related Party Transactions

The related parties who engaged in transactions with the Group during the financial reporting period are as follows:

Name of related party and relations

Name of related party	Relations with the Group
TAGA CO.,LTD. (TAGA)	Other related parties
LEE, KUNG-WEN	The Group’s key manager

Material transactions with related parties

1.Sales

	2022	2021
TAGA	$307,633	$453,534

The prices of the Group's sales to related parties are handled based on the general sales conditions, and the payment term is net 60 days after the end of each month.

2.Purchases

	2022	2021
TAGA	$1,248	$1,895

The Group's purchases of goods from related parties are handled based on normal purchase conditions, and the payment term is two months after acceptance.

(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

3.Accounts receivables - related parties

	2022.12.31	2021.12.31
TAGA	$8,157	$35,189
Less: Allowance for losses	(8)	(142)
Net amount	$8,149	$35,047

4.Other receivables - related parties

	2022.12.31	2021.12.31
TAGA	$1	$10

5.Accounts payable - related parties

	2022.12.31	2021.12.31
TAGA	$167	$602

6.Remuneration to the Group's key management personnel

	2022	2021
Short-term employee benefits	$74,119	$65,948

7.Others

(1) The freight and other expenses paid to other related parties during 2022 and 2021 were NT$2,508 thousand and NT$1,619 thousand, respectively, which were recognized in manufacturing overhead.

(2) The income for transport services received from other related parties during 2022 and 2021 were NT$152 thousand and NT$116 thousand, respectively, which were recognized in other income.

(3) As of December 31, 2022 and 2021, the Group issued a promissory note, jointly endorsed/ guaranteed by LEE, KUNG-WEN in the amount of NT$1,691,980 thousand and NT$920,000 thousand, respectively, for the purpose of applying for bank loan facilities and issuing commercial paper.

(VIII) Assets Pledged

The assets below provided by the Group as collateral:

	Carrying amount		
Item	2022.12.31	2021.12.31	Secured liabilities
Other current assets - other financial assets	$500	$500	Import tariffs

(IX) Material Contingent Liabilities and Unrecognized Contractual Commitments

As of December 31, 2022 and 2021, the information on important contracts signed by the Group for equipment purchases and plant renovation are as follows :

(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

Item	2022.12.31 Contract amount	2022.12.31 Outstanding amount	2021.12.31 Contract amount	2021.12.31 Outstanding amount
Equipment purchases	$4,768	$1,923	$78,083	$23,162
Renovation project	8,706	8,573	—	—
Total	13,474	10,496	$78,083	$23,162

(X) Losses Due to Material Disasters

None.

(XI) Material Subsequent Events

None.

(XII) Others

1. Types of financial instruments

Financial assets

	2022.12.31	2021.12.31
Financial assets at fair value through other comprehensive income	$86,998	$106,949
Financial assets measured at amortized cost:		
Cash and cash equivalents (excluding cash on hand)	2,975,325	$2,069,590
Notes receivable	—	52
Accounts receivables (including related parties)	1,403,319	1,520,822
Other receivables (including related parties)	39,265	60,413
Other financial assets - current	500	500
Other non-current assets - refundable deposits	4,254	4,534
Subtotal	4,422,663	3,655,911
Total	$4,509,661	$3,762,860

Financial liabilities

	2022.12.31	2021.12.31
Financial liabilities at amortized cost:		
Short-term borrowings	$440,000	$ 430,000
Payables (including related parties)	952,941	1,106,888
Other non-current liabilities - guarantee deposits received	220	217
Total	$1,393,161	$1,537,105

2. Financial risk management objectives and policies

The Group's financial risk management objectives are mainly to manage market, credit, and liquidity risks related to operating activities. The Group identifies, measures, and manages the above risks as per the Group's policies and risk preferences.

The Group has established appropriate policies, procedures, and internal control system in accordance with applicable regulations on the above financial risk management; important financial activities should be reviewed by the Board of Directors in accordance with applicable regulations and the internal control system. During the implementation of the financial management activities, the Group should comply with the applicable regulations on financial risk management.

3. Market risk

The Group's market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises currency risk, interest rate risk and other price risk (such as equity instruments).

In practice, one movement by a single change in risk variables is rare, and changes in risk variables are always interrelated; however, the sensitivity analysis of the following risks did not consider the interaction between relevant risks and variables.

Exchange rate risk

The Group's exchange rate risk is mainly related to operating activities (when a currency used for income or expenses is different from the Group's functional currency) and net investment in foreign operations.

The Group's foreign currency receivables and foreign currency payables are partially in the same currency. Thus, there will be a natural hedging effect for a part of the foreign currency position. The exchange rate risk of some foreign currency payments is managed through forward exchange agreements. The above natural hedging effect and the management of exchange rate risk through forward exchange agreements do not meet the requirement of hedging accounting, so hedging accounting has not been adopted; also, the net investment in foreign operations is a strategic investment, so the Group has not adopted a hedging approach thereto.

The sensitivity analysis of the Group's exchange rate risk is mainly focused on the main foreign currency monetary items on the end date of the financial reporting period and the impact of relevant foreign currency appreciation/depreciation on the Group's profit and loss and equity. The Group's exchange rate risk is mainly affected by fluctuations in the exchange rates of USD and EUR. The sensitivity analysis information is as follows:

When the NTD appreciated/depreciated by 1% against the USD, the Group’s profit or loss for the year ended December 31, 2022 and 2021 would have decreased/increased by NT$18,765 thousand and NT$24,292 thousand, respectively.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's interest rate risk is mainly from debt instrument investments at floating rates and borrowings at fixed and floating rates.

The Group manages interest rate risk by maintaining an appropriate portfolio of instruments at fixed and floating interest rates. However, hedging accounting does not applied as it does not meet the criteria for hedging accounting.

The sensitivity analysis of the Group's interest rate risk was mainly focused on investments and borrowings at floating rates at the end date of the financial reporting period. With an assumption that such investments and borrowings are held for one fiscal year, when the interest rate increased/decreased by 0.1%, the Group's 2022 and 2021 profit or loss would have increased/decreased by NT$2,536 thousand and NT$1,640 thousand, respectively.

Equity price risk

The Group manages the equity price risk by diversifying investments and setting limits for single and entire equity securities investments. The information on the investment portfolio of equity securities should be regularly provided to the Group’s senior management, and the Board of Directors should review and approve all decisions about investments in equity securities.

4. Credit risk management

Credit risk refers to the risk of financial loss arising from default by counterparties on contract obligations. The Group’s credit risk arises from the operating activities (mainly from accounts and notes receivables) and financial activities (mainly from cash in banks and various financial instruments).

Each unit of the Group follows the credit risk policy, procedures, and control mechanism to manage credit risk. The credit risk assessment of all transaction counterperties is based on factors, such as each counterperty’s financial position, ratings by credit rating agencies, historical trading experience from the past, current economic environment, and the Group’s internal rating criteria. The Group also uses certain credit enhancement tools (such as advance sales receipts and insurance) at appropriate times to reduce specific counterperties’ credit risk.

As of December 31, 2022 and 2021, the Group's accounts receivable from the top ten customers accounted for 97% and 98%, respectively, of the Group's total accounts receivable. The credit concentration risk arising from the remaining receivables is relatively insignificant.

The Group's Finance Division manages the credit risk from cash in bank and other financial instruments in accordance with the Group's policies. The Group’s counterparties are determined by internal control procedures, such as banks with good credit, financial institutions with investment-grade ratings, corporate organizations, and government agencies, so there is no significant credit risk.

5. Liquidity risk management

The Group maintains financial flexibility through cash and cash equivalents, highly liquid securities, and bank borrowings. The table below summarizes the maturity of the payments contained in the remaining contracts of the Group’s financial liabilities. It is compiled based on the earliest possible date for repayment and its undiscounted cash flow. The amounts listed also include the agreed interest accrued. For the interest cash flow paid at floating interest rates, the undiscounted amount of interest is derived from the yield curve at the end of the reporting period.

(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

Non-derivative financial instruments

	Less than 1 year	2–3 years	4–5 years	5 years or more	Total
2022.12.31					
Borrowings	$441,622	—	—	—	$441,622
Payables	$952,588	—	—	—	$952,588
Lease liabilities	$31,067	27,842	29,842	—	$88,751
2021.12.31					
Borrowings	$430,601	—	—	—	$430,601
Payables	$1,106,755	—	—	—	$1,106,755
Lease liabilities	$46,644	43,305	42,230	—	$132,179

6. Reconciliation of liabilities from financing activities

Information on reconciliation of liabilities for the year ended December 31, 2022:

	Short-term borrowings	Lease liabilities	Total liabilities from financing activities
2022.01.01	$430,000	$109,682	$539,682
Cash flows	10,000	(49,565)	(39,565)
Non-cash changes	—	14,667	14,667
2022.12.31	$440,000	$74,784	$514,784

Information on reconciliation of liabilities for the year ended December 31, 2021:

	Short-term borrowings	Short-term bills payable	Lease liabilities	Total liabilities from financing activities Total Liabilities
2021.01.01	$380,000	$49,985	$140,894	$570,879
Cash flows	50,000	(50,000)	(49,397)	(49,397)
Non-cash changes	—	15	18,185	18,200
2021.12.31	$430,000	$-	$109,682	$539,682

7. Fair values of financial instruments

(1) Valuation techniques and assumptions adopted to measure the fair values

Fair value is the price that can be received from a sale of an asset or paid to transfer a liability in an orderly transaction between market participants. The methods and assumptions adopted by the Group to measure the fair values of its financial assets and financial liabilities are as follows:

A. The carrying amounts of cash and cash equivalents, receivables, payables, and other current liabilities are reasonable approximations of their fair values, mainly due to the short maturity of such instruments.

B. The fair values of financial assets and financial liabilities that are traded in an active market with standard terms and conditions are determined with reference to the quoted market prices (such as publicly listed stocks and bonds).

C. Regarding debt instrument investments without quoted prices in an active market, bank borrowings, and other non-current liabilities, the fair values are determined based on the counterparties' quotes or valuation techniques. The valuation techniques are determined on the basis of discounted cash flow analysis; the assumptions about interest rates and discount rates are made with reference to on similar instruments (such as the Taipei Exchange's yield curves for reference, the average quotes of Reuters commercial paper interest rates, and credit risks).

(2) Fair values of financial instruments at amortized cost

The carrying amounts of the Group's financial assets and financial liabilities measured at amortized cost approximate their fair values.

(3) Information on the financial instrument fair value hierarchy

Please refer to Note (XII).8 for information on the Group's financial instrument fair value hierarchy.

8. Fair value hierarchy

(1) Fair value hierarchy definitions

All assets and liabilities measured or disclosed at fair value are the lowest level inputs, which are important to the overall fair value measurement, classified to the fair value levels to which they belong. The input at each level is as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities at the measurement date.

Level 2: Inputs, other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: The unobservable inputs for the asset or liability.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

(2) Information on hierarchy of fair value measurement

The Group does not have assets measured at fair value on a non-recurring basis. The information on the fair value levels of assets and liabilities on a recurring basis is shown below:

	2022.12.31			
	Level 1	Level 2	Level 3	Total
Financial assets:				
At fair value through other comprehensive income				
Investments in unlisted companies' equity	$-	—	1,800	$1,800
Investments in offshore corporate bonds	$85,198	—	—	$85,198

	2021.12.31			
	Level 1	Level 2	Level 3	Total
Financial assets:				
At fair value through other comprehensive income				
Investments in unlisted companies' equity	$-	—	1,800	$1,800
Investments in offshore corporate bonds	$105,149	—	—	$105,149

<u>Transfer between level 1 and level 2 fair values</u>

The Group's assets and liabilities at fair value on a recurring basis during 2022 and 2021 were not transferred between Level 1 and Level 2.

<u>Details of changes in level 3 of the measured at fair value on a recurring basis</u>

The Group's assets and liabilities at fair value on a recurring basis that belong to Level 3 fair value amounted to NT$1,800 thousand for both years ended December 31, 2022 and 2021; no changes occurred during the two periods.

9. Information on the foreign-currency-denominated assets and liabilities that have significant influence:

The Group's foreign-currency-denominated assets and liabilities that have significant influences are as follows:

Unit: In thousands of dollars

	2022.12.31		
	Foreign currency	Exchange rate	NTD
Financial assets			
Monetary items:			
USD	$65,845	30.6600	$2,018,794
JPY	$1,629	0.2320	$378
HKD	$2,514	3.9260	$9,869

(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

	2022.12.31		
	Foreign currency	Exchange rate	NTD
Financial liabilities			
Monetary items:			
USD	$4,643	30.6600	$142,337
JPY	$4,881	0.2304	$1,124
HKD	$1,006	3.9260	$3,685

	2021.12.31		
	Foreign currency	Exchange rate	NTD
Financial assets			
Monetary items:			
USD	$92,557	27.6301	$2,557,345
JPY	$64,806	0.2385	$15,458
HKD	$1,501	3.5440	$5,318
Financial liabilities			
Monetary items:			
USD	$4,635	27.6387	$128,107
JPY	$3,741	0.2385	$892
HKD	$1,194	3.5426	$4,229

The above information is disclosed in the foreign currency carrying amount (already converted to the functional currency).

Due to the wide variety of functional currencies adopted by individual entities within the Group, it is impossible to disclose the exchange gains and losses on monetary financial assets and liabilities in each significant foreign currency. The Group's foreign currency exchange gains (losses) during the years ended December 31, 2022 and 2021 were $134,984 thousand and $(40,353) thousand, respectively.

10. Capital management

The Group's capital management mainly aims to ensure and maintain high credit ratings and appropriate capital ratios to support corporate operations and maximize shareholders' equity. The Group manages and adjusts the capital structure based on the financial position and may maintain and adjust the capital structure by adjusting dividend payments, returning capital, or issuing new shares.

(XIII) Other Disclosures

1. Information on Significant Transactions

(1) Loans to others: Table 1.
(2) Endorsements/guarantees provided to others: None.

(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(3) Securities held at the end of the period: Table 2.
(4) Securities acquired and disposed at costs or prices at least NT$300 million or 20% of the paid-in capital: None.
(5) Acquisition of real estate amounting to at least NT$300 million or 20% of the paid-in capital: None.
(6) Disposal of real estate amounting to at least NT$300 million or 20% of the paid-in capital: None.
(7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital: Table 3.
(8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: Table 4.
(9) Those who have direct or indirect significant influence or control over the investees (excluding investees in China): Table 5.
(10) Trading in derivative instruments: None.
(11) Others: The business relations between the parent company and its subsidiaries and among subsidiaries, and important intercompany transactions and amounts: Table 7.

2. Information on investments in China: Table 6.

3. Information on Major Shareholders: Table 8.

(XIV) Segment Information

1. For the purpose of management, the Group divided the operating segments by product and service into the two reportable operating segments below:

   (1) Golf equipment segment: It is responsible for manufacturing, processing, and selling golf heads, shafts, and golf equipment.

   (2) Other segments: They are responsible for manufacturing and selling bicycles and plumbing parts.

   The management personnel monitor the operating performance of the business units they manage and decide how to allocate resources and evaluate the performance.

   The performance of the segments is evaluated based on the pre-tax profit and loss. The accounting policies for the reportable segments are the same as those under “Summary of Significant Accounting Policies”. However, assets, liabilities, and income taxeses in the consolidated financial statements are managed on a group basis and are not apportioned to the operating segments.

   Transfer pricing between operating segments is similar to that of regular transactions with external third parties.

   2022

	Golf equipment segment	Other segments	Reconciliation and write-off	Total
Revenue				
Revenue from external customers	$7,245,108	$455,214	$-	$7,700,322
Inter-segment revenue	—	397,295	(397,295)	—
Total revenue	$7,245,108	$852,509	($397,295)	$7,700,322
Segment profit or loss	$1,727,846	$65,296	$-	$1,793,142

(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

2021

	Golf equipment segment	Other segments	Reconciliation and write-off	Total
Revenue				
Revenue from external customers	$7,535,937	$344,195	$-	$7,880,132
Inter-segment revenue	—	300,159	(300,159)	—
Total revenue	$7,535,937	$644,354	($300,159)	$7,880,132
Segment profit or loss	$1,700,225	($10,050)	$-	$1,690,175

Note: Inter-segment revenue was written off upon consolidation and presented under “Reconciliation and write-off”.

2. Information by region

(1) Revenue from external customers:

	2022	2021
The Americas	$4,361,564	$4,899,539
Asia	2,515,643	2,292,763
Europe	731,337	626,842
Other countries	91,778	60,988
Total	$7,700,322	$7,880,132

(2) Non-current assets:

	2022.12.31	2021.12.31
Asia	$857,548	$866,163

3. Information on important customers

Where the Group's net sales to a single customer accounted for at least 10% of the consolidated net sales revenue for 2022 or 2021, the details are as follows:

	2022		2021	
Name of customer	Amount	%	Amount	%
Company A	$3,126,604	40%	$3,842,557	49%

(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

Table 1
Loans to Others:

No.	Lender	Borrower	Account	Related party or not	Highest balance in the interim (Note 1)	Ending balance (Note 2)	Actual amount drawn down (Note 3)	Interest rate range	Nature of loan (Note 4)	Amount of transaction	Reason for short-term financing	Allowance for losses	Collateral		Limit on loans to a single party (Note 5)	Limit on total loans to others (Note 5)
													Item	Value		
1	O-TA Golf Group Co., Ltd.	Harvest Fair International Limited	Other receivables - related parties	Y	$306,600	$306,600	$-	—	2	—	Business operations	—	—	—	$4,744,549	$4,744,549
1	O-TA Golf Group Co., Ltd.	Jiangxi O-TA Precision Technology Ltd., Co.	Other receivables - related parties	Y	$306,600	$306,600	$280,294	2%	2	—	Business operations	—	—	—	$4,744,549	$4,744,549
1	O-TA Golf Group Co., Ltd.	VGT Composite Techonology (Huizhou) Co., Ltd.	Other receivables - related parties	Y	$30,660	$30,660	$30,660	2%	2	—	Business operations	—	—	—	$4,744,549	$4,744,549
2	Harvest Fair International Limited	Jiangxi O-TA Precision Technology Ltd., Co.	Prepayments - related parties	Y	$306,600	$306,600	$-	—	2	—	Business operations	—	—	—	$2,270,387	$2,270,387

Note 1: The amount was authorized and resolved by the Board of Directors on 25 February, 2020.

Note 2: The ending balance of the year is based on the credit line of loans.

Note 3: Was written off during the preparation of the consolidated financial statements.

Note 4: Due to the necessity of short-term financing.

Note 5: In accordance with the "Operational Procedures for Loaning of Funds" formulated by the subsidiaries O-TA BVI. and Harvest Fair on May 12, 2020, when a parent company directly or indirectly holds 100% of the voting shares of a foreign company, the total amount of financing and the amount of individual loans to be made shall not exceed five times the net worth of O-TA BVI. and Harvest Fair, respectively.

Table 2

Securities held at the end of the period (excluding the portion held due to investment in a subsidiary or an associate, and the portion held due to an interest in a joint venture):

Company	Type and name of securities	Relations with securities issuer	Account	End of the period				Note
				Number of shares	Carrying amount	Shareholding (%)	Fair value	
O-TA Precision Industry Co., Ltd.	Stock - Chichin Art Ceramics Company	–	Financial assets at fair value through other comprehensive income – non-current	480,000 shares	$1,800	6.00%	$1,800	–
O-TA Precision Industry Co., Ltd.	Bond - AT&T USD Corporate Bonds	–	Financial assets at fair value through other comprehensive income – non-current	–	$85,198	–	$85,198	–

(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

Table 3

Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital:

Buyer/Seller	Counterparty	Relations	Transaction				Circumstances and reasons for the differences of the transaction terms from the general ones		Notes and accounts receivable (payable)		Note
			Purchases/ Sales	Amount	Proportion to total sales (purchases)	Credit period	Unit price	Credit period	Balance	Proportion to total notes and accounts receivable (payable)	
O-TA Precision Industry Co., Ltd.	Harvest Fair International Limited	A sub-subsidiary wholly owned by the Company	Purchases	$6,047,030	68.21%	1 to 2 months after purchase	Products were purchased from the sub-subsidiary at a certain percentage of the resale price.	Same credit period	($1,638,958)	44.71%	(Note)
Harvest Fair International Limited	O-TA Precision Industry Co., Ltd.	The parent company of the company	Sales	$6,047,030	42.73%	1 to 2 months after sales	Products were sold at a certain percentage of O-TA's resale price.	Same credit period	$1,638,958	35.80%	(Note)
Harvest Fair International Limited	VGT Composite Techonology (Huizhou) Co., Ltd.	Its parent company is same as that of the Company.	Purchases	$397,295	4.48%	Within 1 month after purchase	Products were purchased from VGT at 90% of the resale price.	No other similar transactions available for comparison	$-	—	(Note)
VGT Composite Techonology (Huizhou) Co., Ltd.	Harvest Fair International Limited	Its parent company is same as that of the Company.	Sales	$397,295	2.81%	Within 1 month after sales	Products were sold at 90% of Harvest Fair's resale price.	No other similar transactions available for comparison	$-	—	(Note)
O-TA Precision Industry Co., Ltd.	TAGA CO., LTD.	Its person in charge is a relative within the second degree of kinship of the Vice Chairman of the Company.	Sales	$302,555	3.93%	2 months after sales	Market price	Same credit period	$6,229	0.44%	—

Note: Was written off during the preparation of the consolidated financial statements.

(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

Table 4

Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital:

Company under the account of receivables	Counterparty	Relations	Balance of receivables from related parties	Turnover (times)	Overdue receivables from related parties		Amount of receivables from related parties recovered after the balance sheet date	Allowance for losses
					Amount	Response method		
O-TA Precision Industry Co., Ltd.	Harvest Fair International Limited	A sub-subsidiary wholly owned by the Company	Other receivables $205,075	(Note)	—	—	$118,976	—
Harvest Fair International Limited	O-TA Precision Industry Co., Ltd.	A sub-subsidiary wholly owned by the Company	Accounts receivable $1,638,958	3.55	—	—	$145,037	—
Harvest Fair International Limited	Jiangxi O-TA Precision Technology Co., Ltd.	An associate of the company	Other receivables $85,257	(Note)	—	—	$85,257	—
Jiangxi O-TA Precision Technology Co., Ltd.	Harvest Fair International Limited	An associate of the company	Accounts receivable $1,535,198	3.71	—	—	$111,318	—

Note: It refers to the purchase of molds, raw materials, and operating expenses paid on behalf of subsidiaries that have not yet been recovered at the end of this period, and such amounts do not belong to sales, so the turnover cannot be calculated.

(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

Table 5

Names, location, etc. of investees (excluding investees in China):

Investor	Investee	Location	Main business	Initial investment amount		Shareholding at the end of the period			Current profit or loss on investee	Investment income or loss recognized in this period	Note
				End of this period	End of last year	Number of shares	%	Carrying amount			
O-TA Precision Industry Co., Ltd.	O-TA Golf Group Co.,Ltd.(O-TA BVI.)	British Virgin Islands	Engaging in the trading of golf club heads and investment business	$204,238	$204,238	50,000 shares	100%	$4,742,591	$1,055,675	$1,055,356	(Notes 1, 2, and 3)
O-TA Golf Group Co.,Ltd.(O-TA BVI.)	Harvest Fair International Limited	Hong Kong	Engaging in the trading of golf club heads and bicycle spare parts	US$154,211	US$154,211	10,000 shares	100%	$454,077 (USD 14,810,091)	$143,799 (USD 4,776,591)	$143,799 (USD 4,776,591)	(Note 3)

Note 1: The current profit or loss on its subsidiaries, Harvest Fair, Jiangxi O-TA, and VGT have all been included.

Note 2: Including unrealized inter-company gains and losses.

Note 3: Was written off during the preparation of the consolidated financial statements.

(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

Table 6

The information on the investees in China is detailed below:

Investee	Main business	Paid-in capital	Investment method	Opening balance of cumulative investment remitted from Taiwan for this period	Investment amount remitted from Taiwan or recovered during this period		Ending balance of cumulative investment remitted from Taiwan for this period	Current profit or loss on investee	Ownership of direct or indirect investment (%)	Investment income or loss recognized in this period (Note 2)	Carrying amount of investment at the end of the period (Note 3)	Cumulative investment income repatriated as of the end of this period
					Outward remittance	Repatriation						
Jiangxi O-TA Precision Technology Co., Ltd. (Jiangxi O-TA)	Production and sales of golf club heads, shafts, equipment, and plumbing parts	US$10,000,000	(Note 1)	$45,383 (USD 1,500,000)	–	–	$45,383 (USD 1,500,000)	$886,188 (USD 29,602,456)	100%	$886,188 (USD 29,602,456)	$3,069,061 (USD 100,099,852)	–
VGT Composite Techonology (Huizhou) Co., Ltd.	Manufacturing and management business of carbon fiber composite materials, bicycle spare parts and accessories, automobile parts and accessories, ice hockey supplies, and ice skating and skiing sporting goods.	US$3,000,000	(Note 1)	–	–	–	–	$38,621 (USD 1,252,830)	100%	$38,621 (USD 1,252,830)	$92,181 (USD 3,006,562)	–

Ending balance of cumulative outward remittances from Taiwan to China (Note 4)	Investment amount approved by Investment Commission, MOEA (Note 5)	Maximum investment amount prescribed by the Investment Commission, MOEA
165,239 (USD 5,300,000)	US$38,744,250	(Note 6)

Note 1: O-TA BVI was established through investment in a third region to invest in businesses in China.

Note 2: Calculated based on the financial statements of the investees reviewed by the Company's CPAs.

Note 3: O-TA Golf Group Co., Ltd. (O-TA BVI.) invested US$8,500,000 in Jiangxi O-TA and US$3,000,000 in VGT with its own funds.

Note 4: It includes the investment in Qilitian Golf Articles (Shenzhen) Co., Ltd. (Qilitian) disposed in the amount of NT$119,856 thousand (US$ 3,800,000).

Note 5: The investment approved (including the Company's outward remittance from Taiwan and O-TA BVI.'s self-owned funds) through O-TA BVI.'s to invest in businesses in China indirectly, covering US$10,000,000 in Jiangxi O-TA (shareholding: 100%); US$3,000,000 in VGT (shareholding: 100%); US$ 25,744,250 in Qilitian, Santian Golf Products (Shenzhen) Limited Company, and INDA Composite Technology (Shenzhen) Co., Ltd., all of which have canceled the company registration with the equity sold, amounted to US$38,744,250.

Note 6: As the Company has obtained a certificate issued by the Industrial Development Bureau, Ministry of Economic Affairs to confirm that our business falls within the scope of the operations of the headquarters, our investment is not subject to the upper limit specified in the Letter Jing-Shen Zi No. 09704604680 from the Ministry of Economic Affairs, dated August 29, 2008.

(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

Table 7

The business relationship between the parent and the subsidiaries and between each subsidiary, and the circumstances of any significant transactions between them between January 1, 2022 and December 31, 2022

No. (Note 1)	Trader	Counterparty	Relations with trader (Note 2)	Transaction			
				Account	Amount	Transaction terms	Proportion to total consolidated revenue or total assets (Note 3)
0	O-TA Precision Industry Co., Ltd.	Harvest Fair International Limited	1	Other receivables - related parties	$205,075	It is the ending balance of receivables for the purchase of molds, raw materials, and semi-finished goods on behalf of a subsidiary, and the payment in the same amount is collected from Harvest Fair.	3.24%
0	O-TA Precision Industry Co., Ltd.	Harvest Fair International Limited	1	Accounts payable - related parties	$1,638,958	It is the ending balance of the payment for purchases that has not been made, and the payment, in principle, will be made in 1 to 2 months after purchase.	25.90%
0	O-TA Precision Industry Co., Ltd.	Harvest Fair International Limited	1	Purchases	$6,047,030	It was priced as per the contract agreed by both parties, and the purchases were made from Jiangxi O-TA through Harvest Fair, and Harvest Fair paid for the supplies to Jiangxi O-TA.	78.53%
1	O-TA BVI.	Jiangxi O-TA Precision Technology Ltd., Co.	1	Other receivables - related parties	$320,691	It is the ending balance of a loan receivable, and the principal and interest will be collected in a lump sum when it is due.	5.07%
1	O-TA BVI.	VGT Composite Techonology (Huizhou) Co., Ltd.	1	Other receivables - related parties	$32,794	It is the ending balance of a loan receivable, and the principal and interest will be collected in a lump sum when it is due.	0.52%
2	Harvest Fair International Limited	Jiangxi O-TA Precision Technology Ltd., Co.	3	Other receivables - related parties	$85,257	It is the ending balance of receivables for the purchase of raw materials and semi-finished goods, and the payment will be collected depending on Jiangxi O-TA's application of funds.	1.35%
2	Harvest Fair International Limited	Jiangxi O-TA Precision Technology Ltd., Co.	3	Accounts payable - related parties	$1,535,198	It is the ending balance of unpaid payment for supplies, and the payment will be made depending on Jiangxi O-TA's application of funds.	24.26%
2	Harvest Fair International Limited	VGT Composite Techonology (Huizhou) Co., Ltd.	3	Prepayments to suppliers	$37,301	It is the ending balance of prepayment for supplies, and the payment will be made depending on VGT's application of funds.	0.59%
2	Harvest Fair International Limited	VGT Composite Techonology (Huizhou) Co., Ltd.	3	Purchases	$397,295	Products were purchased from VGT at 90% of the resale price.	5.16%
3	Jiangxi O-TA Precision Technology Ltd., Co.	Harvest Fair International Limited	3	Sales revenue	$5,925,969	The price is set as per the contract agreed by both parties.	76.96%

Note 1: The information on business transactions between the parent and subsidiaries and between each subsidiary shall be indicated in the No. column. The number shall be filled in as follows:

(1) Enter 0 for parent company.

(2) Subsidiaries are numbered by company starting with the Arabic numeral 1 in order.

Note 2: The relations with the transaction counterparties are classified into three categories as follows; just indicate the category (if it is the same transaction between the parent company and a subsidiary or between subsidiaries, there is no need to disclose it repeatedly; e.g., if the parent company has already disclosed the transaction with a subsidiary company, the subsidiary does not need to disclose it again; if it is a subsidiary-to-subsidiary transaction, if one subsidiary has already disclosed it, the other one does not need to disclose it again):

(1) Parent to subsidiary.

(2) A subsidiary to parent.

(3) Between two subsidiaries.

Note 3: The transaction amount as a percentage of the total consolidated revenue or total assets shall be calculated as the ratio of the ending balance to the total consolidated assets if it is an asset or liability item, or as the ratio of the interim cumulative amount to the total consolidated revenue if it is a profit or loss item.

Table 8
Information on major shareholders:

Name of major shareholder	Shares	
	Number of shares held (in shares)	%
Nan Feng Xin Co., Ltd.	7,650,386	9.12%
LEE, KUNG-WEN	7,272,408	8.67%

V. A Parent Company Only Financial Statement for the Most Recent Fiscal Year, Certified by CPA

Independent Auditors' Report

To O-TA Precision Industry Co., Ltd.:

Auditor's Opinion

We have audited the parent company only balance sheet of O-TA PRECISION INDUSTRY CO., LTD. as of December 31, 2022, the parent company only statements of comprehensive income, parent company only changes in equity, and parent company only cash flows for the years then ended, and the notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, based on our audit, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of O-TA PRECISION INDUSTRY CO., LTD. as of December 31, 2022, and its parent company only financial performance and parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the section titled "Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements" in our report. We are independent of O-TA PRECISION INDUSTRY CO., LTD. in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China and we have fulfilled our other ethical responsibilities in accordance with these requirements. Based on our audits, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of O-TA PRECISION INDUSTRY CO., LTD.'s parent company only financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and in forming our opinion thereon. As a result, we do not provide a separate opinion on these matters.

<u>Allowance for accounts receivable</u>

The net value of accounts receivable as of December 31, 2022, which was NT$1,249,945 thousand, accounted for 17％ of O-TA PRECISION INDUSTRY CO., LTD.'s total assets, and was therefore material to O-TA PRECISION INDUSTRY CO., LTD.’s Parent Company Only Financial Statements. Since the allowance for accounts receivable is estimated at the life-time ECL and the measurement of ECL involves judgment, analysis, and estimation, we decided to identify it as the key audit matter.

Our audit procedures included, without being limited to, assessing the reasonability of the policy of provision of allowance formulated by the management; understanding and testing the effectiveness of internal control for accounts receivable formulated by the management; sampling accounts receivable, verifying the authenticity of samples by inquiring from the parities from which the accounts receivable were due, and assessing accounts receivable as a whole collected after the balance sheet date; sampling and testing the accuracy of the age of the samples; and assessing the reasonability of changes in the age of accounts and recalculating the roll rate and loss rate and assessing the appropriateness of ECL rate. We also considered the appropriateness of accounts receivable impairment loss disclosed in Notes (IV), (V), and (VI) to the Parent Company Only Financial Statements of O-TA PRECISION INDUSTRY CO., LTD.

Other Matters

The Parent Company Only Financial Statements for 2021 of O-TA PRECISION INDUSTRY CO., LTD. were audited by other CPAs, who then issued an independent report containing an unqualified opinion on March 3, 2022.

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

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

In preparing the Parent Company Only Financial Statements, management is responsible for assessing O-TA PRECISION INDUSTRY CO., LTD.'s ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting, unless management either intends to liquidate O-TA PRECISION INDUSTRY CO., LTD. or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including the Audit Committee) are responsible for overseeing O-TA PRECISION INDUSTRY CO., LTD.'s financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the Parent Company Only Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists in the Parent Company Only Financial Statements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Parent Company Only Financial Statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the Parent Company Only Financial Statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the O-TA PRECISION INDUSTRY CO., LTD.'s internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on O-TA PRECISION INDUSTRY CO., LTD.'s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the Parent Company Only Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause O-TA PRECISION INDUSTRY CO., LTD. to cease to continue as a going concern.
5. Evaluate the overall presentation, structure, and contents of, and the notes to, the Parent Company Only Financial Statements, and whether the Parent Company Only Financial Statements fairly present the underlying transactions and events.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities within O-TA PRECISION INDUSTRY CO., LTD. to express an opinion on the Parent Company Only Financial Statements. We are responsible for the direction, supervision, and performance of the group audit; we remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings (including any significant deficiencies in internal control that we identify during our audit.)

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Parent Company Only Financial Statements of O-TA PRECISION INDUSTRY CO., LTD. for the year ended December 31, 2022 and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Ernst & Young, Taiwan

Official letter of the competent authority granting approval of certified public accountants to audit and attest to the financial reports of public companies:

Jin-Guan-Zheng-Liu-Zi No.0970038990

Jin-Guan-Zheng-Shen-Zi No.1010045851

CHEN, CHENG-CHU

CPA:

LEE, FANG-WEN

March 7, 2023

(English Translation of Parent Company-Only Financial Statement Originally Issued in Chinese)

O-TA Precision Industry Co., Ltd.

Parent Company-Only Balance Sheets

December 31, 2022 and December 31, 2021

Unit: NT$ thousand

Assets			December 31, 2022		December 31, 2021	
Code	Account	Notes	Amount	%	Amount	%
	Current assets					
1100	Cash and cash equivalents	(IV)/(VI).1	$870,950	12	$1,234,741	19
1150	Net notes receivable	(IV)/(VI).3&13	-	-	52	-
1170	Net accounts receivable	(IV)/(VI).4&13	1,249,945	17	1,355,310	20
1180	Accounts receivables - related parties, net	(IV)/(VI).4&13/(VII)	6,229	-	31,306	1
1200	Other receivables		6,398	-	1,736	-
1210	Other receivables - related parties	(VII)	205,076	3	269,378	4
130x	Inventories	(IV)/(VI).5	2,833	-	2,170	-
1410	Prepayments		15,514	-	25,699	-
1470	Other current assets		500	-	500	-
11xx	Total current assets		2,357,445	32	2,920,892	44
	Non-current assets					
1517	Financial assets at fair value through other comprehensive income – non-current	(IV)/(VI).2	86,998	1	106,949	2
1550	Investment using the equity method	(IV)/(VI).6	4,742,591	65	3,505,197	52
1600	Property, plants and equipment	(IV)/(VI).7	104,322	2	107,678	2
1755	Right-of-use assets	(IV)/(VI).14	23	-	305	-
1780	Intangible assets	(IV)/(VI).8	3,367	-	3,196	-
1840	Deferred tax assets	(IV)	16,703	-	20,157	-
1900	Other non-current assets		101	-	101	-
15xx	Total non-current assets		4,954,105	68	3,743,583	56
1xxx	Total assets		$7,311,550	100	$6,664,475	100

Liabilities and Equity			December 31, 2022		December 31, 2021	
Code	Account	Notes	Amount	%	Amount	%
	Current liabilities					
2100	Short-term borrowings	(IV)/(VI).9	$440,000	6	$430,000	6
2150	Notes payable		107	-	152	-
2170	Accounts payable		15	-	3,527	-
2180	Accounts payable - related parties	(VII)	1,639,125	22	1,771,138	27
2200	Other payables		366,609	5	386,447	6
2220	Other payables - related parties	(VII)	5,231	-	675	-
2230	Current tax liabilities	(IV)	112,386	2	138,214	2
2280	Lease liabilities - current	(IV)/(VI).14	24	-	286	-
2300	Other current liabilities		8,785	-	1,443	-
21xx	Total current liabilities		2,572,282	35	2,731,882	41
	Non-current liabilities					
2570	Deferred tax liabilities	(IV)	209,111	3	202,538	3
2580	Lease liabilities - non-current	(IV)/(VI).14	-	-	22	-
2640	Net defined benefit liabilities - non-current	(IV)/(VI).10	9,764	-	32,566	1
25xx	Total non-current liabilities		218,875	3	235,126	4
2xxx	Total liabilities		2,791,157	38	2,967,008	45
	Equity attributable to owners of parent	(IV)/(VI).11				
3100	Share capital					
3110	Ordinary share capital		838,000	11	838,000	12
3200	Capital surplus		101,239	1	101,239	2
3300	Retained earnings					
3310	Legal reserve		941,256	13	772,633	11
3320	Special reserve		121,777	2	80,973	1
3350	Undistributed earnings		2,473,821	34	2,026,399	31
	Total retained earnings		3,536,854	49	2,880,005	43
3400	Other equity interests		44,300	1	(121,777)	-2
3xxx	Total equity		4,520,393	62	3,697,467	55
	Total liabilities and equity		$7,311,550	100	$6,664,475	100

(For details, see the Notes to the Parent Company-Only Financial Statements)

Chairman: LEE, KUNG-WEN President: HSU, JUNG-MIN Accounting officer: LEE, CHUNG-MU

O-TA Precision Industry Co., Ltd.
Parent Company-Only Statement of Comprehensive Income
For the Years Ended December 31, 2022 and 2021

Unit: NT$ thousand

Code	Account	Notes	2022		2021	
			Amount	%	Amount	%
4000	Operating revenue	(IV)/(VI).12/(VII)	$7,192,045	100	$7,487,415	100
5000	Operating costs	(IV)/(VI).5&15/(VII)	(6,056,241)	(84)	(6,387,187)	(85)
5900	Gross profit		1,135,804	16	1,100,228	15
6000	Operating expenses	(IV)/(VI).15/(VII)				
6100	Selling expenses		(56,872)	(1)	(30,498)	0
6200	Administrative expenses		(141,540)	(2)	(246,464)	(4)
6300	Research and development expenses		(32,454)	0	(23,063)	0
6450	Expected credit impairment gains	(IV)/(VI).13	343	0	11,121	0
	Total operating expenses		(230,523)	(3)	(288,904)	(4)
6900	Operating income		905,281	13	811,324	11
7000	Non-operating income and expenses	(IV)/(VI).16/(VII)				
7100	Interest income		12,059	0	2,825	0
7010	Other income		1,708	0	2,097	0
7020	Other gains and losses		28,031	0	(17,818)	0
7050	Financial costs		(4,635)	0	(3,681)	0
7070	Share of profit or loss on subsidiaries recognized using the equity method	(VI).6	1,055,356	15	1,184,854	15
	Total non-operating income and expenses		1,092,519	15	1,168,277	15
7900	Net income before tax		1,997,800	28	1,979,601	26
7950	Income tax expense	(IV)/(VI).18	(204,658)	(3)	(291,322)	(4)
8000	Net income from continuing operations		1,793,142	25	1,688,279	22
8200	Net income		1,793,142	25	1,688,279	22
8300	Other comprehensive income	(VI).17&18				
8310	Items not to be reclassified to profit or loss					
8311	Remeasurement of defined benefit plans		14,709	0	(2,560)	0
8349	Income tax related to items not reclassified		(2,942)	0	512	0
8360	Items that may be reclassified subsequently to profit or loss					
8361	Exchange differences arising on the translation of the financial statements of foreign operations		182,038	2	(30,288)	0
8367	Unrealized profit or loss of debt instrument investments at fair value through other comprehensive income		(19,951)	0	(13,145)	0
8399	Income tax related to items that might be reclassified		3,990	0	2,629	0
	Other comprehensive income (net of tax)		177,844	2	(42,852)	0
8500	Total comprehensive income		$1,970,986	27	$1,645,427	22
	Earnings per share (NT$)	(VI).19				
9750	Basic earnings per share		$21.40		$20.15	
9850	Diluted earnings per share		$21.10		$19.77	

(For details, see the Notes to the Parent Company-Only Financial Statements)

Chairman: LEE, KUNG-WEN　　President: HSU, JUNG-MIN　　Accounting officer: LEE, CHUNG-MU

(English Translation of Parent Company-Only Financial Statement Originally Issued in Chinese)

O-TA Precision Industry Co., Ltd.

Parent Company-Only Statement of Changes in Equity

For the Years Ended December 31, 2022 and 2021

Unit: NT$ thousand

				Retained earnings			Other equity items		
		Share capital	Capital surplus	Legal reserve	Special reserve	Undistributed earnings	Exchange differences arising on the translation of the financial statements of foreign operations	Unrealized losses on financial assets at fair value through other comprehensive income	Total
Code		3100	3200	3310	3320	3350	3410	3420	31xx
A1	Balance on January 1, 2021	$838,000	$101,239	$718,140	$45,408	$849,226	($53,973)	($27,000)	$2,471,040
	Appropriation and distribution of 2020 earnings								
B1	Legal reserve provided	-	-	54,493	-	(54,493)	-	-	-
B3	Special reserve provided	-	-	-	35,565	(35,565)	-	-	-
B5	Cash dividends from ordinary shares	-	-	-	-	(419,000)	-	-	(419,000)
D1	Net income for the year ended December 31, 2021	-	-	-	-	1,688,279	-	-	1,688,279
D3	Other comprehensive income for the year ended December 31, 2021	-	-	-	-	(2,048)	(30,288)	(10,516)	(42,852)
D5	Total comprehensive income	-	-	-	-	1,686,231	(30,288)	(10,516)	1,645,427
Z1	Balance on December 31, 2021	$838,000	$101,239	$772,633	$80,973	$2,026,399	($84,261)	($37,516)	$3,697,467
A1	Balance on January 1, 2022	$838,000	$101,239	$772,633	$80,973	$2,026,399	($84,261)	($37,516)	$3,697,467
	Appropriation and distribution of 2021 earnings								
B1	Legal reserve provided	-	-	168,623	-	(168,623)	-	-	-
B3	Special reserve provided	-	-	-	40,804	(40,804)	-	-	-
B5	Cash dividends from ordinary shares	-	-	-	-	(1,148,060)	-	-	(1,148,060)
D1	Net income for the year ended December 31, 2022	-	-	-	-	1,793,142	-	-	1,793,142
D3	Other comprehensive income for the year ended December 31, 2022	-	-	-	-	11,767	182,038	(15,961)	177,844
D5	Total comprehensive income	-	-	-	-	1,804,909	182,038	(15,961)	1,970,986
Z1	Balance on December 31, 2022	$838,000	$101,239	$941,256	$121,777	$2,473,821	$97,777	($53,477)	$4,520,393

(For details, see the Notes to the Parent Company-Only Financial Statements)

Chairman: LEE, KUNG-WEN President: HSU, JUNG-MIN Accounting officer: LEE, CHUNG-MU

(English Translation of Parent Company-Only Financial Statement Originally Issued in Chinese)
O-TA Precision Industry Co., Ltd.
Parent Company-Only Statement of Cash Flow
For the Years Ended December 31, 2022 and 2021

Unit: NT$ thousand

Code	Item	2022 Amount	2021 Amount
AAAA	Cash flows from operating activities:		
A10000	Net income before tax	$1,997,800	$1,979,601
A20000	Adjustments:		
A20010	Income/expenses items:		
A20100	Depreciation expense	8,256	9,496
A20200	Amortization cost	372	345
A20300	Expected credit impairment gains	(343)	(11,121)
A20900	Interest expenses	4,635	3,681
A21200	Interest income	(12,059)	(2,825)
A22400	Share of profit on subsidiaries recognized using the equity method	(1,055,356)	(1,184,854)
A22500	Gain on disposal and scrapping of property, plants and equipment	(506)	(553)
A24100	Unrealized foreign currency exchange (gain) loss	(35,080)	243
A30000	Changes in assets/liabilities related to operating activities:		
A31130	Notes receivable	52	(52)
A31150	Accounts receivable	83,601	(707,867)
A31160	Accounts receivables - related parties	25,209	(20,907)
A31180	Other receivables	(4,293)	(396)
A31190	Other receivables - related parties	71,155	(31,008)
A31200	Inventories	(663)	14,219
A31230	Prepayments	10,185	(10,418)
A32130	Notes payable	(45)	9
A32150	Accounts payable	(3,512)	1,893
A32160	Accounts payable - related parties	(83,976)	1,097,055
A32180	Other payables	(19,584)	163,186
A32190	Other payables - related parties	4,567	620
A32230	Other current liabilities	7,342	(2,628)
A32240	Net defined benefit liabilities	(8,093)	(1,622)
A33000	Cash inflow from operations	989,664	1,296,097
A33100	Interest received	11,679	2,768
A33300	Interest paid	(4,413)	(3,679)
A33500	Income tax paid	(219,411)	(75,935)
AAAA	Net cash inflow from operating activities	777,519	1,219,251
BBBB	Cash flows from investing activities:		
B00010	Acquisition of financial assets at fair value through other comprehensive income	-	(118,294)
B02700	Acquisition of property, plants and equipment	(3,122)	(4,435)
B02800	Disposal of property, plants and equipment	701	661
B04500	Acquisition of intangible assets	(543)	(621)
B06800	Decrease in other non-current assets	-	152
BBBB	Net cash outflow from investing activities	(2,964)	(122,537)
CCCC	Cash flows from financing activities:		
C00100	Increase in short-term borrowings	10,000	50,000
C00600	Decrease in short-term bills payable	-	(50,000)
C04020	Lease principal repaid	(286)	(874)
C04500	Cash dividends paid out	(1,148,060)	(419,000)
CCCC	Net cash outflow from financing activities	(1,138,346)	(419,874)
EEEE	Increase (decrease) in cash and cash equivalents during this period	(363,791)	676,840
E00100	Cash and cash equivalents at the beginning of the year	1,234,741	557,901
E00200	Cash and cash equivalents at the end of the year	$870,950	$1,234,741

(For details, see the Notes to the Parent Company-Only Financial Statements)

Chairman: LEE, KUNG-WEN　　President: HSU, JUNG-MIN　　Accounting officer: LEE, CHUNG-MU

O-TA Precision Industry Co., Ltd.
Notes to the Parent Company-Only Financial Statements
January 1, 2022 ~ December 31, 2022 and January 1, 2021 ~ December 31, 2021
(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(I) Company History

O-TA Precision Industry Co., Ltd. (hereinafter referred to as “the Company”) was incorporated in 1988, mainly rengaging in the manufacturing, processing (outsourced by other businesses), assembly, and sales of golf club heads and semi-finished goods. The Company's stock was listed on Taipei Exchange for trading on February 09, 2000.

(II) Date and Procedure for Authorized of Financial Statements

The 2022 and 2021 parent company-only financial statements of the Company were authorized for issue by the Board of Directors on March 7, 2023.

(III) Application of New Standards, Amendments and Interpretations

1. Changes in accounting policies due to the initial application of the IFRSs:

The Company has adopted the IFRSs that have been endorsed by the FSC and are applicable to the fiscal years beginning on or after January 1, 2022, and the initial application of the newly issued and amended standards and interpretations caused no material impact on the Company.

2. The new or amended IFRSs published by IASB and endorsed by the FSC not yet adopted by the Company:

No.	New/Revised/Amended Standards and Interpretations	Effective Date Announced by the IASB
1	Amendments to IAS 1 “Disclosure Initiative — Accounting Policies”	January 1, 2023
2	Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023
3	Amendments to IAS 12 “Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction”	January 1, 2023

(1) Amendments to IAS 1 “Disclosure Initiative — Accounting Policies”

The disclosure of accounting policies to provide more useful information to investors and other major users of financial statements was improved in the amendments.

(2) Amendments to IAS 8 “Definition of Accounting Estimates”

Accounting estimates are directly defined, and IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” was further amended to help an enterprise distinguish between changes in accounting policies and changes in accounting estimates.

(3) Amendments to IAS 12 “Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction”

The scope of deferred tax recognition exemption under paragraphs 15 and 24 of IAS 12 "Income Taxes" was narrowed so that the exemption does not apply to transactions that result in the same amounts of taxable and deductible temporary differences upon initial recognition.

(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

The Company evaluated the above new, revised, and amended standards and interpretations that are applicable to the fiscal years beginning on or after January 1, 2023, and determined that they did not cause any material impact on the Company.

3. Up to the date the financial statements were authorized for issue, the new or amended IFRSs published by IASB and endorsed by the FSC and not adopted by the Company:

No.	New/Revised/Amended Standards and Interpretations	Effective Date Announced by the IASB
1	Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture	To be determined by the IASB
2	IFRS 17 Insurance Contracts	January 1, 2023
3	Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
4	Amendments to IFRS 16, “Lease Liability in a Sale and Leaseback”	January 1, 2024
5	Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024

If the above-mentioned standards or interpretations, issued by the IASB but not yet endorsed by the FSC, are adopted by the Company in the future periods, the items with potential impact on the Company's financial statements are as follows:

(1) Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture

The amendments aim to address the inconsistency regarding the loss of control due to the investment in an associate or a joint venture through a subsidiary between IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures”. IAS 28 stipulates that when non-monetary assets are invested in exchange for the equity in an associate or a joint venture, the share of the resulting profit or loss shall be eliminated as the treatment method adopted for downstream transactions. IFRS 10 stipulates that the total gain or loss upon loss of control over a subsidiary shall be recognized. The amendments restrict the above requirements of IAS 28: when assets that constitute a business as defined in IFRS 3 are sold or purchased, the total resulting gain or loss shall be recognized.

In the amendments, IFRS 10 was amended so that when an investor sells or invests in a subsidiary (associate or joint venture) that does not constitute a business as defined by IFRS 3, only the profit or loss arising therefrom within the scope not belonging to the investor shall be recognized.

(2) Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”

The classification of liabilities as current or non-current in paragraphs 69 to 76 of IAS 1 “Classification of Liabilities as Current or Non-current” was amended.

(3) Amendments to IFRS 16, “Lease Liability in a Sale and Leaseback”

This is to make consistent application of standards by aligning with the Amendments to IFRS 16, which required of a seller-lessee to perform additional accounting treatment for a leaseback transaction.

(4) Amendments to IAS 1 “Non-current Liabilities with Covenants”

The amendments facilitate the enterprises to provide information on long-term liability contracts. It is to clarify that the conditions with which an entity must comply within twelve months after the reporting period do not affect the classification of a liability into current or non-current at the end of the reporting period.

The Company is currently assessing the potential impact of the above-mentioned new, revised and amended standards or interpretations on its financial position and financial performance and will disclose the relevant impact when completing the assessment.

(IV) Summary of Significant Accounting Policies

1. Compliance statement

The Company's parent company-only financial statements for 2022 and 2021 were prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

2. Basis of preparation

The Company prepared the parent company-only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers. As per Article 21 of the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the profit or loss during the period and other comprehensive income presented in parent company only financial reports shall be the same as the allocations of profit or loss during the period and of other comprehensive income attributable to owners of the parent presented in the financial reports prepared on a consolidated basis, and the owners' equity presented in the parent company only financial reports shall be the same as the equity attributable to owners of the parent presented in the financial reports prepared on a consolidated basis. Therefore, the investment in subsidiaries is presented as "investments using the equity method" in the parent company only financial statements, with necessary valuation adjustments made.

The parent company-only financial statements have been prepared on the historical cost basis except for the financial instruments at fair value. The parent company-only financial statements are presented in NT$ thousand, unless otherwise specified.

3. Foreign currency transactions

The Company's parent company only financial statements are presented in New Taiwan dollar (NTD), the Company's functional currency.

Transactions in foreign currencies are recognized at the exchange rates prevailing on the transaction dates. On each balance sheet date, monetary items denominated in foreign currencies are translated at the exchange rate prevailing on that date. Non-monetary items in foreign currencies measured at fair value are translated at the exchange rate prevailing on that date when the fair value is measured. Non-monetary items in foreign currencies measured at historical cost are translated at the exchange rates prevailing on the initial transaction dates.

Except as stated below, exchange differences arising from settlement or translation of monetary items are recognized in profit or loss for the period in which they occur.

(1) Regarding foreign-currency borrowings incurred to acquire an eligible asset, if the resulting exchange difference is regarded as an adjustment to interest costs, it is part of the borrowing cost and is capitalized as the cost of the asset.

(2) Foreign-currency items to which IFRS 9 "Financial Instruments" applies are handled in accordance with the accounting policies for financial instruments.

(3) Regarding monetary items that form part of a reportable entity's net investment in foreign operations, exchange differences arising therefrom are initially recognized in other comprehensive income and are reclassified from equity to profit or loss when the net investment is disposed of.

When the gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange gain or loss is recognized in other comprehensive income. When the gain or loss on a non-monetary item is recognized in profit or loss, any exchange gain or loss is recognized in profit or loss.

4. Translation of Foreign-currency Financial Statements

When the parent company-only financial statements were prepared, the assets and liabilities of the foreign operations were translated into NTD at the closing exchange rate on the balance sheet date. Income and expense items were translated at the average exchange rates for the period. Any exchange differences arising from translation were recognized in other comprehensive income. When the foreign operations were disposed of, the cumulative exchange differences were previously been recognized in other comprehensive income as an independent component under equity was reclassified from equity to profit or loss when the gains or losses on disposal were recognized.

Regarding the partial disposal of a subsidiary with foreign operations (over which the control is not lost), the cumulative exchange difference recognized in other comprehensive income is re-attributed to the non-controlling interests of the foreign operations in proportion and is not recognized in profit or loss. The partial disposal of an associate or a jointly controlled entity with foreign operations (over which the significant influence or joint control is not lost), when part of the disposal includes associateassociates of foreign operating institutions or joint arrangements, the cumulative exchange difference is reclassified to profit or loss in proportion.

The Company's goodwill arising from the acquisition of a foreign operation and the adjustment to the fair value of the carrying amounts of its assets and liabilities are regarding as the foreign operation’s assets and liabilities and presented in its functional currency.

5. Criteria for classifying assets and liabilities into current and non-current

Assets that meet one of the following criteria are classified as current assets, otherwise they are non-current assets:

(1) Assets expected to be realized in the normal operating cycle or intended to be sold or consumed;

(2) Assets held primarily for the purpose of trading;
(3) Assets expected to be realized within 12 months after the reporting period;
(4) Cash or cash equivalents, excluding assets restricted from being exchanged or used to settle liabilities for at least 12 months after the balance sheet date.

Liabilities that meet one of the following criteria are classified as current liabilities, otherwise they are non-current liabilities:

(1) Liabilities expected to be settled in the normal operating cycle;
(2) Liabilities held primarily for the purpose of trading;
(3) Liabilities expected to be settled within 12 months after the balance sheet date;
(4) Liabilities with a repayment deadline that cannot be unconditionally deferred for at least 12 months after the balance sheet date. However, the terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

6. Cash and cash equivalents

Cash on hand, demand deposits, and short-term, highly liquid time deposits or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

7. Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities within the scope of IFRS 9 "Financial Instruments" are measured at fair value upon initial recognition; the transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (except financial assets and financial liabilities classified as at fair value through profit or loss) are added to or subtracted from the fair values of the financial assets and financial liabilities.

(1) Recognition and measurement of financial assets

Regular trading of financial assets is recognized and derecognized in accordance with trade date accounting.

The Company classifies financial assets as those subsequently measured at amortized cost, at fair value through other comprehensive income, or at fair value through profit or loss based on the two bases below:

A. The business model for financial asset management
B. Contractual cash flow characteristics of financial assets

<u>Financial assets measured at amortized cost</u>

Financial assets that meet both of the following criteria are measured at amortized cost and are recognized in the balance sheet as notes or accounts receivable, financial assets measured at amortized cost, or other receivables:

A. The business model for financial asset management: Holding financial assets to collect contractual cash flows.
B. Contractual cash flow characteristics of financial assets: The cash flow is entirely the payment for principal and the interest on the outstanding principal.

Such financial assets (excluding those for hedging) are subsequently measured at the amortized cost [the amount measured upon initial recognition, less the principal repaid, plus or less the cumulative amortization of the differences between the initial amount and the due amount (the effective interest method adopted), with the allowance for losses adjusted]. The gain or loss is recognized in profit or loss upon de-recognition, through the amortization process, or when an impairment gain or loss is recognized.

Interest accrued using an effective interest method (effective interest rate multiplied by the total book value of a financial asset) or based on the situations below is recognized in profit or loss:

A. In the case of a credit-impaired financial asset purchased or created, the credit-adjusted effective interest rate is multiplied by the amortized cost of the financial asset;
B. If it is not the case but subsequently becomes credit-impaired, the effective interest rate is multiplied by the amortized cost of the financial asset.

Financial assets measured at fair value through other comprehensive income

Financial assets that meet both of the following criteria are measured at fair value through other comprehensive income and recognized in the balance sheet as financial assets at fair value through other comprehensive income:

A. The business model for financial asset management: Collection of contractual cash flows and sales of financial assets.
B. Contractual cash flow characteristics of financial assets: The cash flow is entirely the payment for principal and the interest on the outstanding principal.

The recognition of relevant gains and losses on such financial assets is specified below:

A. Before de-recognition or reclassification, except for impairment gains or losses and foreign currency exchange gains or losses that are recognized in profit or loss, such gains or losses are recognized in other comprehensive income.
B. Upon de-recognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
C. Interest accrued using an effective interest method (effective interest rate multiplied by the total book value of a financial asset) or based on the situations below is recognized in profit or loss:
   (a) In the case of a credit-impaired financial asset purchased or created, the credit-adjusted effective interest rate is multiplied by the amortized cost of the financial asset;
   (b) If it is not the case but subsequently becomes credit-impaired, the effective interest rate is multiplied by the amortized cost of the financial asset.

In addition, regarding equity instruments within the scope of IFRS 9 that are neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, the

Group, upon initial recognition, elects (irrevocably) to recognize the subsequent changes in the fair values thereof in other comprehensive income. The amount recognized in other comprehensive income must not be subsequently reclassified to profit or loss (when such equity instruments are disposed of, it will be included in the cumulative amount of other equity items and directly transferred to retained earnings) and is recognized in the balance sheet as a financial asset at fair value through other comprehensive income. Investment dividends are recognized in profit or loss unless they clearly represent a recovery of part of the cost of the investment.

Financial assets measured at fair value through profit or loss

Except for the above financial assets in alignment with specific criteria that are measured at amortized cost or fair value through other comprehensive income, financial assets are measured at fair value through profit or loss and recognized in the balance sheet as financial assets at fair value through profit or loss.

Such financial assets are measured at fair value, and any gain or loss arising from remeasurement is recognized in profit or loss. The gain or loss recognized in profit or loss includes any dividends or interest received due to the financial asset.

(2) Impairment of financial assets

The Company's investments in debt instruments at fair value through other comprehensive income and financial assets measured at amortized cost are recognized as expected credit losses with an allowance for losses provided. An allowance for losses on an investment in a debt instrument measured at fair value through other comprehensive income is recognized in other comprehensive income without reducing the carrying amount of the investment.

The Company measures expected credit losses in a way that reflects the following:

A. An unbiased, probability-weighted amount determined by evaluating each potential outcome
B. Time value of money
C. Reasonable and corroborative information related to past events, present conditions, and future economy forecasts (which can be accessed without an excessive cost or investment on the balance sheet date)

The methods of measuring an allowance for losses are specified below:

A. Measured at 12-month expected credit losses: Including financial assets with the credit risk not increasing significantly since the initial recognition or those with an estimated low credit risk on the balance sheet date. Also, it also includes an allowance for the lifetime expected credit losses during the prior reporting period, without meeting the indicator that the credit risk has significantly increased since the initial recognition on the balance sheet date of this period.
B. Measured at lifetime expected credit losses: Including financial assets with the credit risk increasing significantly since the initial recognition or credit-impaired financial assets purchased or created.
C. For accounts receivable or contract assets arising from transactions within the scope of IFRS 15, the Company measures an allowance for lifetime expected credit losses.
D. For lease receivable arising from transactions within the scope of IFRS 16, the Company measures an allowance for lifetime expected credit losses.

On each balance sheet date, the Company evaluates whether the credit risk of a financial instrument has increased significantly after the initial recognition by comparing the default risk of the financial instrument on the balance sheet date and the initial recognition date. See Note (XII) for information on credit risk.

(3) Derecognition of financial assets

The Company derecognizes a financial asset held in the case of any of the following circumstances:

A. The contractual rights to receive the cash flows from the financial asset have expired.
B. A financial asset is transferred with all the risks and rewards attached to the ownership of the asset substantially transferred to the counterparty.
C. All the risks and rewards attached to the ownership of the asset are neither substantially transferred nor retained, but the control over the asset is transferred.

When a financial asset as a whole is de-recognized, the difference between its carrying amount and the sum of the consideration received or receivable plus any cumulative gain or loss recognized in other comprehensive income is recognized in profit or loss.

(4) Financial liabilities and equity instruments

Classification of liabilities and equity

Liabilities and equity instruments issued by the Company are classified as financial liabilities or equity as per the substance of the agreement and the definitions of financial liabilities and equity instruments.

Equity instrument

Equity instrument refers to any contract that demonstrates the Company's remaining interest in assets less all of its liabilities. Equity instruments issued by the Company are recognized at the acquisition prices, less the direct issuance cost.

Financial liabilities

Financial liabilities that fall within the scope of IFRS 9 are classified as either financial liabilities at fair value through profit or loss or financial liabilities at amortized cost upon initial recognition.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated at fair value through profit or loss.

When satisfying one of the criteria below, it is classified as a liability held for trading:

A. The acquisition is mainly for short-term sale;
B. It is part of a portfolio of identifiable financial instruments that are managed on a consolidated basis upon initial recognition, with evidence showing that the portfolio has recently been used to make a short-term

profit; or

C. Derivatives (excluding financial guarantee contracts or effective designated hedging instruments).

For contracts containing one or more embedded derivatives, an overall hybrid (combined) contract can be designated as a financial liability at fair value through profit or loss; when it is aligned with one of the factors below with more relevant information that can be provided, it is designated as a financial liability at fair value through profit or loss upon initial recognition:

A. The designation eliminates or considerably reduces the measurement or recognition inconsistency; or

B. The performance of a group of financial liabilities or a group of financial assets and financial liabilities is managed and measured at fair value in accordance with the written risk management or investment strategies, and the portfolio information provided to the management team within the Group is also measured at fair value.

Any gain or loss arising from remeasurement of such financial liabilities is recognized in profit or loss. The gain or loss recognized in profit or loss includes any interest paid for the financial liability.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost, including payables and borrowings, are subsequently measured using the effective interest rate method after the initial recognition. When financial liabilities are de-recognized and amortized with the effective interest rate method, the relevant gains or losses and amortizations are recognized in profit or loss.

The amortized cost is calculated with the discount or premium and the transaction cost upon acquisition taken into account.

Derecognition of financial liabilities

When the obligations of financial liabilities are lifted, cancelled, or expire, the financial liabilities are derecognized.

When the Company exchanges debt instruments with materially different terms with a creditor or significantly changes all or part of the terms of the existing financial liabilities (financial difficulties or not), the initial liabilities are derecognized and new liabilities are recognized. When a financial liability is derecognized, the difference between its carrying amount and the total consideration paid or payable (including the non-cash assets transferred or the liabilities assumed) is recognized in profit or loss.

(5) Offset of financial assets and liabilities

Financial assets and financial liabilities can only be offset and presented in the balance sheet as a net amount when the recognized amount is legally entitled to be offset with an intension to be settled in a net amount or realize the asset and settle the liability at the same time.

8. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

(1) in the principal market for the asset or liability; or

(2) in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or most advantageous market should be accessible for the Company to trade in.

The fair value of an asset or a liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

9. Inventories

Inventories are valued at the lower of cost or net realizable value with an item-by-item comparison method.

Costs refer to the costs incurred in bringing inventories to a condition and location ready for sale or production.
Raw materials are valued at the actual purchase cost with a weighted average method.
Finished goods and works-in-process include direct raw materials, labor, and fixed manufacturing overhead apportioned based on normal production capacity, excluding the borrowing costs.

The net realizable value is calculated based on the estimated selling price, less the costs and selling expenses required till completion in the ordinary course of business.

The provision of services is handled in accordance with IFRS 15 outside the scope of inventories.

10. Investment accounted for using the equity method

As per Article 21 of the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the Company’s investments in its subsidiaries are presented as "investments accounted for using the equity method" with necessary valuation adjustments made, to bring the current profit or loss and other comprehensive income in the parent company-only financial statements to be the same as the share of the current profit or loss and other comprehensive income attributable to the owners of the parent company in the financial statements prepared on a consolidated basis; and the owner's equity in the parent company-only is the same as the equity attributable to the owners of the parent company in the financial statements prepared on a consolidated basis. Such adjustments are mainly made to the treatment of investments in subsidiaries in the consolidated financial statements in accordance with IFRS 10 "Consolidated Financial Statements" and the differences in the application of IFRS by reportable entities at different levels, while being debited to or credited from “investments using the equity method”, “share of profit or loss of subsidiaries, associates, or joint ventures using the equity method”, or “share of other comprehensive income of subsidiaries, associates, or joint ventures using the equity method”.

The Company's investments in associates are accounted for using the equity method, except for assets that are classified as assets held for sale. Associates refer to those on which the Company has significant influence. A joint venture means that the Company has the right to the net assets of a joint arrangement (with joint control).

With an equity method adopted, an investment in an associate or a joint venture recognized in the balance sheet is the amount of cost, plus the amount of the net change in the Company's net assets in the associate or the joint venture after the acquisition in proportion to the Group’s shareholding. After the carrying amount of the investment in the associate or the joint venture and other relevant long-term interests are reduced to zero using the equity method, additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of said associate or joint venture. Unrealized gains or losses arising from transactions between the Company and its associates or joint ventures are eliminated in proportion to its equity in the associates or joint ventures.

When a change in the equity in an associate or a joint venture does not occur due to an item under profit or loss or other comprehensive income and does not affect the Company's shareholding, the Company recognizes the change in ownership interests in proportion to its shareholding. Therefore, when the associate or the joint venture is subsequently disposed of, the capital surplus recognized is transferred to profit or loss in proportion to the disposal.

In the event of issuance of new shares by an associate or a joint venture, when the Company does not subscribe in proportion to its shareholding, resulting in a change in the proportion of investment and an increase or decrease in the Company's share in the associate’s or the joint venture’s net assets, "capital surplus" and "investments using the equity method" are adjusted accordingly. When the proportion of investment decreases, the relevant items previously recognized in other comprehensive income will be reclassified to profit or loss or other appropriate accounts depending on the percentage of the decrease. When the associate or the joint venture is subsequently disposed of, the above capital surplus recognized is transferred to profit or loss in proportion to the disposal.

The associates’ or joint ventures’ financial statements are prepared for the same reporting period as the Company’s and adjusted to align their accounting policies with the Company’s.

At the end of each reporting period, the Company confirms if there is objective evidence indicating any impairment of its investments in associates or joint ventures in accordance with “IAS 28 — Investments in Associates and Joint Ventures”. If it is the case, the Company calculates the impairment based on the difference between the recoverable amount and the carrying amount of an associate or a joint venture in accordance with IAS 36 "Impairment of Assets" and recognizes the amount in the profit or loss on the associate or the joint venture. If the value in use of the investment is adopted for the above recoverable amount, the Company determines the relevant values in use based on the estimates below:

(1) The Company's share of the present value of the estimated future cash flows generated from an associate or a joint venture, including the cash flow generated by the associate or the joint venture due to its operations and the proceeds from the disposal of the investment; or
(2) The present value of the estimated future cash flows from dividends from the investment that the Company expects to receive and the proceeds from the disposal of the investment.

As the components of goodwill that constitute the carrying amount of an investment in an associate or a joint venture are not separately recognized, it is not necessary to apply IAS 36 "Impairment of Assets" regarding the goodwill impairment test.

When the significant influence on an associate or the joint control over a joint venture is lost, the Company measures and recognizes the retained investment at fair value. When the significant influence or joint control is lost, the difference between the carrying amount of the investment in the associate or the joint venture and the fair value of the retained investment, plus the proceeds from the disposal, is recognized in profit or loss. Also, when an investment in an associate becomes an investment in a joint venture, or an investment in a joint venture becomes an investment in an associate, the Company continues to adopt the equity method without re-measuring the retained equity.

11. Property, plant and equipment

Property, plants and equipment are accounted for on the basis of acquisition cost and recognized after accumulated depreciation and impairment are deducted. The above costs of dismantling and removing the item and restoring the site on which it is located, and necessary interest expenses arising from unfinished projects. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. When a major component of property, plants and equipment needs to be replaced regularly, the Company regards it as an individual asset and recognizes it separately with a specific useful life and a depreciation method. The carrying amount of the replaced part should be derecognized in accordance with the requirement for derecognition under IAS 16 "Property, Plant and Equipment". If a major examination or repair cost meets the criteria for recognition, it is regarded as a replacement cost and recognized as part of the carrying amount of plants and equipment, while other repair and maintenance expenses are recognized in profit or loss.

Assets below are depreciated on a straight-line basis over the estimated useful lives:

Type of asset	Useful lives
Buildings	3–60 years
Machinery and equipment	5–7 years
Transportation equipment	5 years
Office equipment	2–5 years
Other equipment	2–40 years

After the initial recognition of property, plants and equipment or any significant parts, if it is disposed of or no economic effect arising from the use or disposal is expected, it will be derecognized and recognized in profit or loss.

The residual value, years of useful life, and depreciation method of property, plants and equipment are assessed at the end of each fiscal year. If the expected value is different from the previous estimate, the change is considered as a change in accounting estimates.

12. Leases

The Company assesses whether or not an contract is (or includes) a lease contract on the inception of the contract . If an contract transfers control over the use of an identified asset for a period of time in exchange for consideration, the contract is (or includes) a lease contract. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, an entity shall assess whether, throughout the period of use, the customer has both of the following:

(1) the right to obtain substantially all of the economic benefits from the use of the identified asset; and
(2) the right to direct the use of the identified asset.

For a contract that is, or contains, a lease, an entity shall account for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Company shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge an entity for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the lessee shall estimate the stand-alone price, maximising the use of observable information.

<u>The Company as lessee</u>

In addition to meeting and selecting short-term leases or leases of low-value underlying assets, when the Company is the lessee of a lease contract, all leases are recognized in right-of-use assets and lease liabilities.

The Company measures the lease liabilities at the commencement date based on the present value of the lease payments not yet paid on that date. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee’s incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

(1) fixed payment (including in-substance fixed payment) less any lease incentives receivable;
(2) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
(3) The amount expected to be payable by the lessee under the residual value guarantee;
(4) the exercise price of purchase option if the lessee is reasonably certain to exercise that option; and
(5) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Company measures the lease liabilities at amortized cost, and increases the carrying amount of the lease liabilities using the effective interest method to reflect the interest on the lease liabilities; the lease payments reduce the carrying amount of the lease liabilities.

At the commencement date, the Company measures the right-of-use assets at cost. The cost of the right-of-use assets shall comprise:
(1) the amount of the initial measurement of the lease liability;
(2) any lease payments made at or before the commencement date, less any lease incentives received;
(3) any initial direct costs incurred by the lessee; and
(4) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the

site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Subsequent measurement of the right-of-use assets is presented after the cost less the accumulated depreciation and accumulated impairment loss, i.e. the cost model is applied to measure the right-of-use assets.

If the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use assets reflects that the Company will exercise a purchase option, the Company shall depreciate the right-ofuse asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Company shall depreciate the right-of-use assets from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Company shall apply IAS 36 “Impairment of Assets” to determine whether a right-of-use asset is impaired and to account for any impairment loss identified.

In addition to meeting and selecting short-term leases or leases of low-value underlying assets, the Company presents right-of-use assets and lease liabilities in the balance sheet, and presents lease-related depreciation expenses and interest expenses separately in the statement of comprehensive income.

For short-term leases and leases of low-value underlying assets, the Company chooses to adopt the straight-line basis or another systematic basis to recognize the lease payments related to said leases in expenses over the lease term.

13. Intangible assets

Intangible assets that are acquired separately are initially measured at cost. The cost of intangible assets acquired through a business combination is the fair value at the acquisition date. After initial recognition, an intangible asset shall be carried at its cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets that do not meet the recognition criteria shall not be capitalized, but shall be recognized in profit or loss when they occur.

The useful life of intangible assets is divided into finite and indefinite useful life.

Intangible assets with a finite useful life are amortized over their useful life, and an impairment test is performed when there are signs of impairment. The amortization period and method of intangible assets with finite useful life are reviewed at least at the end of each fiscal year. If the estimated useful life of an asset is different from the previous estimate, or the expected pattern of future economic benefit consumption has changed, the amortization method or period will be adjusted and considered as a change in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but impairment tests are conducted to each asset or based on the level of cash-generating units each year. Intangible assets with indefinite useful lives are assessed in each period whether there are events and circumstances that continue to support that the asset’s useful life is still indefinite. If the useful life is changed from indefinite to finite, the application will be applied prospectively.

The profit or loss arising from the derecognition of an intangible asset is recognized as profit or loss.

The Company's accounting policy for intangible assets is summarized as follows:

	Patent
Useful lives	Finite (6–19 years)
Amortization method	Straight-line method
Internal generation or external acquisition	Internal generation and external acquisition

14. Impairment of financial assets

The Company assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 "Impairment of Assets" may be impaired. If there is any indication of impairment or an impairment test is required for an asset on a regular basis each year, the Company tests the individual asset or the cash-generating unit to which the asset belongs. If the carrying amount of an asset or the cash-generating unit to which the asset belongs is greater than the recoverable amount in an impairment test, the impairment loss is recognized. The recoverable amount is the higher of fair value or value in use.

At the end of each reporting period, the Company assesses assets other than goodwill to see whether there are indications that the previously recognized impairment losses may no longer exist or may be decreased. In the event of such an indication, the Company estimates the recoverable amount of the asset or cash-generating unit. If the recoverable amount is increased due to the change in the estimated service potential of the asset, the impairment amount is reversed. However, the reversed carrying amount shall not exceed that before recognizing impairment loss and after deducting depreciation or amortization.

The impairment loss and reversal amount of the continuing operations are recognized in profit or loss.

15. Recognition of revenue

The Company's revenue from customer contracts is mainly from the sales of goods. The accounting treatments are specified below:

<u>Sales of goods</u>

The Company manufactures and sells products and recognizes revenue when the promised products are delivered to a customer and the customer obtains control over them (i.e., the customer's ability to guide the use of the products and obtain almost all the remaining benefits of the products). Its main products are golf equipment, including the golf club heads. Revenue is recognized on the basis of the prices stated in the contracts, less estimated returns, discounts, and other similar discounts and allowances.

The credit period of the Company's goods sold ranges from 30 to 90 days. Most of the contracts are recognized as accounts receivable when the control over the goods is transferred with an unconditional right to receive consideration. Such accounts receivable are usually short-term and do not contain significant financial components. A small number of contracts with goods transferred to customers still bear no unconditional right to receive consideration are recognized as contract assets, for which an allowance for impairment should be measured over the lifetime ECLs in accordance with IFRS 9.

16. Borrowing costs

Borrowing costs that can be directly attributable to the acquisition, construction, or production of qualified assets are capitalized as part of the costs of the assets. All other borrowing costs are recognized as expenses in the period in which they are incurred. Borrowing costs include interest and other costs incurred in relation to borrowings.

17. Post-employment benefit plan

The pension plan for the Company's employees applies to all full-time employees. The employee pension fund is fully contributed to the Labor Pension Reserves Committee and deposited in the pension fund account. The aforementioned pension is deposited in the name of the Labor Pension Reserves Committee, which is completely separate from the Company, so it is not included in the parent company-only financial statements in the preceding paragraph.

For the defined contribution pension plan, the monthly pension payable rate of the Company shall not be less than 6% of the employees' monthly salary, and the amount of the provision shall be recognized in current expenses.

The post-employment benefit plan that is a defined benefit plan is accounted for using the projected unit benefit method based on an actuarial report on the end date of the annual reporting period. The remeasurement of the net defined benefit liabilities (assets) includes any movements in the return on the plan asset and the effects of asset cap, less the amount of net interest included in the net defined benefit liabilities (assets) and actuarial gains and losses. The net defined benefit liability (asset) remeasurement is included in other comprehensive income when incurred and immediately recognized in the retained earnings. The service cost from the prior period is a change in the present value of the defined benefit obligation arising from a plan modification or a reduced plan and is recognized in expenses at the earlier of date of (1) or (2) below:

(1) When a plan modification or a reduced plan takes place; or
(2) When the Company recognizes relevant restructuring costs or severance benefits.

The net interest on the net defined benefit liability (asset) is determined by multiplying the net defined benefit liability (asset) by a discount rate, both of which are determined at the beginning of an annual reporting period. Then, any changes in the net defined benefit liability (asset) due to contributions and benefit payments during the period are considered.

18. Income taxes

Tax expense (tax income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

<u>Current income taxes</u>

The current income taxes liabilities (assets) related to the current and prior periods are measured at the legislated or substantially legislated tax rates and tax laws at the end of the reporting period. The current income taxes related to the items recognized in other comprehensive income or directly recognized in the equity is recognized in other comprehensive income or equity instead of being recognized in the profit or loss.

A surtax of the profit-seeking enterprise income taxes levied on the undistributed earnings is recognized as income taxes expense on the date when the distribution of earnings is resolved.

Deferred tax

The deferred tax is calculated according to the temporary difference between the taxable amount of assets and liabilities and the carrying amount on the balance sheet at the end of the reporting period.

A deferred tax liability shall be recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from:

(1) The initial recognition of goodwill, or the initial recognition of an asset or liability that does not arise from a business combination and does not affect accounting profits and taxable income (loss) at the time of the transaction conducted;
(2) The taxable temporary difference arising from the investment in subsidiaries, associates, and interests in joint arrangements. Also, the timing of reversal is controllable, and it is not likely to be reversed in the foreseeable future.

Except for the following two items, deductible temporary difference and deferred tax assets arising from the taxable losses and income tax credit are recognized within the range of probable future taxable income:

(1) It is related to the deductible temporary difference from the initial recognition of an asset or liability that does not arise from a business combination and does not affect accounting profits and taxable income (loss) at the time of the transaction conducted;
(2) It is related to the deductible temporary differences arising from the investment in subsidiaries, associates, and interests in joint arrangements. It is recognized within the range of probable reversal in the foreseeable future and there is sufficient taxable income at the time the temporary difference occurred.

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and deferred tax assets shall reflect the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. If the deferred tax is related to items that are not included in the profit or loss, it will not be recognized in profit or loss, but recognized in other comprehensive income according to the relevant transactions or directly recognized in equity. Deferred tax assets are reexamined and recognized at the end of each reporting period.

Deferred tax assets and liabilities can be legally offset against each other only in the current period, and the deferred tax is related to the same taxation entity and is related to the income taxes levied by the same taxation authority.

(V) Significant Accounting Judgments, Estimations and Assumptions

When the parent company-only financial statements are prepared by the Company, the management must make judgments, estimates, and assumptions at the end of the reporting period, which will affect the disclosures of income, expenses, assets and liabilities, and contingent liabilities. However, the uncertainty of these significant assumptions and estimates may result in a significant adjustment to the book value of an asset or liability in the future period.

Estimation and assumption

The main source of information on the estimation and assumption with uncertainty at the end of the reporting period has significant risks that result in significant adjustments to the carrying amounts of assets and liabilities in the next fiscal year. The explanations are given as follows:

(1) Fair values of financial instruments

When the fair values of financial assets and financial liabilities recognized in the balance sheet cannot be obtained from the active market, the fair value will be determined using evaluation techniques, including the income approach (such as cash flow discount model) or market approach. The changes in the assumptions of said approaches will affect the fair value of the financial instruments reported. Please refer to Note (XII) for details.

(2) Inventories

The net realizable value of inventories is estimated based on the most reliable evidence of the expected realizable number of inventories available upon estimation by taking into accounting the fact that the inventory may be damaged or wholly or partially obsolete, or the selling price has dropped. Please refer to Note (VI) for details.

(3) Impairment of non-financial assets

An impairment occurs when the carrying amount of an asset or a cash-generating unit exceeds the recoverable amount thereof. The recoverable amount refers to the fair value, less the cost of disposal or the value in use, whichever is higher. The fair value, less the cost of disposal, is calculated at the price that can be received or paid for the transfer of a liability in an orderly transaction between market participants at the measurement date, an amount after the incremental costs directly attributable to the disposal of the asset or cash-generating unit are deducted. Value in use is calculated with a discounted cash flow model.

(4) Post-employment benefit plan

The defined benefit cost of the post-employment benefit plan and the present value of the defined benefit obligation depend on the actuarial valuation results. Actuarial valuation involves various assumptions, including discount rates and movements in expected rate of salary increase or decrease.

(5) Income taxes

The uncertainty of income taxes exists in the interpretation of complex tax regulations and the amount and timing of future taxable income. Due to a wide range of international business relationships and the long-term and complexity of contracts, the differences between actual results and assumptions made, or changes in such assumptions in the future, may cause the booked income taxes benefits and expenses to be adjusted in the future. The recognition of income taxes is a reasonable estimation made according to the possible audit results of the local tax authorities of the countries in which the Company operates. The amount recognized is based on different factors, such as previous tax audit experience and the difference in tax law interpretation between the tax entity and the tax authority. The difference in interpretation may result in a variety of issues due to the local situation of the country where an individual enterprise of the Company operates.

(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

The carryforwards of the taxable loss and income taxes credit and deductible temporary differences are recognized as deferred tax assets within the range of probable future taxable income or taxable temporary differences. The amount of the deferred income taxes assets to be recognized is estimated according to the possible timing and level of the future taxable income and taxable temporary difference, and also, the future tax planning strategy.

(VI) Description of Significant Account

1. Cash and cash equivalents

	2022.12.31	2021.12.31
Cash on hand and demand deposits	$870,950	$903,181
Time deposits	—	331,560
Total	$870,950	$1,234,741

2. Financial assets at fair value through other comprehensive income

	2022.12.31	2021.12.31
Debt instrument investments at fair value through other comprehensive income - non-current:		
Corporate bonds	$85,198	$105,149
Equity instrument investments at fair value through other comprehensive income - non-current:		
Unlisted stocks	1,800	1,800
Total	$86,998	$106,949

The Company did not provide financial assets at fair value through other comprehensive income as collateral.

See Note (VI)13 for details of an allowance for losses on debt instrument investments measured at fair value through other comprehensive income and Note (XII) for information on credit risk.

3. Notes receivable and notes receivable - related parties

	2022.12.31	2021.12.31
Notes receivable	$-	$52
Less: Allowance for losses	—	—
Subtotal	—	52
Notes receivables - related parties	—	—
Less: Allowance for losses	—	—
Subtotal	—	—

	2022.12.31	2021.12.31
Total	$-	$52

The Company did not receive collateral for the notes receivable.

The Company assessed impairment as per IFRS 9. See Note (VI).13 for information on an allowance for losses and Note (XII) for information on credit risk.

4. Accounts receivables and accounts receivables - related parties

	2022.12.31	2021.12.31
Accounts receivable	$1,251,249	$1,356,821
Less: Allowance for losses	(1,304)	(1,511)
Subtotal	1,249,945	1,355,310
Accounts receivables - related parties	6,235	31,448
Less: Allowance for losses	(6)	(142)
Subtotal	6,229	31,306
Total	$1,256,174	$1,386,616

The Company did not receive collateral for the accounts receivable.

The Company's credit period for clients usually ranges from 30 to 90 days. The gross carrying amounts at December 31, 2022 and 2021 were NT$1,257,484 thousand and NT$1,388,269 thousand, respectively. See Note (VI).13 for the information on an allowance for losses for 2022 and 2021 and Note (XII) for the information on credit risk.

5. Inventories

	2022.12.31	2021.12.31
Raw materials	$-	$302
Supplies	152	149
Work in progress	—	17
Finished goods	2,681	829
Inventory in transit	—	873
Total	$2,833	$2,170

Operating costs recognized as expenses by the Company in 2022 and 2021 were NT$6,056,241 thousand and NT$6,387,187 thousand, respectively, including inventory price (reversal gain) decline loss of NT$(9,024) thousand and NT$15,383 thousand, respectively. In addition, the allowance for loss from inventory price decline declined due to the inventory price reversal gain because the allowance that had been recognized for loss from inventory price decline at the beginning of the period recovered due to the price recovery of inventory or the sale or use of the inventory.

No collateral is provided for the above inventories.

(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

6. Investment using the equity method

	2022.12.31		2021.12.31	
Investee	Amount	Shareholding	Amount	Shareholding
Investment in subsidiary:				
O-TA Golf Group Co.,Ltd.(O-TA BVI.)	$4,742,591	100.00％	$3,505,197	100.00％

The investment in subsidiaries is presented as "investments using the equity method" in the parent company only financial statements, with necessary valuation adjustments made.

Below is the Company’s investment in O-TA BVI.:

（1） The Company invested in O-TA BVI. in 1994, through which the Company set up Harvest Fair International Limited in Hong Kong, which was mainly engaged in trading of golf club heads and bicycle parts.

（2） The Company invested in O-TA BVI. in 2011, through which the Company set up Jiangxi O-TA Precision Technology Co., Ltd. in China after obtaining an approval from the INVESTMENT COMMISSION of MOEA. Jiangxi O-TA Precision Technology Co., Ltd. was mainly engaged in production and sale of golf club head, shafts, golf equipment, and plumbing hardware.

（3） The Company invested in O-TA BVI. in 2018, through which the Company set up VGT COMPOSITE TECHONOLOGY (HUIZHOU) CO., LTD. in China after obtaining an approval from the INVESTMENT COMMISSION of MOEA. VGT COMPOSITE TECHONOLOGY (HUIZHOU) CO., LTD. was mainly engaged in production of carbon fiber composite and bicycle parts.

The aggregate financial information on the share of the above investments in the subsidiary is listed as follows:

	2022	2021
Net income from continuing operations	$1,055,356	$1,184,854
Other comprehensive income (net amount after tax)	—	—
Total comprehensive income	$1,055,356	$1,184,854

The above investment in the subsidiary bore no contingent liabilities nor capital commitment on December 31, 2022 or 2021, and no collateral was provided for the investment.

7. Property, plant, and equipment

	2022.12.31	2021.12.31
Property, plant and equipment for self-use	$104,322	$107,678

(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

	Land	Buildings	Machinery and equipment	Office equipment	Transportation equipment	Other equipment	Total
Cost:							
2022.01.01	$65,877	$54,158	$19,578	$63,809	$10,321	$15,130	$228,873
Additions	–	–	100	2,975	800	938	4,813
Disposal	–	–	–	–	(1,350)	(158)	(1,508)
Transfer	–	–	–	–	–	–	–
2022.12.31	$65,877	$54,158	$19,678	$66,784	$9,771	$15,910	$232,178
2021.01.01	$65,877	$54,158	$19,773	$62,023	$10,086	$14,279	$226,196
Additions	–	–	–	1,786	1,300	1,060	4,146
Disposal	–	–	(195)	–	(1,065)	(209)	(1,469)
Transfer	–	–	–	–	–	–	–
2021.12.31	$65,877	$54,158	$19,578	$63,809	$10,321	$15,130	$228,873
Depreciation and impairment:							
2022.01.01	$-	($31,914)	($17,201)	($55,581)	($6,030)	($10,469)	($121,195)
Depreciation (Note)	–	(898)	(450)	(3,762)	(1,401)	(1,463)	(7,974)
Disposal	–	–	–	–	1,155	158	1,313
2022.12.31	$-	($32,812)	($17,651)	($59,343)	($6,276)	($11,774)	($127,856)
2021.01.01	$-	($30,959)	($16,818)	($51,375)	($5,752)	($9,020)	($113,924)
Depreciation (Note)	–	(955)	(578)	(4,206)	(1,293)	(1,600)	(8,632)
Disposal	–	–	195	–	1,015	151	1,361
2021.12.31	$-	($31,914)	($17,201)	($55,581)	($6,030)	($10,469)	($121,195)
Net carrying amount:							
2022.12.31	$65,877	$21,346	$2,027	$7,441	$3,495	$4,136	$104,322
2021.12.31	$65,877	$22,244	$2,377	$8,228	$4,291	$4,661	$107,678

Note: Depreciation attributable to subsidiaries in 2022 and 2021 were NT$2,620 thousand and NT$1,641 thousand, respectively.

The Company’s property, plants and equipment were not provided as collateral nor mortgaged.

8. Intangible assets

(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

	Patent
Cost:	
2022.01.01	$6,694
Additions	543
Derecognition	(427)
2022.12.31	$6,810
2021.01.01	$6,124
Additions	621
Derecognition	(51)
2021.12.31	$6,694
Amortization and impairment:	
2022.01.01	($3,498)
Amortization	(372)
Derecognition	427
2022.12.31	($3,443)
2021.01.01	($3,204)
Amortization	(345)
Derecognition	51
2021.12.31	($3,498)
Net carrying amount:	
2022.12.31	$3,367
2021.12.31	$3,196

The amortization amounts of intangible assets recognized are as follows:

	2022	2021
Operating costs	$-	$-
Operating expenses	$372	$345

9. Short-term borrowings

The details are as follows:

	2022.12.31	2021.12.31
Secured bank loans	$440,000	$430,000
Interest rate range		
Collateral	1.15％～1.75％	0.71％～0.98％
Maturity date	2023.01.05～2023.05.31	2022.01.03～2022.04.27

As of December 31, 2022 and 2021, the Company's unused short-term lines of credits amounted to about NT$900,000 thousand and NT$940,000 thousand, respectively.

The secured bank loans is jointly guaranteed by the key management personnel. See Note (7) for details of the guarantee provided.

10. Post-employment benefit plan

Defined contribution plans

The Company has an employee retirement plan stipulated in accordance with the Labor Pension Act, which is a defined contribution plan. According to the articles, the amount appropriated by the Company monthly to labor pension shall not be less than 6% of the worker’s monthly wage. The Company makes a monthly contribution equivalent to 6% of the employees’ monthly salary to the personal pension account with the Bureau of Labor Insurance as per the Act.

The Company’s defined contribution plan expenses in 2022 and 2021 amounted to NT$5,856 thousand and NT$5,917 thousand, respectively (including NT$2,684 thousand and NT$2,661 thousand, respectively, paid on behalf of subsidiaries))

Defined benefit plan

The Company has an employee pension plan stipulated in accordance with the Labor Standards Act, which is a defined benefit plan. The employee pension to be paid is counted based on the number of points accumulated based on the length of service and the average monthly salary when the retirement is approved. Two points are granted for each year of service for the first 15 years and one point for each additional year thereafter, subject to a maximum of 45 units. The Company makes a contribution equal to 13% of the total salaries every month as a pension fund and deposit it in the account in the name of the Supervisory Committee of Labor Retirement Reserve with the Bank of Taiwan. In addition, the Company assess the balance in the aforementioned labor pension reserve account at the end of each year. If the account balance is insufficient to pay the pensions calculated in the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions to make up for the deficit by the end of March of the following year. Since April 27, 2004, the Company has been making a monthly contribution to the pension reserve equal to 4% of the total salaries paid to the directors who are also managers, which was approved by the National Taxation Bureau of the Southern Area (MOF) with the approved letter Chao-Zhou-I-Zi No.0930009057 dated April 27, 2004.

The Ministry of Labor allocates assets in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. Investments using the pension fund are made by the ministry itself and an agency, to make strategic medium- and long-term investments in both active and passive manners. Considering the market, credit, liquidity, and other risks, the Ministry of Labor has set a risk limit for the fund and has control plans in place so that there is enough flexibility to achieve the target return without assuming excessive risks.

With regard to the utilization of the fund, its minimum earnings in the annual distributions of the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings are less than aforementioned rates, the government shall make up for the difference after being approved by the competent authorities. The Company has no right to participate in managing and operating the fund, so the Company is unable to disclose the classification of the fair value of plan assets in accordance with paragraph 142 of IAS 19. As of December 31, 2022, the Company plans to contribute NT$8,820 thousand for the defined benefit plan for the following year.

(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

As of December 31, 2022 and 2021, the Company's defined benefit plan is expected to expire in 9 years and 10 years, respectively.

The costs of the defined benefit plan recognized in profit or loss are compiled in the table below:

	2022	2021
Current service cost	$443	$425
Net interest on net defined benefit liability	153	92
Total	$596	$517

The reconciliation of the present values of defined benefit obligations and the fair values of plan assets is as follows:

	2022.12.31	2021.12.31
Present values of defined benefit obligations	$91,679	$99,878
Fair values of plan assets	(81,915)	(67,312)
Other non-current liabilities - net defined benefit liabilities (assets)	$9,764	$32,566

(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

Reconciliation of net defined benefit liability (asset):

	Present values of defined benefit obligations	Fair values of plan assets	Net defined benefit liabilities (assets)
2022.01.01	$99,878	($67,312)	$32,566
Current service cost	443	—	443
Interest expense (income)	485	(332)	153
Subtotal	100,806	(67,644)	33,162
Net defined benefit liabilities/Asset remeasurement:			
Actuarial gains or losses from changes in financial assumptions	(6,615)	—	(6,615)
Experience adjustment	(2,512)	—	(2,512)
Remeasurement of defined benefit assets	—	(5,582)	(5,582)
Subtotal	(9,127)	(5,582)	(14,709)
Benefits paid	—	—	—
Employer's contribution	—	(8,689)	(8,689)
2022.12.31	$91,679	($81,915)	$9,764

	Present values of defined benefit obligations	Fair values of plan assets	Net defined benefit liabilities (assets)
2021.01.01	$102,355	($70,727)	$31,628
Current service cost	425	—	425
Interest expense (income)	308	(216)	92
Subtotal	103,088	(70,943)	32,145
Net defined benefit liabilities/Asset remeasurement:			
Actuarial gains or losses from changes in financial assumptions	(1,799)	—	(1,799)
Experience adjustment	5,378	—	5,378
Remeasurement of defined benefit assets	—	(1,019)	(1,019)
Subtotal	3,579	(1,019)	2,560
Benefits paid	(6,789)	6,789	—
Employer's contribution	—	(2,139)	(2,139)
2021.12.31	$99,878	($67,312)	$32,566

The main assumptions below are adopted to determine the Company's defined benefit plan:

	2022.12.31	2021.12.31
Discount rate	1.29%	0.49%
Expected rate of salary increase	1.50%	1.50%

(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

Sensitivity analysis of each major actuarial assumption:

	2022		2021	
	Increase in defined benefit obligations	Decrease in defined benefit obligations	Increase in defined benefit obligations	Decrease in defined benefit obligations
0.5% increase in discount rate	—	$3,811	—	$4,671
0.5% decrease in discount rate	$4,048	—	$4,834	—
Expected salary increase by 0.5%	$3,959	—	$4,843	—
Expected salary decrease by 0.5%	—	$3,764	—	$4,583

The above sensitivity analysis was conducted on the assumption that other assumptions remain unchanged, and when a single actuarial assumption (such as the discount rate or expected rate of salary) experienced a reasonably possible change, the possible impact on the determined benefit obligations was analyzed. As some actuarial assumptions are associated with each other, it is rare that only a single actuarial assumption experiences a change in practice, so there are limitations in this analysis.

The methods and assumptions adopted in this sensitivity analysis for this period are the same as those adopted in the prior period.

11. Equity

(1) Ordinary shares

As of December 31, 2022 and 2021, the Company's authorized share capital amounted to NT$1,400,000 thousand, and the issued share capital NT$838,000 thousand, with a par value of NT$10 per share. The number of shares was 83,800 thousand at both dates. Each share is entitled to voting right and to the right to receive dividends.

(2) Capital surplus

	2022.12.31	2021.12.31
Additional paid-in capital	$88,865	$88,865
Others	12,374	12,374
Total	$101,239	$101,239

As per law, capital reserve shall not be used for any purpose except for making up for the Company’s losses. When the Company has no loss, a certain percentage of the income derived from the issuance of new shares at a premium and the income from endowments received by the company shall be applied to replenish the capital per year. The aforementioned capital reserve can be allocated in cash to shareholders in proportion to their shareholdings.

(3) Earnings distribution and dividend policy

As per the Articles of Incorporation, where the Company makes a profit for a fiscal year, it shall distribute the earnings in the order specified below:

A. Paying taxes;
B. Offsetting a deficit;
C. Setting aside 10% of the balance for legal reserve;
D. Setting aside or reverse the special reserve in accordance with laws and regulations or the competent authority’s instructions;
E. Any remaining profit, together with any undistributed retained earnings, adopted by the Board of Directors as the basis for making a distribution proposal, which shall then be reported to the shareholders’ meeting.

If the above distribution of shareholder dividends is conducted in the form of cash, the Board of Directors is delegated to do so after it is approved by more than half of the directors present at a board meeting attended by at least two-thirds of all directors and report to the shareholders' meeting.

The Company's dividend distribution policy depends on factors of the Company's current and future investment environment, capital needs, domestic and international competition, and capital budgets, as well as shareholders' interest, dividend equalization, and the Company's long-term financial plan. The Board of Directors draws up a distribution proposal as per law and reports it to the shareholders' meeting per year. The Company provides no lower than 50% of the distributable earnings for shareholder dividends per year, with the priority given to cash dividends, and stock dividends may also be paid out. The total amount of cash dividends to be paid out shall not be lower than 50% of the total shareholder dividends to be paid out.

As per the Company Act, the Company shall set aside a legal reserve unless its total amount has reached the amount of the total paid-in capital. The legal reserve may be used to offset a deficit. When the Company has no loss, the portion of the legal reserve that exceeds 25% of the paid-in capital may be used to distribute shares or cash to shareholders in proportion to their shareholdings.

When distributing the distributable earnings, the Company retroactively sets aside a special reserve for the difference between the balance of the special reserve and the net deduction of other equity items as per law when the IFRS is adopted for the first time. If there is a subsequent reversal of the net deduction of other equity, the special reserve may be reversed for the portion of the net deduction of other equity reversed to distribute earnings.

In accordance with the Letter Jin-Guan-Zheng-Fa-Zi No. 1090150022 issued by the FSC dated March 31, 2021, a special reserve shall be set aside for the unrealized revaluation gains and cumulative translation adjustment (gains), which were reclassified to retained earnings on the conversion date due to the adoption of exemptions under IFRS 1 “First-time Adoption of International Financial Reporting Standards” when IFRS was first adopted. When the Company uses, disposes of, or reclassifies the relevant assets later, it may reverse the portion of the special reserve in the same percentage to distribute earnings.

The Company's Board of Directors meeting and general shareholders' meetings on March 7, 2023 and May 26, 2022, respectively, resolved on the 2022 and 2021 earnings appropriation and distribution proposal and the dividends per share, respectively. The details are as follows:

(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

	Earnings appropriation and distribution proposal		Dividends per share (NT$)	
	2022	2021	2022	2021
Legal reserve	$180,491	$168,623		
Special reserve provided (reversed)	($121,777)	$40,804		
Cash dividends from ordinary shares (Note)	$1,076,830	$1,148,060	$12.85	$13.70

Note: The Board of Directors of the Company has been delegated by the Articles of Incorporation and approved the 2021 ordinary share cash dividend proposal by resolution on March 3, 2022.

Please refer to Note (VI).15 for the relevant information on the estimation basis and recognized amounts of employee remuneration and directors' remuneration.

12. Operating revenue

	2022	2021
Revenue from customer contracts		
Revenue from product sales	$7,177,209	$7,476,167
Other operating revenue	14,836	11,248
Total	$7,192,045	$7,487,415

The Company's revenue from customer contracts for 2022 and 2021 is as follows:

(1) Breakdown of revenue

2022

	Golf equipment segment	Other segments	Total
Sales of goods	$7,177,209	$14,836	$7,192,045
Others	—	—	—
Total	$7,177,209	$14,836	$7,192,045
Timing of revenue recognition:			
At certain point in time	$7,177,209	$14,836	$7,192,045

2021

	Golf equipment segment	Other segments	Total
Sales of goods	$7,476,011	$11,248	$7,487,259
Others	156	—	156
Total	$7,476,167	$11,248	$7,487,415
Timing of revenue recognition:			
At certain point in time	$7,476,167	$11,248	$7,487,415

(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(2) Transaction prices apportioned to unfulfilled performance obligations

None.

(3) Assets recognized from the costs of obtaining or fulfilling customer contracts

None.

13. Expected credit impairment

	2022	2021
Operating expenses - expected credit impairment losses		
Notes receivable	$-	$-
Accounts receivable	(343)	(11,121)
Total	($343)	($11,121)

See Note (XII) for information on credit risk.

The Company's receivables (including notes and accounts receivable) are measured at the lifetime expected credit losses. The details of an allowance for losses on December 31, 2022 and 2021 are as follows:

2022.12.31

	Not past due	Number of days past due				
	(Note)	Less than 90 days	91-180 days	181-360 days	361 days and more	Total
Gross carrying amount	$1,257,306	$178	$-	$-	$-	$1,257,484
Loss ratio	0.10%	16.53%	—	—	—	
Lifetime expected credit losses	(1,281)	(29)	—	—	—	(1,310)
Subtotal	$1,256,025	$149	$-	$-	$-	$1,256,174
Carrying amount						$1,256,174

2021.12.31

	Not past due	Number of days past due				
	(Note)	Less than 90 days	91-180 days	181-360 days	361 days and more	Total
Gross carrying amount	$1,386,966	$1,355	$-	$-	$-	$1,388,321
Loss ratio	0.11%	10.04%	—	—	—	
Lifetime expected credit losses	(1,517)	(136)	—	—	—	(1,653)
Subtotal	$1,385,449	$1,219	$-	$-	$-	$1,386,668
Carrying amount						$1,386,668

Note: The Company’s all notes receivable are not overdue.

(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

The movements in the allowances for losses on the Company's notes and accounts receivable for 2022 and 2021 are as follows:

	Notes receivable	Accounts receivable
2022.01.01	$-	$1,653
Decrease in this period	—	(343)
Effects of changes in foreign exchange rates	—	—
2022.12.31	$-	$1,310
2021.01.01	$-	$12,774
Decrease in this period	—	(11,121)
Effects of changes in foreign exchange rates	—	—
2021.12.31	$-	$1,653

14. Leases

The Company as lessee

The Company has leased a number of different assets including property (land and buildings) and transportation equipment. The lease term under each contract ranges from one to 50 years.

The impact of leasing on the Company’s financial position, financial performance, and cash flows is specified below:

A. Amounts recognized in the balance sheet

(a) Right-of-use assets

Carrying amount of right-of-use assets

	2022.12.31	2021.12.31
Transportation equipment	$23	$305

The Company did not acquire any additional right-of-use assets in 2022 and 2021.

(b) Lease liabilities

	2022.12.31	2021.12.31
Lease liabilities	$24	$308
Current	$24	$286
Non-current	—	22
Total	$24	$308

Please refer to Note (VI).16 “Financial costs” for the details of interest expenses for the Company's lease liabilities in 2022 and 2021; please refer to Note (XII).5 “Liquidity risk management” for the details of the maturity analysis of lease liabilities.

(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

B. Amounts recognized in the statement of comprehensive income

Depreciation of right-of-use assets

	2022	2021
Buildings	$-	$582
Transportation equipment	282	282
Total	$282	$864

C. Lessee's income and expenses related to leasing activities

	2022	2021
Expenses of short-term leases	$-	$56
Expenses for leasing of low-value assets (excluding expenses for short-term leasing of low-value assets)	$-	$-

D. Lessee's cash outflows from leasing activities

The amounts of the Company’s cash outflows from leasing activities during 2022 and 2021 were NT$286 thousand and NT$930 thousand.

E. Other information on leasing activities

Option for lease extension and option for lease termination

The Company’s partial property lease contracts include the option to extend the leases. When a lease term is determined, the non-cancellable period for the right to use the underlying asset covers the period, during which it is reasonably certain that the Company will exercise the option to extend the lease, and the period, during which it is reasonably certain that the Company will not exercise the option to terminate the lease. The use of such options maximizes the flexibility of managing such contracts. The option to extend the leases can only be exercised by the Company. When major events or material changes in the circumstances occur after the inception date (under the lessee’s control and affecting if it is reasonably certain that the Company will exercise the options that were not included when the lease term was determined or will not exercise the options included when the lease term was determined), the Company reassesses the lease term.

15. Statement of employee benefits, depreciation, depletion, and amortization expenses by function is as follows:

(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

By function / Items	2022			2021		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefit expenses						
Salary and wages	$-	143,529	$143,529	$3,531	205,519	$209,050
Labor and health insurance costs	$-	9,119	$9,119	$428	7,635	$8,063
Pension costs	$-	3,768	$3,768	$115	3,658	$3,773
Directors' remuneration	$-	37,812	$37,812	$-	37,199	$37,199
Other employee benefit expenses	$-	4,455	$4,455	$2,292	2,458	$4,750
Depreciation expense (Note)	$-	5,636	$5,636	$593	7,262	$7,855
Amortization cost	$-	372	$372	$-	345	$345

Note: Excluding the depreciation attributable to subsidiaries in the amount of NT$2,620 thousand and NT$1,641 thousand, respectively.

Note:

1. The Company had 98 and 109 employees in this year and the previous year, respectively; among them, 7 were directors who were not concurrently employees for both years.

2. TWSE- and TPEx-listed companies shall further disclose the following:

(1) Average employee benefits expenses in the year were NT$1,768 thousand ([Total employee benefits expenses in the year - Total remuneration to directors]/[Number of employees in the year - Number of directors who are not an employee]). Average employee benefits expenses in the previous year were NT$2,212 thousand ([Total employee benefits expenses in the previous year - Total remuneration to directors]/[Number of employees in the previous year - Number of directors who are not an employee]).

(2) Average employee salary expenses in the year were NT$1,577 thousand (Total employee salary expenses in the year/[Number of employees in the year - Number of directors who are not an employee]). Average employee salary expenses in the previous year were NT$2,050 thousand (Total employee salary expenses in the previous year/[Number of employees in the previous year - Number of directors who are not an employee]).

(3) The average of the extent of employee salary adjustment in the year was 23% ([Average employee salary expenses in the year - Average employee salary expenses in the previous year]/ Average employee salary expenses in the previous year).

(4) The Company has set up its Audit Committee as required by law to replace supervisors. Therefore, the Company did not recognize remuneration for supervisors.

(5) The Company's remuneration policy

<u>Principles for formulating remuneration policy</u>

A. Employee salary: Employee remuneration mainly comprises base payments (base salary plus food stipends), performance bonus, annual salary adjustments in line with personal performance, and year-end bonus. Salary is determined by referencing prevailing payment standards in the market, job type, education and experience, professional knowledge and skills, and years of experience in the profession.

(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

B. The policy on remuneration to managers depends on the Company’s business strategy and profit position and a manager’s performance and contribution at work to the Company, and is proposed by the Remuneration Committee, approved by the Board of Directors, and then executed.

C. Personal performance bonus: Bonus is given according to the Company’s business performance and an employee’s individual performance.

D. Annual salary adjustment: Salary adjustment assessment is carried out by the Company every year, taking into account the year’s macroeconomic climate, operating profits, employee performance evaluation results, and employee incentive programs aiming at encouraging employees to pursuit long-term development with the Company.

According to the Articles of Incorporation, the Company shall provide 6.5％ of the profit, if any, for employees’ remuneration and no higher than 1.5％ for directors’ remuneration, while the Company shall reserve an amount in advance to offset a cumulative deficit, if any. The Company may, by a resolution adopted by a majority vote at a board meeting attended by two-thirds of the total number of directors, decide to pay out the employees remuneration in stock or cash and report to the shareholders’ meeting for such distribution. Please visit the Market Observation Post System (MOPS) for information on employee remuneration and directors’ remuneration approved by the Board of Directors.

The Group provided no lower than 6.5％ and no higher than 1.5％ of the profit for 2022 and 2021 as employee remuneration and director's remuneration, respectively. Any difference between the estimated amounts and the amounts paid out by the resolution of the Board of Directors will be recognized in profit or loss for the following year. If the Board of Directors resolves to pay out employee remuneration in stock, the number of shares paid out is counted based on the closing price of the day before the board meeting.

The Company's Board of Directors, on March 7, 2023, resolved to pay out 2022 employee remuneration and directors’ remuneration in cash in the amounts of NT$ 141,149thousand and NT$32,573 thousand, respectively. Such amounts are not significantly different from those recognized in expenses in the 2022 financial statements.

There is no significant difference between the amounts of the 2021 employee remuneration and director's remuneration paid out by the Company and the amounts recognized in expenses in the 2021 financial statements.

16. Non-operating income and expenses

(1) Interest income

	2022	2021
Financial assets measured at amortized cost	$12,059	$2,825

(2) Other income

	2022	2021
Other income - others	$1,708	$2,097

(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(3) Other gains and losses

	2022	2021
Gain on disposal of property, plants and equipment	$506	$553
Net foreign currency exchange gain (loss)	27,653	(18,346)
Others	(128)	(25)
Total	$28,031	($17,818)

(4) Financial costs

	2022	2021
Interest on bank loans	($4,633)	($3,676)
Interest on lease liabilities	(2)	(5)
Total	($4,635)	($3,681)

17. Components of other comprehensive income

The components of other comprehensive income for 2022 are as follows:

	Arising during this period	Reclassification adjustments during this period	Other comprehensive income	Income tax benefit (expense)	After-tax amount
Items not reclassified subsequently to profit or loss:					
Actuarial gains or losses on defined benefits	$14,709	$-	$14,709	($2,942)	$11,767
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on the translation of the financial statements of foreign operations	182,038	—	182,038	—	182,038
Unrealized profit or loss of debt instrument investments at fair value through other comprehensive income	(19,951)	—	(19,951)	3,990	(15,961)
Total	$176,796	$-	$176,796	$1,048	$177,844

The components of other comprehensive income for 2021 are as follows:

(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

	Arising during this period	Reclassification adjustments during this period	Other comprehensive income	Income tax benefit (expense)	After-tax amount
Items not reclassified subsequently to profit or loss:					
Actuarial gains or losses on defined benefits	($2,560)	$-	($2,560)	$512	($2,048)
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on the translation of the financial statements of foreign operations	(30,288)	—	(30,288)	—	(30,288)
Unrealized profit or loss of debt instrument investments at fair value through other comprehensive income	(13,145)	—	(13,145)	2,629	(10,516)
Total	($45,993)	$-	($45,993)	$3,141	($42,852)

18. Income taxes

(1) The major components of income tax expenses (benefits) are as follows:

Income tax recognized in profit or loss

	2022	2021
Current income tax expenses (benefits):		
Income tax payable for the current period	$193,583	$162,379
Income taxes for prior years adjusted into this period	—	852
Deferred tax expenses (benefits):		
Deferred tax expenses (benefits) related to the initial temporary differences and reversal of temporary differences	11,075	128,091
Income tax expense	$204,658	$291,322

(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

Income tax recognized in other comprehensive income

	2022	2021
Deferred tax expenses (benefits):		
Remeasurement of defined benefit plans	$2,942	($512)
Unrealized profit or loss of debt instrument investments at fair value through other comprehensive income	(3,990)	(2,629)
Income tax related to components of other comprehensive income	($1,048)	($3,141)

(2) The amount of income tax expense and accounting profit multiplied by the applicable income tax rate is adjusted as follows:

	2022	2021
Net income before tax of the continuing operations	$1,997,800	$1,979,601
Tax amount derived by applying domestic applicable tax rates.	$399,560	$395,920
Income tax effect of tax-free income	(211,071)	(236,971)
Income tax effect of non-deductible expenses on tax returns	22	—
Surtax on undistributed earnings	16,196	1,586
Income taxes for prior years adjusted into this period	—	852
Other income tax effects adjusted as per tax laws	(49)	129,935
Total income tax expense recognized in profit or loss	$204,658	$291,322

(3) Balance of deferred tax assets (liabilities) related to the items below:

	2022				
	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Effects of changes in foreign exchange rates	Ending balance
Temporary differences					
Inventory valuation losses	$10,630	($1,886)	$-	$-	$8,744
Share of profit or loss of subsidiaries recognized	(198,624)	—	—	—	(198,624)
Net defined benefit liabilities - non-current	5,862	(1,638)	(2,942)	—	1,282
Land value increment tax (Note)	(3,914)	—	—	—	(3,914)
Investment in debt instrument	2,629	—	3,990	—	6,619
Others	1,036	(7,551)	—	—	(6,515)
Deferred tax (expense) benefit		($11,075)	$1,048	$-	
Deferred tax assets/liabilities, net	($182,381)				($192,408)
The information presented in the balance sheet is as follows:					
Deferred tax assets	$20,157				$16,703
Deferred tax liabilities	($202,538)				($209,111)

(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

		2021			
	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Effects of changes in foreign exchange rates	Ending balance
Temporary differences					
Inventory valuation losses	$7,561	$3,069	$-	$-	$10,630
Expected credit impairment losses	1,220	(1,220)	—	—	—
Share of profit or loss of subsidiaries recognized	(68,536)	(130,088)	—	—	(198,624)
Net defined benefit liabilities - non-current	5,694	(344)	512	—	5,862
Land value increment tax (Note)	(3,914)	—	—	—	(3,914)
Investment in debt instrument	—	—	2,629	—	2,629
Others	544	492	—	—	1,036
Deferred tax (expense) benefit		($128,091)	$3,141	$-	
Deferred tax assets/liabilities, net	($57,431)				($182,381)
The information presented in the balance sheet is as follows:					
Deferred tax assets	$15,019				$20,157
Deferred tax liabilities	($72,450)				($202,538)

Note: In accordance with the tax law of the Republic of China, income from land transactions made before January 1, 2016 is exempted for taxation, but at the time of transfer, where the present value for the transfer exceeds the initially stipulated land price or the value recorded for the prior transfer, a land value increment tax shall be levied on the amount in excess of the price/value, less all expenses paid by the landowner for land improvements, which falls within the scope of IAS 12 "Income Taxes". As of December 31, 2022 and 2021, as per the above regulations, the amount of the deferred tax - land value increment tax recognized is NT$3,914 thousand.

(4) Information on unrecognized deferred tax liabilities related to investments

As of December 31, 2022 and 2021, the Company and investees’ taxable temporary differences related to, but had yet to be recognized as, deferred tax liabilities amounted to NT$719,522 thousand and NT$ 508,451 thousand, respectively.

(5) Income tax return filings and approval

As of December 31, 2022, the profit-seeking enterprise income tax returns filed by the Company have been approved by the tax authority up to 2019.

19. Earnings per share

The basic earnings per share is calculated by dividing profit or loss attributable to the ordinary equity holders of the Company by the weighted average number of ordinary share outstanding in the current period.

The diluted earnings per share is calculated by dividing profit or loss attributable to the ordinary equity holders of the Company (after being adjusted for the interest on convertible corporate bonds) by the weighted average number of ordinary shares outstanding in the current period plus the weighted average number of ordinary shares to be issued when all dilutive potential ordinary shares were converted into ordinary shares.

	2022	2021
(1) Basic earnings per share		
Net income	$1,793,142	$1,688,279
Weighted average number of ordinary shares for basic earnings per share (in thousands)	83,800	83,800
Basic earnings per share (NT$)	$21.40	$20.15

	2022	2021
(2) Diluted earnings per share		
Net income	$1,793,142	$1,688,279
Weighted average number of ordinary shares for basic earnings per share (in thousands)	83,800	83,800
Dilution effect:		
Employee remuneration - stock (in thousand shares)	1,201	1,616
Weighted average number of ordinary shares (in thousand shares) with the dilution effect adjusted	85,001	85,416
Diluted earnings per share (NT$)	$21.10	$19.77

There was no other transaction performed to cause significant changes to the outstanding ordinary shares or the potential ordinary shares after the reporting period and before the release of the financial statements.

(VII) Related Party Transactions

The related parties who engaged in transactions with the Company during the financial reporting period are as follows:

Name of related party and relations

Name of related party	Relations with the Company
O-TA Golf Group Co.,Ltd.(O-TA BVI.)	A subsidiary of the Company
Jiangxi O-TA Precision Technology Co., Ltd. (Jiangxi O-TA)	A sub-subsidiary of the Company
Harvest Fair International Limited (Harvest Fair)	A sub-subsidiary of the Company
VGT COMPOSITE TECHONOLOGY (HUIZHOU) CO., LTD.(VGT)	A sub-subsidiary of the Company
TAGA CO.,LTD. (TAGA)	Other related parties
LEE, KUNG-WEN	The Company’s key manager

Material transactions with related parties

(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

1.Sales

	2022	2021
TAGA	$302,555	$444,909
Harvest Fair	－	156
Total	$302,555	$445,065

The prices of the Company's sales to related parties are handled based on the general sales conditions, and the payment term is net 60 days after the end of each month.

2.Purchases

	2022	2021
Harvest Fair	$6,047,030	6,346,719
Jiangxi O-TA	8,786	6,799
TAGA	1,248	1,895
Total	$6,057,064	$6,355,413

The Company's golf club heads and shafts are priced as per the manufacturing outsourcing contract agreed with Harvest Fair and produced by Jiangxi O-TA through Harvest Fair, and Harvest Fair pays for the goods to Jiangxi O-TA. As of the end of 2022 and 2021, the unrealized balance of unrealized profit from upstream transactions, in which the Company purchased goods from sub-subsidiaries, was about NT$1,958 thousand and NT$1,639 thousand, respectively, which have been written off in proportion to the shareholding as agreed.

The Company's purchases of goods from related parties are handled based on normal purchase conditions, and the payment term is two months after acceptance.

3.Accounts receivables - related parties

	2022.12.31	2021.12.31
TAGA	$6,235	$31,448
Less: Allowance for losses	(6)	(142)
Net amount	$6,229	$31,306

4.Other receivables - related parties

	2022.12.31	2021.12.31
Harvest Fair	$205,075	$269,368
TAGA	1	10
Total	$205,076	$269,378

(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

5.Accounts payable - related parties

	2022.12.31	2021.12.31
Harvest Fair	$1,638,958	$1,769,664
Jiangxi O-TA	—	872
TAGA	167	602
Total	$1,639,125	$1,771,138

6.Other payables - related parties

	2022.12.31	2021.12.31
Harvest Fair	$5,231	$675

7.Remuneration to the Group's key management personnel

	2022	2021
Short-term employee benefits	$74,119	$65,803

8.Others

(1) The freight and other expenses paid to TAGA during 2022 and 2021 were NT$2,508 thousand and NT$1,619 thousand, respectively, which were recognized in manufacturing overhead.

(2) The income for transport services received from TAGA during 2022 and 2021 were NT$152 thousand and NT$116 thousand, respectively, which were recognized in other income.

(3) The Company's purchase of raw materials and payment therefor on behalf of Harvest Fair in 2022 and 2021 was NT$1,360,634 thousand and NT$1,442,368 thousand, respectively.

(4) The Company's purchase of molds on behalf of Harvest Fair in 2022 and 2021 was NT$10,907 thousand and NT$10,062 thousand, respectively.

(5) The Company's purchase of machinery and equipment on behalf of Harvest Fair in 2022 and 2021 was NT$1,837 thousand and NT$3,561 thousand, respectively.

(6) As of December 31, 2022 and 2021, the Company issued a promissory note, jointly endorsed/ guaranteed by LEE, KUNG-WEN in the amount of NT$1,691,980 thousand and NT$920,000 thousand, for the purpose of applying for bank loan facilities and issuing commercial paper.

(VIII) Assets Pledged

The assets below provided by the Company as collateral:

Item	Carrying amount		Secured liabilities
	2022.12.31	2021.12.31	
Other current assets - other financial assets	$500	$500	Import tariffs

(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(IX) Material Contingent Liabilities and Unrecognized Contractual Commitments

As of December 31, 2022 and 2021, the information on important contracts signed by the Company for a renovation project was as follows:

	2022.12.31		2021.12.31	
Item	Contract amount	Outstanding amount	Contract amount	Outstanding amount
Renovation project	$8,262	$8,262	$-	$-

(X) Losses Due to Material Disasters

None.

(XI) Material Subsequent Events

None.

(XII) Others

1. Types of financial instruments

Financial assets

	2022.12.31	2021.12.31
Financial assets at fair value through other comprehensive income	$86,998	$106,949
Financial assets at amortized cost:		
Cash and cash equivalents (excluding cash on hand)	870,502	$1,234,333
Notes receivable	—	52
Accounts receivables (including related parties)	1,256,174	1,386,616
Other receivables (including related parties)	211,474	271,114
Other financial assets - current	500	500
Other non-current assets - refundable deposits	101	101
Subtotal	2,338,751	2,892,716
Total	$2,425,749	$2,999,665

Financial liabilities

	2022.12.31	2021.12.31
Financial liabilities at amortized cost:		
Short-term borrowings	$440,000	$ 430,000
Payables (including related parties)	2,011,087	2,161,939
Total	$2,451,087	$2,591,939

2. Financial risk management objectives and policies

The Company's financial risk management objectives are mainly to manage market, credit, and liquidity risks related to operating activities. The Company identifies, measures, and manages the above risks as per its policies and risk preferences.

The Company has established appropriate policies, procedures, and internal control system in accordance with applicable regulations on the above financial risk management; important financial activities should be reviewed by the Board of Directors in accordance with applicable regulations and the internal control system. During the implementation of the financial management activities, the Company should comply with the applicable regulations on financial risk management.

3. Market risk

The Company's market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises currency risk, interest rate risk and other price risk (such as equity instruments).

In practice, one movement by a single change in risk variables is rare, and changes in risk variables are always interrelated; however, the sensitivity analysis of the following risks did not consider the interaction between relevant risks and variables.

Exchange rate risk

The Company's exchange rate risk is mainly related to operating activities (when a currency used for income or expenses is different from the Company's functional currency) and net investment in foreign operations.

The Company's foreign currency receivables and foreign currency payables are partially in the same currency. Thus, there will be a natural hedging effect for a part of the foreign currency position. The exchange rate risk of some foreign currency payments is managed through forward exchange agreements. The above natural hedging effect and the management of exchange rate risk through forward exchange agreements do not meet the requirement of hedging accounting, so hedging accounting has not been adopted; also, the net investment in foreign operations is a strategic investment, so the Company has not adopted a hedging approach thereto.

The sensitivity analysis of the Company's exchange rate risk is mainly focused on the main foreign currency monetary items on the end date of the financial reporting period and the impact of relevant foreign currency appreciation/depreciation on the Company's profit and loss and equity. The Company's exchange rate risk is mainly affected by fluctuations in the exchange rates of USD and EUR. The sensitivity analysis information is as follows:

When the NTD appreciated/depreciated by 1% against the USD, the Company’s profit or loss for the year ended December 31, 2022 and 2021 would have decreased/increased by NT$4,352 thousand and NT$9,190 thousand, respectively.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's interest rate risk is mainly from debt instrument investments at floating rates and borrowings at fixed and floating rates.

The Company manages interest rate risk by maintaining an appropriate portfolio of instruments at fixed and floating interest rates. However, hedging accounting does not applied as it does not meet the criteria for hedging accounting.

The sensitivity analysis of the Company's interest rate risk was mainly focused on investments and borrowings at floating rates at the end date of the financial reporting period. With an assumption that such investments and borrowings are held for one fiscal year, when the interest rate increased/decreased by 0.1%, the Company's 2022 and 2021 profit or loss would have increased/decreased by NT$431 thousand and NT$805 thousand, respectively.

Equity price risk

The Company manages the equity price risk by diversifying investments and setting limits for single and entire equity securities investments. The information on the investment portfolio of equity securities should be regularly provided to the Company’s senior management, and the Board of Directors should review and approve all decisions about investments in equity securities.

4. Credit risk management

Credit risk refers to the risk of financial loss arising from default by counterparties on contract obligations. The Company’s credit risk arises from the operating activities (mainly from accounts and notes receivables) and financial activities (mainly from cash in banks and various financial instruments).

Each unit of the Company follows the credit risk policy, procedures, and control mechanism to manage credit risk. The credit risk assessment of all transaction counterperties is based on factors, such as each counterperty’s financial position, ratings by credit rating agencies, historical trading experience from the past, current economic environment, and the Company’s internal rating criteria. The Company also uses certain credit enhancement tools (such as advance sales receipts and insurance) at appropriate times to reduce specific counterperties’ credit risk.

As of December 31, 2022 and 2021, the Company's accounts receivable from the top ten customers accounted for 98% and 99% of the Company's total accounts receivable, respectively. The credit concentration risk arising from the remaining receivables is relatively insignificant.

The Company's Finance Division manages the credit risk from cash in bank and other financial instruments in accordance with the Company's policies. The Company’s counterparties are determined by internal control procedures, such as banks with good credit, financial institutions with investment-grade ratings, corporate organizations, and government agencies, so there is no significant credit risk.

5. Liquidity risk management

The Company maintains financial flexibility through cash and cash equivalents, highly liquid securities, and bank borrowings. The table below summarizes the maturity of the payments contained in the remaining contracts of the Company’s financial liabilities. It is compiled based on the earliest possible date for repayment and its undiscounted cash flow. The amounts listed also include the agreed interest accrued. For the interest cash flow paid at floating interest rates, the undiscounted amount of interest is derived from the yield curve at the end of the reporting period.

(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

Non-derivative financial instruments

	Less than 1 year	2–3 years	4–5 years	5 years or more	Total
2022.12.31					
Borrowings	$441,622	—	—	—	$441,622
Payables	$2,010,734	—	—	—	$2,010,734
Lease liabilities	$24	—	—	—	$24
2021.12.31					
Borrowings	$430,601	—	—	—	$430,601
Payables	$2,161,805	—	—	—	$2,161,805
Lease liabilities	$286	24	—	—	$310

6. Reconciliation of liabilities from financing activities

Information on reconciliation of liabilities for the year ended December 31, 2022:

	Short-term borrowings	Lease liabilities	Total liabilities from financing activities Total Liabilities
2022.01.01	$430,000	$308	$430,308
Cash flows	10,000	(286)	9,714
Non-cash changes	—	2	2
2022.12.31	$440,000	$24	$440,024

Information on reconciliation of liabilities for the year ended December 31, 2021:

	Short-term borrowings	Short-term bills payable	Lease liabilities	Total liabilities from financing activities Total Liabilities
2021.01.01	$380,000	$49,985	$1,177	$431,162
Cash flows	50,000	(50,000)	(874)	(874)
Non-cash changes	—	15	5	20
2021.12.31	$430,000	$-	$308	$430,308

7. Fair values of financial instruments

(1) Valuation techniques and assumptions adopted to measure the fair values

Fair value is the price that can be received from a sale of an asset or paid to transfer a liability in an orderly transaction between market participants. The methods and assumptions adopted by the Company to measure the fair values of its financial assets and financial liabilities are as follows:

A. The carrying amounts of cash and cash equivalents, receivables, payables, and other current liabilities are reasonable approximations of their fair values, mainly due to the short maturity of such instruments.

B. The fair values of financial assets and financial liabilities that are traded in an active market with standard terms and conditions are determined with reference to the quoted market prices (such as publicly listed stocks and bonds).

C. Regarding debt instrument investments without quoted prices in an active market, bank borrowings, and other non-current liabilities, the fair values are determined based on the counterparties' quotes or valuation techniques. The valuation techniques are determined on the basis of discounted cash flow analysis; the assumptions about interest rates and discount rates are made with reference to on similar instruments (such as the Taipei Exchange's yield curves for reference, the average quotes of Reuters commercial paper interest rates, and credit risks).

(2) Fair values of financial instruments at amortized cost

The carrying amounts of the Company's financial assets and financial liabilities measured at amortized cost approximate their fair values.

(3) Information on the financial instrument fair value hierarchy

Please refer to Note (XII).8 for information on the Company's financial instrument fair value hierarchy.

8. Fair value hierarchy

(1) Fair value hierarchy definitions

All assets and liabilities measured or disclosed at fair value are the lowest level inputs, which are important to the overall fair value measurement, classified to the fair value levels to which they belong. The input at each level is as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities at the measurement date.

Level 2: Inputs, other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: The unobservable inputs for the asset or liability.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

(2) Information on hierarchy of fair value measurement

The Company does not have assets measured at fair value on a non-recurring basis. The information on the fair value levels of assets and liabilities on a recurring basis is shown below:

	2022.12.31			
	Level 1	Level 2	Level 3	Total
Financial assets:				
At fair value through other comprehensive income				
Investments in unlisted companies' equity	$-	—	1,800	$1,800
Investments in offshore corporate bonds	$85,198	—	—	$85,198

	2021.12.31			
	Level 1	Level 2	Level 3	Total
Financial assets:				
At fair value through other comprehensive income				
Investments in unlisted companies' equity	$-	—	1,800	$1,800
Investments in offshore corporate bonds	$105,149	—	—	$105,149

Transfer between level 1 and level 2 fair values

The Company's assets and liabilities at fair value on a recurring basis during 2022 and 2021 were not transferred between Level 1 and Level 2.

Details of changes in level 3 of the measured at fair value on a recurring basis

The Company's assets and liabilities at fair value on a recurring basis that belong to Level 3 fair value amounted to NT$1,800 thousand for both years ended December 31, 2022 and 2021; no changes occurred during the two periods.

9. Information on the foreign-currency-denominated assets and liabilities that have significant influence:

The Company's foreign-currency-denominated assets and liabilities that have significant influences are as follows:

Unit: In thousands of dollars

	2022.12.31		
	Foreign currency	Exchange rate	NTD
Financial assets			
Monetary items:			
USD	$72,463	30.6600	$2,221,725
Financial liabilities			
Monetary items:			
USD	$58,269	30.6600	$1,786,526
JPY	$4,343	0.2304	$1,001

(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

	2021.12.31		
	Foreign currency	Exchange rate	NTD
Financial assets			
Monetary items:			
USD	$102,003	27.6301	$2,818,342
JPY	$56,785	0.2385	$13,545
Financial liabilities			
Monetary items:			
USD	$68,740	27.6301	$1,899,318
JPY	$3,203	0.2385	$764

The above information is disclosed in the foreign currency carrying amount (already converted to the functional currency).

Due to the wide variety of the currencies used by the Company in trading, it is not possible to disclose the foreign currencies with significant influence, so the exchange gains and losses in each currency are disclosed in a aggregate manner. The exchange gains (losses) on the Company's monetary financial assets and financial liabilities for the years ended December 31, 2022 and 2021 were NT$27,653 thousand and NT$(18,346) thousand, respectively.

10. Capital management

The Company's capital management mainly aims to ensure and maintain high credit ratings and appropriate capital ratios to support corporate operations and maximize shareholders' equity. The Company manages and adjusts the capital structure based on the financial position and may maintain and adjust the capital structure by adjusting dividend payments, returning capital, or issuing new shares.

(XIII) Other Disclosures

1. Information on Significant Transactions

(1) Loans to others: Table 1.
(2) Endorsements/guarantees provided to others: None.
(3) Securities held at the end of the period: Table 2.
(4) Securities acquired and disposed at costs or prices at least NT$300 million or 20% of the paid-in capital: None.
(5) Acquisition of real estate amounting to at least NT$300 million or 20% of the paid-in capital: None.
(6) Disposal of real estate amounting to at least NT$300 million or 20% of the paid-in capital: None.
(7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital: Table 3.
(8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: Table 4.
(9) Those who have direct or indirect significant influence or control over the investees (excluding investees in China): Table 5.
(10) Trading in derivative instruments: None.

2. Information on investments in China: Table 6.
3. Information on Major Shareholders: Table 7.

(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

Table 1
Loans to Others:

No.	Lender	Borrower	Account	Related party or not	Highest balance in the interim (Note 1)	Ending balance (Note 2)	Actual amount drawn down	Interest rate range	Nature of loan (Note 3)	Amount of transaction	Reason for short-term financing	Allowance for losses	Collateral		Limit on loans to a single party (Note 4)	Limit on total loans to others (Note 4)
													Item	Value		
1	O-TA Golf Group Co., Ltd.	Harvest Fair International Limited	Other receivables - related parties	Y	$306,600	$306,600	$-	–	2	–	Business operations	–	–	–	$4,744,549	$4,744,549
1	O-TA Golf Group Co., Ltd.	Jiangxi O-TA Precision Technology Co., Ltd.	Other receivables - related parties	Y	$306,600	$306,600	$280,294	2%	2	–	Business operations	–	–	–	$4,744,549	$4,744,549
1	O-TA Golf Group Co., Ltd.	VGT Composite Techonology (Huizhou) Co., Ltd.	Other receivables - related parties	Y	$30,660	$30,660	$30,660	2%	2	–	Business operations	–	–	–	$4,744,549	$4,744,549
2	Harvest Fair International Limited	Jiangxi O-TA Precision Technology Co., Ltd.	Prepayments - related parties	Y	$306,600	$306,600	$-	–	2	–	Business operations	–	–	–	$2,270,387	$2,270,387

Note 1: The amount was authorized and resolved by the Board of Directors on 25 February, 2020.

Note 2: The ending balance of the year is based on the credit line of loans.

Note 3: Due to the necessity of short-term financing.

Note 4: In accordance with the “Operational Procedures for Loaning of Funds” formulated by the subsidiaries O-TA BVI. and Harvest Fair on May 12, 2020, when a parent company directly or indirectly holds 100% of the voting shares of a foreign company, the total amount of financing and the amount of individual loans to be made shall not exceed five times the net worth of O-TA BVI. and Harvest Fair, respectively.

Table 2

Securities held at the end of the period (excluding the portion held due to investment in a subsidiary or an associate, and the portion held due to an interest in a joint venture):

Company	Type and name of securities	Relations with securities issuer	Account	End of the period				Note
				Number of shares	Carrying amount	Shareholding (%)	Fair value	
O-TA Precision Industry Co., Ltd.	Stock - Chichin Art Ceramics Company	—	Financial assets at fair value through other comprehensive income – non-current	480,000 shares	$1,800	6.00%	$1,800	—
O-TA Precision Industry Co., Ltd.	Bond - AT&T USD Corporate Bonds	—	Financial assets at fair value through other comprehensive income – non-current	—	$85,198	—	$85,198	—

Notes to Parent Company-Only Financial Statements of O-TA Precision Industry Co., Ltd. (Continued)
(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

Table 3
Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital:

Buyer/Seller	Counterparty	Relations	Transaction				Circumstances and reasons for the differences of the transaction terms from the general ones		Notes and accounts receivable (payable)		Note
			Purchases/ Sales	Amount	Proportion to total sales (purchases)	Credit period	Unit price	Credit period	Balance	Proportion to total notes and accounts	
O-TA Precision Industry Co., Ltd.	Harvest Fair International Limited	A sub-subsidiary wholly owned by the Company	Purchases	$6,047,030	68.21%	1 to 2 months after purchase	Products were purchased from the sub-subsidiary at a certain percentage of the resale price.	Same credit period	($1,638,958)	44.71%	—
Harvest Fair International Limited	O-TA Precision Industry Co., Ltd.	The parent company of the company	Sales	$6,047,030	42.73%	1 to 2 months after sales	Products were sold at a certain percentage of O-TA's resale price.	Same credit period	$1,638,958	35.80%	—
Harvest Fair International Limited	VGT Composite Techonology (Huizhou) Co., Ltd.	Its parent company is same as that of the Company.	Purchases	$397,295	4.48%	Within 1 month after purchase	Products were purchased from VGT at 90% of the resale price.	No other similar transactions available for comparison	$-	—	—
VGT Composite Techonology (Huizhou) Co., Ltd.	Harvest Fair International Limited	Its parent company is same as that of the Company.	Sales	$397,295	2.81%	Within 1 month after sales	Products were sold at 90% of Harvest Fair's resale price.	No other similar transactions available for comparison	$-	—	—
O-TA Precision Industry Co., Ltd.	TAGA CO., LTD.	Its person in charge is a relative within the second degree of kinship of the Vice Chairman of the Company.	Sales	$302,555	3.93%	2 months after sales	Market price	Same credit period	$6,229	0.44%	—

(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

Table 4

Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital:

Company under the account of receivables	Counterparty	Relations	Balance of receivables from related parties	Turnover (times)	Overdue receivables from related parties		Amount of receivables from related parties recovered after the balance sheet date	Allowance for losses
					Amount	Response method		
O-TA Precision Industry Co., Ltd.	Harvest Fair International Limited	A sub-subsidiary wholly owned by the Company	Other receivables $205,075	(Note)	—	—	$118,976	—
Harvest Fair International Limited	O-TA Precision Industry Co., Ltd.	A sub-subsidiary wholly owned by the Company	Accounts receivable $1,638,958	3.55	—	—	$145,037	—
Harvest Fair International Limited	Jiangxi O-TA Precision Technology Co., Ltd.	An associate of the company	Other receivables $85,257	(Note)	—	—	$85,257	—
Jiangxi O-TA Precision Technology Co., Ltd.	Harvest Fair International Limited	An associate of the company	Accounts receivable $1,535,198	3.71	—	—	$111,318	—

Note: It refers to the purchase of molds, raw materials, and operating expenses paid on behalf of subsidiaries that have not yet been recovered at the end of this period, and such amounts do not belong to sales, so the turnover cannot be calculated.

(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

Table 5

Names, location, etc. of investees (excluding investees in China):

Investor	Investee	Location	Main business	Initial investment amount		Shareholding at the end of the period			Current profit or loss on investee	Investment income or loss recognized in this period	Note
				End of this period	End of last year	Number of shares	%	Carrying amount			
O-TA Precision Industry Co., Ltd.	O-TA Golf Group Co.,Ltd.(O-TA BVI.)	British Virgin Islands	Engaging in the trading of golf club heads and investment business	$204,238	$204,238	50,000 shares	100%	$4,742,591	$1,055,675	$1,055,356	(Note)
O-TA Golf Group Co.,Ltd.(O-TA BVI.)	Harvest Fair International Limited	Hong Kong	Engaging in the trading of golf club heads and bicycle spare parts	US$154,211	US$154,211	10,000 shares	100%	$454,077 (USD 14,810,091)	$143,799 (USD 4,776,591)	$143,799 (USD 4,776,591)	–

Note: Including unrealized inter-company gains and losses.

(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

Table 6

The information on the investees in China is detailed below:

Investee	Main business	Paid-in capital	Investment method	Opening balance of cumulative investment remitted from Taiwan for this period	Investment amount remitted from Taiwan or recovered during this period		Ending balance of cumulative investment remitted from Taiwan for this period	Current profit or loss on investee	Ownership of direct or indirect investment (%)	Investment income or loss recognized in this period (Note 2)	Carrying amount of investment at the end of the period (Note 3)	Cumulative investment income repatriated as of the end of this period
					Outward remittance	Repatriation						
Jiangxi O-TA Precision Technology Co., Ltd. (Jiangxi O-TA)	Production and sales of golf club heads, shafts, equipment, and plumbing parts	US$10,000,000	(Note 1)	$45,383 (USD 1,500,000)	–	–	$45,383 (USD 1,500,000)	$886,188 (USD 29,602,456)	100%	$886,188 (USD 29,602,456)	$3,069,061 (USD 100,099,852)	–
VGT Composite Techonology (Huizhou) Co., Ltd. (VGT)	Manufacturing and management business of carbon fiber composite materials, bicycle spare parts and accessories, automobile parts and accessories, ice hockey supplies, and ice skating and skiing sporting goods.	US$3,000,000	(Note 1)	–	–	–	–	$38,621 (USD 1,252,830)	100%	$38,621 (USD 1,252,830)	$92,181 (USD 3,006,562)	–

Ending balance of cumulative outward remittances from Taiwan to China (Note 4)	Investment amount approved by Investment Commission, MOEA (Note 5)	Maximum investment amount prescribed by the Investment Commission, MOEA
165,239 (USD 5,300,000)	US$38,744,250	(Note 6)

Note 1: O-TA BVI was established through investment in a third region to invest in businesses in China.

Note 2: Calculated based on the financial statements of the investees reviewed by the Company's CPAs.

Note 3: O-TA Golf Group Co., Ltd. (O-TA BVI.) invested US$8,500,000 in Jiangxi O-TA and US$3,000,000 in VGT with its own funds.

Note 4: It includes the investment in Qilitian Golf Articles (Shenzhen) Co., Ltd. (Qilitian) disposed in the amount of NT$119,856 thousand (US$ 3,800,000).

Note 5: The investment approved (including the Company's outward remittance from Taiwan and O-TA BVI.'s self-owned funds) through O-TA BVI.'s to invest in businesses in China indirectly, covering US$10,000,000 in Jiangxi O-TA (shareholding: 100%); US$3,000,000 in VGT (shareholding: 100%); US$ 25,744,250 in Qilitian, Santian Golf Products (Shenzhen) Limited Company, and INDA Composite Technology (Shenzhen) Co., Ltd., all of which have canceled the company registration with the equity sold, amounted to US$38,744,250.

Note 6: As the Company has obtained a certificate issued by the Industrial Development Bureau, Ministry of Economic Affairs to confirm that our business falls within the scope of the operations of the headquarters, our investment is not subject to the upper limit specified in the Letter Jing-Shen Zi No. 09704604680 from the Ministry of Economic Affairs, dated August 29, 2008.

Table 7
Information on major shareholders:

Name of major shareholder	Shares	
	Number of shares held (in shares)	%
Nan Feng Xin Co., Ltd.	7,650,386	9.12%
LEE, KUNG-WEN	7,272,408	8.67%

O-TA Precision Industry Co., Ltd.

Schedule of important accounts

Contents

O-TA Precision Industry Co., Ltd.

1. Schedule of cash and cash equivalents

December 31, 2022

Unit: NT$ thousand

Bank	Abstract	Amount	Note
Cash on hand and petty cash		$448	
Bank deposits:			
Demand deposits		112,594	
Checking deposits		2	Exchange rate of USD against TWD
Foreign currency deposits	USD24,719,705.61	757,906	is 1:30.66.
Subtotal of bank deposits	(Unit: In dollars of foreign currency)	870,502	
Total		$870,950	

O-TA Precision Industry Co., Ltd.

2. Schedule of net accounts receivable

December 31, 2022

Unit: NT$ thousand

Name of customer	Abstract	Amount	Note
Company A	Golf club heads, raw materials	$827,380	
Company B	Gold club heads, golf club manufacturing	151,703	
Company C	Gold club heads, golf club assembly	135,073	
Others (Note)		137,093	
		1,251,249	
Less: Allowance for losses		(1,304)	
Net accounts receivable		$1,249,945	

Note: The balance of each individual line item comprised did not exceed 5% of the balance of accounts receivable.

O-TA Precision Industry Co., Ltd.

3. Schedule of other receivables

December 31, 2022

Unit: NT$ thousand

Items	Amount	Note
Tax refund receivable	$700	Business tax
Benefits receivable	453	Interest income from bank deposits
Others	5,245	Freight payable, molds receivable on behalf of others
Total	$6,398	

O-TA Precision Industry Co., Ltd.

4. Schedule of inventories - net

December 31, 2022

Unit: NT$ thousand

Items	Costs	Net realizable value	Note
Raw materials	$12,193	$-	
Supplies	920	152	
Product in process	2,848	-	
Finished products	30,594	2,681	
Total	46,555	$2,833	
Less: Allowance to reduce inventory to market	(43,722)		
Net amount	$2,833		

O-TA Precision Industry Co., Ltd.

5. Schedule of prepayments

December 31, 2022

Unit: NT$ thousand

Items	Amount	Note
Insurance premium prepaid	$654	Property insurance premium and employee group insurance premium prepaid
Service charges prepaid	3,209	Software and system maintenance expenditure
Application charges prepaid	1,751	Patent application expenses
Input tax	41	
Tax overpaid retained	7,195	
Other expenses prepaid	2,664	Prepayments and employees travel expenses prepaid
Total	$15,514	

O-TA Precision Industry Co., Ltd.

6. Schedule of financial assets at fair value through other comprehensive income – non-current

2022

Unit: NT$ thousand

Name of the financial instrument	Beginning balance		Increase in this period		Decrease in this period		End of period		Accumulated impairment	Collateral or pledge provided	Note
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount			
Equity instrument investment - investment in equity of non-public companies	480,000	$1,800	-	$-	-	$-	480,000	$1,800	$27,000	None	(Note)
Debt instrument investments - investments in offshore corporate bonds	40,000	105,149	-	-	-	19,951	40,000	85,198	33,096	None	(Note)
Total		$106,949		$-		$19,951		$86,998	$60,096		

Note: The Company assessed the unrealized valuation gain or loss arising from changes in the fair value of investee, and recognized it in other equity.

O-TA Precision Industry Co., Ltd.

7. Schedule of investments accounted for using the equity method

2022

Unit: NT$ thousand

Investee	Beginning balance		Increase in this period		Decrease in this period		Share of profit or loss on subsidiaries recognized using the equity method	Exchange differences arising on the translation of the financial statements of foreign operations	Ending balance			Net equity (note)		Valuation basis	Collateral or pledge provided	Note
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount			Number of Shares	Shareholding	Amount	Unit price	Total price			
O-TA GOLF GROUP CO., LTD. (BVI.)	50,000	$3,505,197	-	$-	-	$-	$1,055,356	182,038	50,000	100.00%	$4,742,591	-	$4,744,549	Equity method	None	(Note)

Note: Including the unrealized gain of NT$1,958 thousand from upstream transactions.

O-TA Precision Industry Co., Ltd.

8. Schedule of changes in right-of-use assets

2022

Unit: NT$ thousand

Items	Beginning balance	Changes in this period			Ending balance	Note
		Increase	Decrease	Re-classification		
Initial costs						
Right-of-use assets - transportation equipment	$845	$-	$-	$-	$845	

O-TA Precision Industry Co., Ltd.

9. Schedule of accumulated depreciation - changes in right-of-use assets

2022

Unit: NT$ thousand

Items	Beginning balance	Changes in this period			Ending balance	Note
		Increase	Decrease	Re-classification		
Depreciation						
Right-of-use assets - transportation equipment	$540	$282	$-	$-	$822	

O-TA Precision Industry Co., Ltd.

10. Schedule of short-term borrowings

December 31, 2022

Unit: NT$ thousand

Type of borrowings	Description	Ending balance	Contract duration	Interest rate range	Credit line	Pledge or collateral	Note
Borrowings for working capital	Yuanta Commercial Bank Co., Ltd.	$150,000	2022/12/05～2023/01/05	1.50%	200,000	None	None
Borrowings for working capital	Cathay United Bank	120,000	2022/09/30～2023/05/31	1.38%～1.53%	120,000	None	None
Borrowings for working capital	Taishin International Bank	100,000	2022/12/09～2023/01/09	1.75%	150,000	None	None
Borrowings for working capital	The Shanghai Commercial & Savings Bank, Ltd.	70,000	2022/07/05～2023/01/05	1.15%	100,000	None	None
Total		$440,000					

O-TA Precision Industry Co., Ltd.

11. Schedule of notes payable

December 31, 2022

Unit: NT$ thousand

Name of customer	Abstract	Amount	Note
Company A	Property insurance for company cars	$107	

O-TA Precision Industry Co., Ltd.

12. Schedule of accounts payable

December 31, 2022

Unit: NT$ thousand

Name of customer	Abstract	Amount	Note
Company A	Raw materials of bicycles	$12	
Company B	Raw materials of bicycles	3	
Total		$15	

O-TA Precision Industry Co., Ltd.

13. Schedule of other payables

December 31, 2022

Unit: NT$ thousand

Items	Amount	Note
Employees' and directors' remuneration payable	$173,722	Remuneration to be paid to employees and directors that was estimated according to the Articles of Incorporation
Payables for purchase made on behalf of the Company	163,176	Purchase of raw materials and product in process on behalf of subsidiaries
Salary payable	21,783	Salary, overtime payment, year-end bonus, and perfect attendance bonus
Insurance premium payable	2,144	Labor insurance and health insurance costs
Processing fee payable	2,128	Commissioned processing fee
Pension payable	1,459	Defined pension contribution for November and December
Others	2,197	Car rental, professional service fee, electricity charges, and interest
Total	$366,609	

O-TA Precision Industry Co., Ltd.

14. Schedule of other current liabilities

December 31, 2022

Items	Amount	Note
Temporary receipts	$7,444	Advance receipts for plates
Receipts under custody	1,341	Employee labor insurance and health insurance premium under custody, voluntarily-contributed pension
Total	$8,785	

O-TA Precision Industry Co., Ltd.

15. Schedule of net operating revenue

2022

Unit: NT$ thousand

Items	Amount
Golf Equipment	$7,096,639
Bicycle	1,482
Plumbing hardware	13,366
Supplies revenue	121,658
Total operating revenue	7,233,145
Less: Sales return and discount	(41,100.00)
Net amount	$7,192,045

O-TA Precision Industry Co., Ltd.

16. Schedule of operating costs

2022

Unit: NT$ thousand

Items		Amount
Direct materials		
	Raw materials - beginning of period	$15,317
Plus:	Purchase of materials	1,355
Less:	Raw materials - end of period	(12,193)
	Raw materials sold	(4,479)
		-
Indirect materials		
	Supplies - beginning of period	3,570
Plus:	Purchase of materials	101,473
Less:	Material inventory - end of period	(920)
	Transferred to expenses	(194)
	Supplies sold	(103,821)
	Supplies scrapped	(108)
		-
Total materials consumption in the period		-
Direct labor		-
Manufacturing overheads		-
Manufacturing costs		-
Plus:	Product in process - beginning of period	5,528
	Purchased product in process	30,497
Less:	Product in process - end of period	(2,848)
	Product in process sold	(33,173)
	Transferred to expenses	(4)
Cost of finished products		-
Plus:	Finished products - beginning of period	30,035
	Purchased finished products	5,925,737
Less:	Finished products - end of period	(30,594)
	Transferred to expenses	(1,088)
	Finished products scrapped	(298)
Production and sale costs		5,923,792
Plus:	Raw materials sold	108,300
	Product in process sold	33,173
	Gain from price recovery of inventory	(9,024)
Total operating costs		$6,056,241

O-TA Precision Industry Co., Ltd.

17. Schedule of operating expenses

2022

Unit: NT$ thousand

Items	Selling expense	Administrative expense	Research and development expenses	Total
Salary expenditure - salary	$50,378	$107,027	$24,603	182,008
Supplies expense	34	150	5	189
Travel expenses	17	1,211	5	1,233
Freight expenses	43	160	112	315
Postage expenses	91	2,095	-	2,186
Repair and maintenance expenses	-	674	54	728
Advertising expenses	-	240	-	240
Utilities expenses	532	746	314	1,592
Insurance premium expenses	3,087	5,214	1,576	9,877
Entertainment expenses	222	273	8	503
Donation expenses	-	1,484	-	1,484
Taxes	69	550	18	637
Depreciation expenses	233	4,686	717	5,636
Various amortization	-	-	372	372
Food stipend	436	609	259	1,304
Employee benefits	991	1,474	583	3,048
Training expenses	-	103	-	103
Import and export expenses	45	359	2	406
Miscellaneous purchases	198	437	58	693
Professional service fees	-	3,360	-	3,360
Indirect materials	-	-	621	621
Commissioned processing fees	-	-	177	177
Molds expenses	-	-	642	642
Other expenses	496	10,688	2,328	13,512
Total	$56,872	$141,540	$32,454	$230,866

VI. If the Company or Its Affiliates Have Experienced Financial Difficulties in the Most Recent Fiscal Year or During the Current Fiscal Year Up to the Date of Publication of the Annual Report, the Annual Report Shall Explain How Said Difficulties Will Affect the Company's Financial Situation: Not applicable.

Seven. Analysis of Financial Position, Performance, and Risk related Issues

I. Comparative Analysis of Financial Position

Unit: NT$ thousands

Item / Year	2022	2021	Difference	
			Amount	%
Current Assets	5,353,318	4,711,785	641,533	13.62
Property, Plant and Equipment	685,859	609,238	76,621	12.58
Intangible Assets	40,786	42,250	(1,464)	(3.47)
Other Non-current Assets	248,477	355,796	(107,319)	(30.16)(1)
Total Assets	6,328,440	5,719,069	609,371	10.66
Current liability	1,542,862	1,723,243	(180,381)	(10.47)
Non-current Liability	265,185	298,359	(33,174)	(11.12)
Total Liabilities	1,808,047	2,021,602	(213,555)	(10.56)
Share Capital	838,000	838,000	—	—
Capital Surplus	101,239	101,239	—	—
Retained Earnings	3,536,854	2,880,005	656,849	22.81 (2)
Other Equity Interest	44,300	(121,777)	166,077	(136.38)(3)
Non-controlling Interest	—	—	—	—
Total Equity	4,520,393	3,697,467	822,926	22.26

Analysis of change over 20% is given below:

(1) Decrease in other non-current assets: financial assets at fair value through other comprehensive income, and right-of-use assets

a.Financial assets at fair value through other comprehensive income: Decreased to reflect the decline of the value of overseas corporate bonds held.

b.Right-of-use assets: Decreased because the lease term of factories leased by subsidiaries decreased and some leases on employee dormitories matured and were not renewed.

(2) Increase in retained earnings: Since profits in 2022 and 2021 increased, the reserves required by law to be set aside from earnings also increased. In addition, not all earnings were distributed. Therefore, retained earnings increased. For the reason for the increase in profits, see the difference description section on the statement of comprehensive income.

(3) Other equity Interest: Exchange differences from translation of financial statements of foreign operations increased because of the fluctuation in the USD and CNY.

II. Comparative Analysis of Financial Performance

(I) Comparative Analysis of Financial Performance

Unit: NT$ thousands

Item \ Year	2022	2021	Difference	
			Amount	%
Net operating revenue	7,700,322	7,880,132	(179,810)	(2.28)
Operating costs	5,479,396	5,392,557	86,839	1.61
Gross profit	2,220,926	2,487,575	(266,649)	(10.72)
Operating expenses	442,437	489,543	(47,106)	(9.62)
Operating income	1,778,489	1,998,032	(219,543)	(10.99)
Non-operating income and expenses	219,311	(15,276)	234,587	1,535.66 (1)
Net income from continuing operations before tax	1,997,800	1,982,756	15,044	0.76
Income tax expense	204,658	292,581	87,923	30.05 (2)
Net income from continuing operations	1,793,142	1,690,175	102,967	6.09
Net income (loss) from discontinued operations after tax	—	(3,718)	3,718	100.00 (3)
Net income	1,793,142	1,686,457	106,685	6.33
Other comprehensive income (net amount after tax)	177,844	(42,852)	220,696	515.02 (4)
Total comprehensive income	1,970,986	1,643,605	327,381	19.92
Net income attributable to shareholders of the parent	1,793,142	1,688,279	104,863	6.21
Comprehensive income attributable to shareholders of the parent	1,970,986	1,645,427	325,559	19.79

1. Analysis of change over 20% is given below:
(1) Increase in non-operating income and expense:
a.Increase in interest income: Mainly due to the increase in time deposits because the cash on hand in 2022 increased as a result of fluctuation in deposit interest rates.
b.Increase in exchange gains: Mainly due to volatile fluctuation in the USD and JPY, in which most of the Company's sales and purchases were denominated.
c.Increase in other income: Since the local governments with jurisdiction over the Company's subsidiaries overseas expanded its subsidies for exports, the amount of government subsidies increased as a result.
(2) Decrease in income tax expenses: Decreased because no deferred tax was provided for the profits of overseas subsidiaries, which were retained, as opposed to being wired back to Taiwan, to meet such subsidiaries' needs of working capital or factory construction capital.
(3) Net income (loss) from discontinued operations after tax: Mainly due to the business registration of INDA was cancelled in 2021.
(4) Increase in other comprehensive income: Exchange differences from translation of financial statements of foreign operations increased because of the fluctuation in the USD and CNY.
2. The Company's business activities did not change much, and the Company did not expect a significant change in its business strategy, market conditions, the economic environment, or other internal or external factors.
3. The Company forecast the sales of golf club heads and golf clubs in 2023 to be 8.34 million pieces (an increase of 5.52% from 2022) based on the estimated orders for 2023 and quotations offered/received, and by reference to the sales and production scheduling in 2022. Because the demand from the consumption market remained unchanged but clients changed their inventories level and market distribution strategy, the Company forecast the orders for golf club heads and golf clubs to slightly increase on the assumption that product portfolio sold varied

(II) Gross Profit Analysis

The change in gross profit for the period was less than 20% as compared to the previous period. Therefore, an analysis for change is not required.

III. Cash Flow Analysis

(I) Liquidity Analysis of the Most Recent 2 Years

Item \ Year	December 31, 2022	December 31, 2021	Change in Ratio (%)	Description
Cash flow ratio	137.18%	70.85%	93.62	See the illustration on p.134(4)
Cash flow adequacy ratio	132.06%	103.83%	27.19	See the illustration on p.134(4)
Cash reinvestment ratio	18.47%	18.58%	-0.59	–

(II) Cash Flow Forecast for the Coming Year

Cash Beginning Balance	Cash Flow from Operating Activities	Cash Flow In/(Out)	Cash Ending Balance/(Shortage)	Remedial Measures for Cash Flow Shortfalls	
				Investment Plans	Financing Plans
2,976,304	1,412,925	2,262,951	2,126,278	–	–

1. Cashflow variance analysis for 2022 is shown as below:

(1) Operating Activities:

Although the global economic growth is expected to remain flat in 2023. However, considering high level of inventories in the European and American markets and unchanged demand in the consumption market, the Company forecast the demand for golf equipment in the market to have a negative growth, which in turn will reduce orders taken. Although orders are expected to decrease, the reduction in costs and expenses as a result of high capacity utilization rate will still generate profits for the period. After factoring in the effects of changes in other operating activities, the Company expects the net cash inflow from operating activities during 2023 to reach NT$1,412,925 thousand

(2) Investing Activities:

In order to improve the information efficiency, production automation, product quality, self-design capability and management efficiency, the Company plans to expand its Jiangxi factory and add and replace the equipment, machinery, and computer software and hardware used by the production, R&D, and administrative apartments in 2023. Therefore, it is estimated to have a net cash outflow of NT$520,013 thousand.

(3) Financing Activities:

For the year of 2023, the Company plans to distribute cash dividends and pay remuneration to employees, directors and supervisors. Due to the increase in borrowings and repayments, it is estimated that the Company will incur a net cash outflow of NT$1,742,938 thousand.

2. The Company is not expected to have any cash shortfall in the coming year.

IV. Major Capital Expenditures During the Most Recent Fiscal Year

(I) Major Capital Expenditures and its Sources of Capital

Unit: NT$ thousands

Project	Actual or Planned Source of Capital	Actual or Planned Date of Completion	Total Capital	Actual or Expected Capital Expenditure			
				2021	2022	2023	2024
CAD/CAM, upgrade on sketch software	Cash flow generated from operations	Dec. 2022	7,084	60	39	—	
Automation equipment	Cash flow generated from operations	Dec. 2024	162,219	68,186	45,788	10,073	1,119
Automation system development and integration	Cash flow generated from operations	Dec. 2021	11,718	—	—	—	—
Upgrade and implementation of information system	Cash flow generated from operations	Dec. 2024	43,868	1,492	1,435	9,116	2,279
R&D software updates and measurement equipment	Cash flow generated from operations	Dec. 2022	12,090	2,677	1,020	—	—
Production line expansion, equipment replacement	Cash flow generated from operations	Dec. 2023	197,868	68,352	91,855	37,661	—
Expansion of the Jiangxi Factory	Cash flow generated from operations	Dec. 2024	341,580	—	—	204,948	136,632
Green electricity - renew energy facilities	Cash flow generated from operations	Dec. 2023	10,879	—	—	10,879	—

(II) Expected Benefits:

1. Expected increase in production and sales volume, amount and gross profit:

Unit: NT$ thousands

Year	Item	Production Volume	Sales Volume	Sales Amount	Gross Profit
2024	Golf club head	285,000	285,000	232,519	63,617
2025	Golf club head	300,000	300,000	220,281	57,097
2026	Golf club head	330,000	330,000	269,232	78,314
2027	Golf club head	315,000	315,000	244,145	70,314

2. Description on Other Benefits:

(1) Benefits of CAD/CAM and upgrade on sketch software:

(A) The length of time in which Company devotes to R&D for golf head and tooling machines can be shortened, resulting in an increase in the Company's profits.

(B) The trial period for sample production can be significantly reduced, allowing the Company to strive for time efficiency in order to improve market competitiveness.

(2) Benefits of automation system development and integration:

(A) To reduce labor cost, save working time and improve work efficiency.

(B) Product accuracy and design capability are improved to meet the customers' demand and to make the products required by the customer.

(3) Benefits of upgrade and implementation of information system

(A) To ensure the security of corporate business secrets and important data information.

(B) To enhance the data and system backup functions of the Company's major servers.

(C) To strengthen the analysis and management of customer information.

(D) To enhance the Group's ability to integrate various types of financial information in order to provide accurate and immediate information for management.

(E) To provide parties who are involved in inter-company trade and triangular trade within the group with simple and optimized operation process.

(4) Benefits of R&D software updates and measurement equipment:

(A) To improve the company's R&D results.

(B) To improve the accuracy of product inspection.

(5) Benefits from Jiangxi Factory expansion, production line expansion, and production equipment replacement:

(A) To increase production capacity to meet customer delivery schedules and reduce delays in delivery due to lack of capacity.

(B) To improve product quality, reduce time and cost of reworking and reduce damaged goods caused by old machines.

(6) Benefits from green electricity - renew energy:

(A) Resources recycling and practice of the circular economy will bring a win-win situation for both the economy and the environment.

(B) Obtaining a green electricity certificate will make the company an environmentally sustainable enterprise under the green finance framework.

(C) Aggressively progressing towards the government's carbon reduction goals.

V. Reinvestment Policy for the Most Recent Fiscal Year, the Main Reasons for the Profits/losses Generated Thereby, the Plan for Improving Re-investment Profitability, and Investment Plans for the Coming Year

(I) Reinvestment Policy: The reinvestment policy of the Company is to make good use of the division of labor in Taiwan and China in order to build production bases with competitive advantages.

(II) Reasons for the Profits/Losses for Reinvestments: The pandemic in recent periods has made golfing a popular outdoor sport, spurring the market's demand for golf clubs and golf club heads and increasing orders year on year. As a result, factories' capacity utilization rate remains so high such that no single idle machine is in sight, leading to a reduction in unit product cost, and thereby boosting profits

(III) Improvement Plans:

1. To resolve the problems of rising operation costs in China through the implementation of "Lean Management Programs".

2. In order to enhance the Company’s overall competitiveness and diversify production risks, the Company will continue to monitor the unfavorable factors of its operations in China and adjust the international division of labor with reference to the monitoring results.
3. To enhance production automation and improve information system efficiency in order to reduce costs, transform and upgrade.

VI. Risk Assessment of the Most Recent Fiscal Year and Up To the Publication of this Annual Report

(I) The Effect Upon the Company’s Profits (Losses) of Interest and Exchange Rate Fluctuations and Changes in the Inflation Rate, and Response Measures to Be Taken in the Future.:

1. Changes in Interest Rates:

Interest rate risk refers to the risk of fluctuations in the fair value of financial instruments or future cash flows due to the movements in market interest rates. The Group's interest rate risk is mainly from debt instrument investments at floating rates and borrowings at fixed and floating rates. The Group manages interest rate risk by maintaining an appropriate portfolio of instruments at fixed and floating interest rates. However, hedging accounting is not applied as it does not meet the criteria for hedging accounting.

The sensitivity analysis of the Group's interest rate risk was mainly focused on investments and borrowings at floating rates at the end date of the financial reporting period. With an assumption that such investments and borrowings are held for one fiscal year, when the interest rate increased/decreased by 0.1%, the Group's 2022 and 2021 profit or loss would have increased/decreased by NT$2,536 thousand and NT$1,640 thousand, respectively.

2. Changes in Foreign Exchange Rates:

The Group's exchange rate risk is mainly related to operating activities (when a currency used for income or expenses is different from the Group's functional currency) and net investment in foreign operations.

The Group's foreign currency receivables and foreign currency payables are partially in the same currency. Thus, there will be a natural hedging effect for a part of the foreign currency position. The exchange rate risk of some foreign currency payments is managed through forward exchange agreements. The above natural hedging effect and the management of exchange rate risk through forward exchange agreements do not meet the requirement of hedging accounting, so hedging accounting has not been adopted; also, the net investment in foreign operations is a strategic investment, so the Group has not adopted a hedging approach thereto.

The sensitivity analysis of the Group's exchange rate risk is mainly focused on the main foreign currency monetary items on the end date of the financial reporting period and the impact of relevant foreign currency appreciation/depreciation on the Group's profit and loss and equity. The Group's exchange rate risk is mainly affected by fluctuations in the exchange rates of USD and EUR. The sensitivity analysis information is as follows:

When the NTD appreciated/depreciated by 1% against the USD, the Group’s profit or loss for the year ended December 31, 2022 and 2021 would have decreased/increased by NT$18,765 thousand and NT$24,292 thousand, respectively.

The Company’s net exchange gains in 2022 were NT$134,984 thousand, accounting for 1.75% of the total operating revenue in 2022, which was NT$7,700,322 thousand. The Company mainly sells golf heads and golf clubs overseas by collecting U.S. dollars or Japanese yen. As the Company’s long-term borrowings are denominated in foreign currencies, if there is a significant change in the exchange rate of the U.S. dollar, Japanese yen or Chinese yuan, the profit of the Company will be affected. Therefore, the Company has applied the following countermeasures in response to changes in foreign exchange:

(1) To agree on price adjustment limits with suppliers and customers in order to reflect the impact of fluctuations on exchange rate, collect exchange rate information and keep up with the trend of exchange rates.

(2) To create foreign currency deposit accounts with banks. Depending on the actual capital requirements and the exchange rates, the inward remittance will be converted into New Taiwan dollars or deposited into the foreign currency deposit accounts to adjust for the amount of foreign currency deposits appropriately.

(3) To engage in forward exchange contracts and foreign currency option transactions in order to hedge the risks arising from changes in exchange rates of debts and liabilities dominated by foreign currencies.

(4) To hedge the risk of fair value changes in long-term borrowings due to fluctuations in market exchange rates through exchange rate swaps and credit-linked portfolio commodity contracts.

3. Inflation: There is no material impact on the Company's operations and profitability.

(II) The Company's Policy Regarding High-risk Investments, Highly Leveraged Investments, Loans to Other Parties, Endorsements, Guarantees, and Derivatives Transactions; the Main Reasons for the Profits/Losses Generated Thereby; and Response Measures to Be Taken in the Future:

1. The Company did not engage in high-risk, high-leveraged investments in 2022.

2. Loaning of Funds to Others:

Unit: NT$ thousands

No.	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year (Note 1)	Balance at the end of year (Note 2)	Actual amount drawn down (Note 3)	Interest rate	Nature of loan (Note 4)	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted
													Item	Value		
1	O-TA BVI.	Harvest Fair	Other receivables - related parties	Y	$306,600	$306,600	-	-	2	-	Business operation	-	-	-	$4,744,549 (Note 5)	$4,744,549 (Note 5)
1	O-TA BVI.	Jiangxi O-TA	Other receivables - related parties	Y	$306,600	$306,600	$280,294	2%	2	-	Business operation	-	-	-	$4,744,549 (Note 5)	$4,744,549 (Note 5)
1	O-TA BVI.	VGT	Other receivables - related parties	Y	$30,660	$30,660	$30,660	2%	2	-	Business operation	-	-	-	$4,744,549 (Note 5)	$4,744,549 (Note 5)
2	Harvest Fair	Jiangxi O-TA	Prepayment for purchases - related parties	Y	$306,600	$306,600	-	-	2	-	Business operation	-	-	-	$2,270,387 (Note 5)	$2,270,387 (Note 5)

Note 1: The amount was authorized and resolved by the Board of Directors on 25 February, 2020.

Note 2: The ending balance of the year is based on the credit line of loans.

Note 3: Was written off during the preparation of the consolidated financial statements.

Note 4: Due to the necessity of short-term financing.

Note 5: In accordance with the "Operational Procedures for Loaning of Funds" formulated by the subsidiaries O-TA BVI. and Harvest Fair on May 12, 2020, when a parent company directly or indirectly holds 100% of the voting shares of a foreign company, the total amount of financing and the amount of individual loans to be made shall not exceed five times the net worth of O-TA BVI. and Harvest Fair, respectively.

3. Endorsement & Guarantees: None.

4. Derivatives Transactions Policy: The Company engages in derivative transactions mainly to hedge the risks arising from changes in foreign exchange and interest rates. Hedging strategies are designed to hedge most of the market price risks. Derivatives that are highly negatively correlated with changes in the fair value of the hedged item are used as hedging instruments and the strategies are assessed periodically.

(III) Research and Development Work to Be Carried out in the Future, and Further Expenditures Expected for Research and Development Work

Unit: NT$ thousands

2023 Projects	Current Status	Estimated R&D Expenses	Estimated Mass Production Time	Factors Affecting R&D Success
Advanced development and application of composite materials	In progress	67,813	December 2023	High strength, impact resistance, light weight
Development of high-strength titanium alloy materials	In progress		December 2023	Cost, features of plate, heat treatment
Development of high-strength iron materials	In progress		December 2023	Performance, cost, heat treatment
Combination of heterogeneous materials and its application	In progress		December 2023	Strength, acoustic performance, durability
Exterior design and surface treatment	In progress		December 2023	Cost, quality, appearance
Development of high-performance and complex structure	In progress		December 2023	Process capability, design capability, customer demand
Development of environmental-friendly processes	In progress		December 2023	Process capability, cost, quality
Simulation and analysis	In progress		December 2023	Design capabilities, cost, solutions

The development projects are designed by three main core features of technology, including “process and structure”, “performance improvement” and “new material development”. The Company’s development goal is to provide customers and the market with high-quality golf equipment of superior performance and modern appearance by combining automated manufacturing processes into production to reduce production costs and improve process yields.

1. Integrating the core technologies of structural design and material development to produce golf equipment that exceeds the general performance of golf products in the market.
2. Improving yield and reducing cost for production through the green energy process and the upgrade on the automation of production line equipment, while remaining friendly to the environment.
3. Strengthening the ability to develop new materials and exterior design of golf equipment, mastering the process parameters, and improving the design competitive advantage.
4. Enhancing the computer simulation analysis technology in order to build up the capability for golf head design and provide customers with solutions to the development of golf head.
5. Improving the quality of golf equipment through the advantages in the material development and the professional technique of suppliers.
6. Actively monitoring the layout of intellectual property rights to protect R&D achievement results and expand market share.

(IV) Effect on the Company’s Financial Operations of Important Policies Adopted and Changes in the Legal Environment at Home and Abroad, and Measures to Be Taken in Response: The Company keeps itself up with important domestic and international policies and legal changes, evaluates their impact on the Company, and takes appropriate countermeasures.

(V) Effect on the Company’s Financial Operations of Developments in Science and Technology (including Cyber Security Risks) As Well As Industrial Change, and Measures to Be Taken in Response: Not applicable.

(VI) Effect on the Company's Crisis Management of Changes in the Company's Corporate Image, and Measures to Be Taken in Response: The Company has always adhered to the business philosophy of integrity, law-abiding and social responsibility. Therefore, the Company’s corporate image has always been good and there has been no change in corporate image in the recent year.

(VII) Expected Benefits and Possible Risks Associated with Any Merger and Acquisitions, and Mitigation Measures Being or to Be Taken: Not applicable

(VIII) Expected Benefits and Possible Risks Associated with Any Plant Expansion, and Mitigation Measures Being or to Be Taken: In order to meet the characteristics of “the powerful are always powerful,” of the major international brands, the Company will expand its plants appropriately to meet the demand of major international brand customers. At present, the Company is planning to expand the factories of an overseas subsidiary to increase overall production capacity in 2023.

(IX) Risks Associated with Any Consolidation of Sales or Purchasing Operations, and Mitigation Measures Being or to Be Taken: The Company has long maintained good cooperative relationships with customers and suppliers and has stable sources of suppliers and customers. Therefore, the risk of concentrated stock replenishment and sale is relatively small.

(X) Effect Upon and Risk to the Company in the Event a Major Quantity of Shares Belonging to a Director, Supervisor, or Shareholder Holding Greater Than a 10 Percent Stake in the Company Has Been Transferred or Has Otherwise Changed Hands, and Mitigation Measures Being or to Be Taken: The Company has a stable shareholder structure and there has not been any significant transfer or change of shareholding by major shareholders over the years. Moreover, since the Company’s business results are good, the risk is extremely small.

(XI) Effect Upon and Risk to Company Associated with Any Change in Governance Personnel or Top Management, and Mitigation Measures Being or to Be Taken: Not applicable.

(XII) Litigation or Non-litigation Matters: List Major Litigious, Non-litigious or Administrative Disputes that: (1) Involve the Company and/or Any of Its Director, Supervisor, President, Person with Actual Responsibility for the Company, Major Shareholder Holding a Stake of Greater than 10 Percent, and/or Any Affiliated Companies; and (2) Have Been Concluded by means of a Final and Unappealable Judgment, or Are Still Under Litigation. Where Such a Dispute Could Materially Affect Shareholders' Equity or the Prices of the Company’s Securities, the Annual Report Shall Disclose the Facts of the Dispute, Amount of Money at Stake in the Dispute, the Date of Litigation Commencement, the Main Parties to the Dispute, and the Status of the Dispute As of the Date of Publication of the Annual Report.: Up to the publication of this annual report, the Company has no litigation or non-litigation matter.

(XIII) Other Important Risks and Mitigation Measures Being or to Be Taken: None.

VII. Other Important Matters

(I) Basis and Evaluation of the Provision of Assets and Liabilities

1. For the year of 2022 and 2021, the Company appropriately estimated the allowance for doubtful accounts by assessing the probability of losses on uncollectible accounts based on the aging of the accounts receivable at the end

of the period, and the provision policy is shown as below:

Overdue Period	2022 Allowance for Doubtful Accounts (%)	2021 Allowance for Doubtful Accounts (%)
1 ~ 3 months	0.1%	0.1%
4 ~ 6 months	10%	10%
7 ~ 12 months	30%	30%
More than 1 year	85%	85%
Determined uncollectable accounts	100%	100%

2. In 2022 and 2021, the Company's policies on the provision for obsolete inventory are the same, as described below:

(1) Raw material

0-182 days: Valuated at the replacement cost; an allowance is provided for any resulting differences.
183-365 days: An allowance equal to 50% of inventories cost is provided.
366-548 days: An allowance equal to 70% of inventories cost is provided.
549-730 days: An allowance equal to 90% of inventories cost is provided.
731 days and more: An allowance equal to 100% of inventories cost is provided.

(2) Finished goods and semi-finished goods

Valid inventories of club heads: The allowance for obsolete inventory is provided based on the difference between inventory cost and net realizable value.

Invalid inventories of club heads:

Inventories less than 1 year: The allowance for obsolete inventory is provided based on the difference between inventory cost and net realizable value.

Inventories more than 1 year: The net realizable value is estimated to be 0 and the allowance equal to 100% of the value is provided

Bikes and plumbing hardware: The allowance for obsolete inventory is provided based on the difference between inventory cost and net realizable value. Additional provision may be allowed depending on the age of inventories.

(3) Other goods whose new realizable value is deemed zero based on an objective assessment must be notified to the Chairman; if an approval is granted by the Chairman, an allowance equal to 100% of the value of such goods must be provided, and such goods must be moved to the warehouse for obsolete goods or goods to be scrapped.

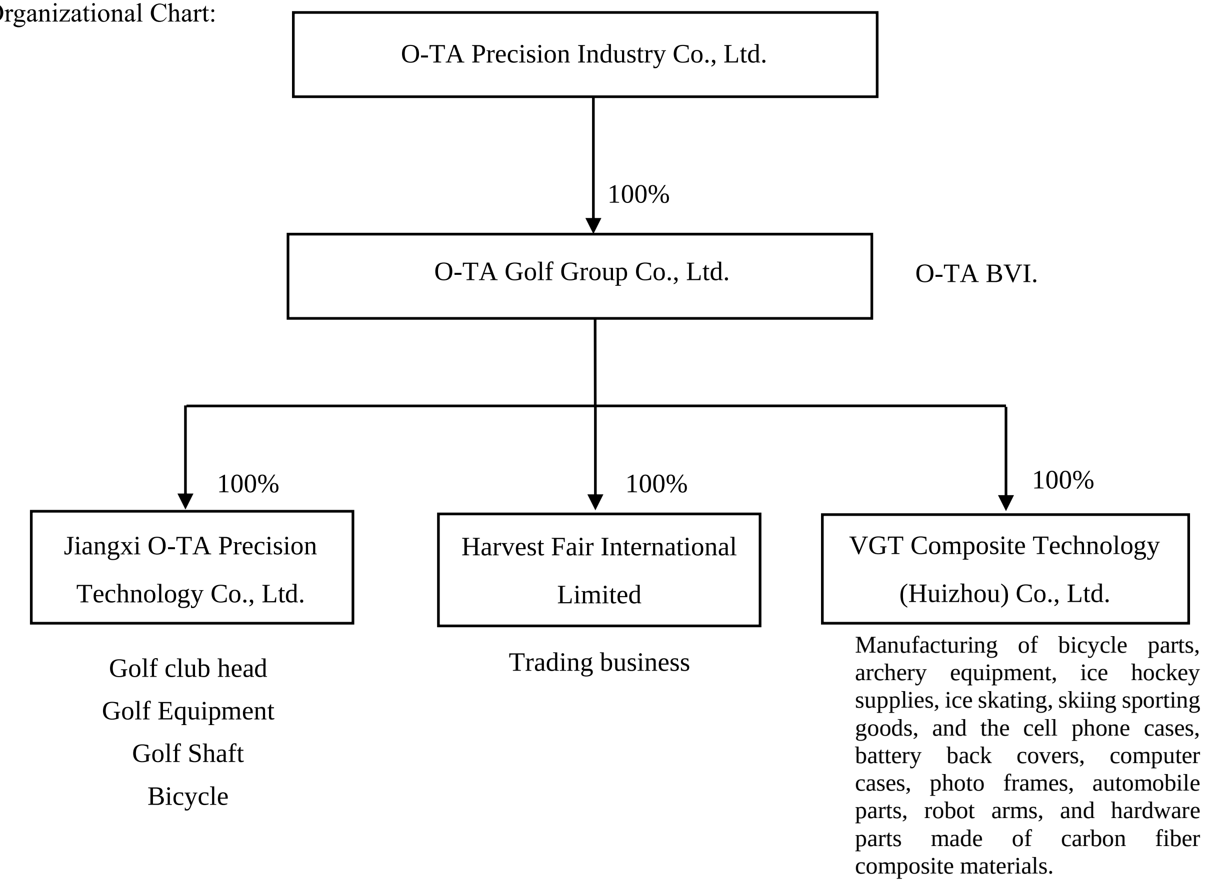
Eight. Special Items

I. Summary of Affiliated Companies

(I) Consolidated Business Reports of Affiliated Companies

1. Summary of Affiliated Companies:

(1) Affiliated Companies Organizational Chart:



(2) Affiliated Companies Information

Company name	Date of Establishment	Address	Paid in Capital (Note 1)	Main business or production items
O-TA GOLF GROUP CO., LTD. (BVI.)	November 26, 1996	Simmonds Building, Wickhams Cay1, P.O. Box 961, Road Town, Tortola, British Virgin Islands	NT$ 1,376 thousand	Engaged in the trading and investment business of golf club heads
Harvest Fair International Limited	May 24, 1994	RM 14-15 10/F HARRY INDUSTRIAL BLDG 49-51 AU PUI WAN ST,FO TAN SHATIN,HONG KONG.	NT$ 35 thousand	Engaged in the trading business of golf club heads
Jiangxi O-TA Precision Technology Co., Ltd.	December 23, 2011	No.61, Huangjin Avenue, Ganzhou E.D.A., Jiangxi, China	NT$ 297,585 thousand	Engaged in the processing and production of golf club heads, golf shafts, and the assembly of golf equipment, parts of water-hardware and carbon fiber products.
VGT Composite Technology (Huizhou) Co., Ltd.	January 29, 2018	Factory Building B, Antaida Sci-Tech. Park, Dongbu Industrial Park, Huatang Village, Shatian Town, Huiyang District, Huizhou, China	NT$ 88,500 thousand	Manufacturing and management business of carbon fiber composite materials, bicycle parts and accessories, automobile parts and accessories, ice hockey supplies, ice skating and skiing sporting goods.

Note 1: The amount of paid-in capital refers to the actual invested capital, but does not include the prepaid capital.

(3) In accordance with Article 369-3 of the Company Act, it shall be concluded as the existence of the controlling and subordinate relation: Not applicable.

(4) Industries covered by the overall affiliates' business: manufacturing and import/export trading of sports equipment.

The division of work is shown as below:

Division of Work of Each Invested Business

Name of Invested Business	Major Business Items	Purpose of Investment	Note
O-TA Golf Group Co., Ltd., BVI. (abbreviated as O-TA BVI.)	The company is an overseas holding company that engages in the investments in mainland China and overseas countries.	The company was stablished due to political risks and cross-strait political and economic considerations.	Established in November 1996 in the British Virgin Islands.
Harvest Fair International Limited (abbreviated as Harvest Fair)	Engaged in the trading business of golf club heads	The import trading company was established in response to the current government policy and the political and economic situation in Taiwan and China.	Established in Hong Kong in May 1994. The Company indirectly holds 100% of its shares through O-TA BVI in December 1996 and took over all of its debts and liabilities from January 1, 1997.
Jiangxi O-TA Precision Technology Co., Ltd. (abbreviated as Jiangxi O-TA)	Engaged in the processing and production of golf club heads, golf shafts, and the assembly of golf equipment, parts of water-hardware and carbon fiber products.	In order to expand production capacity, increase order volume, boost revenue, reduce labor costs, and enhance the Company's overall market competitiveness, the Company invested in Jiangxi O-TA in China as another processing and production center for O-TA.	Reinvested by O-TA BVI.
VGT Composite Technology (Huizhou) Co., Ltd. (abbreviated as VGT)	Manufacturing of bicycle parts, archery equipment, ice hockey supplies, ice skating, skiing sporting goods, and the cell phone cases, battery back covers, computer cases, photo frames, automobile parts, robot arms, and hardware parts made of carbon fiber composite materials.	Having the technology to produce composite material products with advanced production equipment and scientific management to expand the international business and enhance our overall market competitiveness.	Reinvested by O-TA BVI.

(5) Information on the directors, supervisors and presidents of the affiliated companies

Unit: NT$ thousands; shares; %

Company Name	Title (Note 3)	Name of Representative	Shareholding (Note 4)	
			Number of Shares	Percentage (%)
O-TA Golf Group Co., Ltd. (O-TA BVI)(Note 1)	Director	Representatives of O-TA: LEE, KUNG-WEN; LIN, CHON-CHEN	NT$1,376	100%
Harvest Fair International Limited (Harvest Fair) (Note 2)	Director	Representatives of O-TA BVI.: LEE, KUNG-WEN; LIN, CHON-CHEN; LEE, CHUNG-MU	NT$35	100%
Jiangxi O-TA Precision Technology Co., Ltd. (Jiangxi O-TA) (Note 2)	Director President	Representatives of O-TA BVI.: LEE, KUNG-WEN; LIN, CHON-CHEN HSU, JUNG-MIN	NT$297,585	100%
VGT Composite Technology (Huizhou) Co., Ltd.(VGT) (Note 2)	Director President	Representatives of O-TA BVI.: LEE, KUNG-WEN; LIN, CHON-CHEN; CHEN, WEN-HSIANG CHEN, WEN-HSIANG	NT$ 88,500	100%

Note 1: O-TA GOLF GROUP CO., LTD. is an invested company 100% directly owned by the Company.
Note 2: Harvest Fair, Jiangxi O-TA and VGT are reinvested by O-TA GOLF GROUP CO., LTD. The Company indirectly holds 100% shares of each aforementioned company.
Note 3: If the affiliated company is a foreign company, the title is listed as equivalent.

Note 4: If the invested company is a joint stock company, please fill in the number of shares and the percentage of shareholding; for other types of companies, please fill in the amount of capital contribution and the percentage of capital contribution and specify the details.

2. Financial position and results of operations of the affiliated companies

2022 Operation Status of Affiliated Companies

Unit: NT$ thousands

Name	Capital	Total Assets	Total Liabilities	Total Equity	Operating revenues	Operating income	Net Income (after tax)	Earnings Per Share (NT$) (after tax)
O-TA Precision Industry Co., Ltd.	838,000	7,311,550	2,791,157	4,520,393	7,192,045	905,281	1,793,142	21.40
O-TA Golf Group Co., Ltd. (O-TA BVI)	1,376	4,744,549	0	4,744,549	0	1,036,508	1,055,675	—
Harvest Fair International Limited	35	2,204,487	1,750,410	454,077	629,770	139,532	143,799	—
Jiangxi O-TA Precision Technology Co., Ltd.	297,585	4,041,852	972,791	3,069,061	5,965,355	721,983	886,188	—
VGT Composite Technology (Huizhou) Co., Ltd.	88,500	261,043	168,862	92,181	397,295	44,111	38,621	—

Source of data: The financial statements certified by CPAs.

Note 1: All affiliated companies shall be disclosed regardless of their size.

Note 2: If the affiliated company is a foreign company, the relevant financial figures are presented in New Taiwan dollars using the exchange rate as of the reporting date.

(II) The Consolidated Financial Statements of Affiliated Companies

Statement

For the year of 2022 (from January 1, 2022 to December 31, 2022), the companies that should be included in the consolidated financial statements of affiliated companies in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are the same as those that should be included in the consolidated financial statements in accordance with IFRS 10, and the information required to be disclosed in the consolidated financial statements of affiliated companies has been disclosed in the previous consolidated financial statements of the parent and subsidiary companies, and therefore the Company will not prepare a separate consolidated financial statements of affiliated companies.

Hereby declared

O-TA Precision Industry Co., Ltd.

Chairman: LEE, KUNG-WEN

March 7, 2023

(III) Reports on Affiliations: The Company is not required to prepare the report in accordance with the regulations.

II. Private Placement of Securities Carried out by the Company During the Most Recent Fiscal Year or During the Current Fiscal Year Up to the Date of Publication of the Annual Report : None.

III. Holding or Disposal of Shares in the Company by the Company’s Subsidiaries During the Most Recent Fiscal Year or During the Current Fiscal Year Up to the Date of Publication of the Annual Report: None.

IV. Other Matters that Require Additional Description: None.

V. Situations Listed in Article 36, Paragraph 3, Subparagraph 2 of the Securities and Exchange Act, Which Might Materially Affect Shareholders' Equity or the Price of the Company's Securities, Has Occurred During the Most Recent Fiscal Year or During the Current Fiscal Year Up to the Date of Publication of the Annual Report: None.

O-TA Precision Industry Co., Ltd.

Chairman LEE, KUNG-WEN

March 31, 2023