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O-TA Precision Industry Co., Ltd. and Subsidiaries  
Consolidated Financial Statements and Independent Auditors' Report  
January 1 to March 31, 2024  
and January 1 to March 31, 2023

Address: No. 8, Jianfu Rd., Neipu Township, Pingtung County 912018, Taiwan (R.O.C.)  
Phone: (08) 778-3855

The reader is advised that these consolidated financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

# Consolidated Financial Statements

## Contents

Item	Page
I. Cover Page	1
II. Contents	2
III. Independent Auditors' Review Report	3~5
IV. Consolidated Balance Sheets	6
V. Consolidated Statements of Comprehensive Income	7
VI. Consolidated Statements of Changes in Equity	8
VII. Consolidated Statements of Cash Flows	9
VIII. Notes to Consolidated Financial Statements	
(I) Company History	10
(II) Date and Procedures of Approval of Financial Statements	10
(III) Application of New, Amended, and Revised Standards and Interpretations	10~12
(IV) Summary of Significant Accounting Policies	12~30
(V) Critical accounting Judgment, Estimates and Key Sources of Assumption Uncertainty	31~32
(VI) Details of Significant Accounts	32~50
(VII) Transactions with Related Parties	50~52
(VIII) Pledged Assets	52
(IX) Significant Contingent Liabilities and Unrecognized Commitments	52
(X) Significant Losses Attributed to Critical Incidents or Disasters	52
(XI) Critical Events after the Reporting Date	52
(XII) Others	52~61
(XIII) Supplementary Disclosures	
1. Related Information of Significant Transactions and Investees	61~62、 64~68、70
2. Information on Investments in China	62、69
3. Information on Major Shareholders	62、71
(XIV) Department Information	62~63

## Independent Auditors' Review Report

O-TA Precision Industry Co., Ltd.

### **Introduction**

We have reviewed the accompanying consolidated balance sheets of O-TA Precision Industry Co., Ltd. and its subsidiaries (the Group) as of March 31, 2024, and March 31, 2023, and the related consolidated statements of comprehensive income for the three-month periods ended March 31, 2024, and March 31, 2023, the consolidated statements of changes in equity, and the consolidated statements of cash flows, and the notes to the consolidated financial statements (including a summary of significant accounting policies), collectively referred to as the "consolidated financial statements". Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

### **Scope of Review**

We conducted our reviews in accordance with Standards on Review Engagements of the TWSRE 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## **Conclusion**

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of O-TA Precision Industry Co., Ltd. and its subsidiaries as of March 31, 2024, and March 31, 2023, its consolidated financial performance for the three months then ended, and its consolidated financial performance and consolidated cash flows for the three-month periods ended March 31, 2024, and March 31, 2023, in accordance with the Regulations Governing the Preparation of Financial Report by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting," as endorsed and issued into effect by the Financial Supervisory Commission.

Approved by the competent authority for public issuance of the company's financial statements.

Audit Certification Number: Order No. Financial-Supervisory-Securities-VI-0970038990 of the Financial Supervisory Commission

Audit Certification Number: Order No. Financial-Supervisory-Securities-Auditing-1010045851 of the Financial Supervisory Commission

CHEN, CHENG-CHU

Accountant:

LEE, FANG-WEN

May 7, 2024

O-TA Precision Industry Co., Ltd. and Subsidiaries  
Consolidated Balance Sheets  
March 31, 2024, December 31, 2023, and March 31, 2023

Unit: NTS thousand

Assets			March 31, 2024		December 31, 2023		March 31, 2023	
Code	Accounting Items	Note	Amount	%	Amount	%	Amount	%
	<b>Current Assets</b>							
1100	Cash and cash equivalents	(4)/(6).1	\$2,797,347	50	\$2,655,575	51	\$3,313,829	53
1170	Net accounts receivable	(4)/(6). 3&12	589,231	11	656,574	13	1,140,240	18
1180	Accounts receivable - related parties, net	(4)/(6). 3&12/(7)	48,766	1	26,000	-	5,213	-
1200	Other receivables		38,986	1	40,973	1	36,471	1
1210	Other receivables - related parties	(7)	4	-	-	-	37	-
130x	Inventory	(4)/(6).4	756,622	14	648,317	12	723,411	12
1410	Prepayments		56,278	1	47,144	1	45,284	1
1470	Other current assets		983	-	500	-	500	-
11xx	<b>Total current assets</b>		<b>4,288,217</b>	<b>78</b>	<b>4,075,083</b>	<b>78</b>	<b>5,264,985</b>	<b>85</b>
	<b>Non-current assets</b>							
1517	Financial assets at fair value through other comprehensive income - non-current	(4)/(6).2	95,375	2	94,648	2	89,923	1
1600	Property, Plant, and Equipment	(4)/(6).5	926,020	17	823,393	16	682,616	11
1755	Right-of-use assets	(4)/(6).13	140,719	2	147,285	3	117,227	2
1780	Intangible assets	(4)/(6).6	39,069	1	38,194	1	40,512	1
1840	Deferred tax assets	(4)	22,327	-	21,114	-	26,542	-
1900	Other non-current assets		20,513	-	18,346	-	5,212	-
15xx	<b>Total non-current assets</b>		<b>1,244,023</b>	<b>22</b>	<b>1,142,980</b>	<b>22</b>	<b>962,032</b>	<b>15</b>
1xxx	<b>Total assets</b>		<b>\$5,532,240</b>	<b>100</b>	<b>\$5,218,063</b>	<b>100</b>	<b>\$6,227,017</b>	<b>100</b>
	<b>Liabilities and Equity</b>							
			March 31, 2024		December 31, 2023		March 31, 2023	
Code	Accounting Items	Note	Amount	%	Amount	%	Amount	%
	<b>Current liabilities</b>							
2100	Short-term borrowings	(4)/(6).7	\$385,000	7	\$450,000	9	\$420,000	7
2150	Notes payable		52	-	75	-	60	-
2170	Accounts payable		291,016	5	243,667	5	229,055	4
2180	Accounts payable - related parties	(7)	47	-	7	-	1,386	-
2200	Other payables	(6).8	716,219	13	339,492	6	1,554,900	25
2230	Current tax liabilities	(4)	115,807	2	85,962	2	177,261	3
2280	Lease liabilities - current	(4)/(6).13	50,393	1	48,220	1	20,470	-
2300	Other current liabilities		2,198	-	3,068	-	6,054	-
21xx	<b>Total current liabilities</b>		<b>1,560,732</b>	<b>28</b>	<b>1,170,491</b>	<b>23</b>	<b>2,409,186</b>	<b>39</b>
	<b>Non-current liabilities</b>							
2570	Deferred tax liabilities	(4)	160,056	3	161,334	3	210,929	3
2580	Lease liabilities - Non-current	(4)/(6).13	41,915	1	52,119	1	43,567	1
2640	Net defined benefit liabilities - non-current	(4)	8,495	-	8,866	-	9,395	-
2670	Other non-current liabilities		450	-	433	-	221	-
25xx	<b>Total non-current liabilities</b>		<b>210,916</b>	<b>4</b>	<b>222,752</b>	<b>4</b>	<b>264,112</b>	<b>4</b>
2xxx	<b>Total liabilities</b>		<b>1,771,648</b>	<b>32</b>	<b>1,393,243</b>	<b>27</b>	<b>2,673,298</b>	<b>43</b>
	<b>Equity attributable to shareholders of the parent</b>							
3100	Capital Stock	(4)/(6).10						
3110	Common Stock		838,000	15	838,000	16	838,000	13
3200	Capital Surplus		101,239	2	101,239	2	101,239	2
3300	Retained Earnings							
3310	Legal reserves		1,162,354	21	1,121,747	21	1,121,747	18
3350	Undistributed earnings		1,441,448	26	1,744,350	34	1,436,926	23
	<b>Total retained earnings</b>		<b>2,603,802</b>	<b>47</b>	<b>2,866,097</b>	<b>55</b>	<b>2,558,673</b>	<b>41</b>
3400	Other Equity		217,551	4	19,484	-	55,807	1
31xx	<b>Total equity attributable to shareholders of the parent</b>		<b>3,760,592</b>	<b>68</b>	<b>3,824,820</b>	<b>73</b>	<b>3,553,719</b>	<b>57</b>
3xxx	<b>Total equity</b>		<b>3,760,592</b>	<b>68</b>	<b>3,824,820</b>	<b>73</b>	<b>3,553,719</b>	<b>57</b>
	<b>Total Liabilities and Equity</b>		<b>\$5,532,240</b>	<b>100</b>	<b>\$5,218,063</b>	<b>100</b>	<b>\$6,227,017</b>	<b>100</b>

(Please refer to the Notes for the Consolidated Financial Statements)

Chairman: LEE, KUNG-WEN

Manager: HSU, JUNG-MIN

Accounting Supervisor: LEE, CHUNG-MU

O-TA Precision Industry Co., Ltd. and Subsidiaries  
Consolidated Statements of Comprehensive Income  
January 1 to March 31, 2024 and 2023

Unit: NTS Thousand

Code	Accounting Items	Notes	January 1 to March 31, 2024		January 1 to March 31, 2023	
			Amount	%	Amount	%
4000	Operating Income	(4)/(6).11/(7)	\$1,002,744	100	\$1,300,823	100
5000	Operating Costs	(4)/(6).4&6&9&13&14/(7)	(826,250)	(82)	(1,048,065)	(81)
5900	Operating gross profit		176,494	18	252,758	19
6000	Operating Expense	(4)/(6).6&9&13&14/(7)				
6100	Selling and marketing expenses		(18,627)	(2)	(19,243)	(1)
6200	Administrative Expenses		(58,743)	(6)	(62,109)	(5)
6300	Research and development expense		(5,528)	(1)	(5,567)	-
6450	Expected Credit Impairment (Loss)	(4)/(6).12	1,087	-	(12,556)	(1)
	Total Operating Expense		(81,811)	(9)	(99,475)	(7)
6900	Operating Profits		94,683	9	153,283	12
7000	Non-operating Income and Expenses	(4)/(6).15/(7)				
7100	Interest income		37,541	4	29,546	2
7010	Other income		6,780	1	6,325	1
7020	Other gains and losses		(7,228)	(1)	(21,527)	(2)
7050	Finance costs		(2,559)	-	(2,377)	-
	Total non-operating income and expenses		34,534	4	11,967	1
7900	Profit Before Tax		129,217	13	165,250	13
7950	Income tax expense	(4)/(6).17	(31,172)	(3)	(66,601)	(5)
8000	Profit from continuing operations		98,045	10	98,649	8
8200	Current net profit		98,045	10	98,649	8
8300	Other comprehensive income	(6).16&17				
8360	Items that may be reclassified subsequently to profit or loss					
8361	Exchange differences on translating the financial statements of foreign operations		197,485	20	9,166	1
8367	Unrealized gains or losses on debt instrument investments measured at fair value through other comprehensive income		727	-	2,926	-
8399	Income tax relating to items that may be reclassified to profit or loss		(145)	-	(585)	-
	Other comprehensive income (Net Income)		198,067	20	11,507	1
8500	Total comprehensive income		\$296,112	30	\$110,156	9
8600	Net Profit Attributable to:					
8610	Shareholders of the parent company		\$98,045	10	\$98,649	8
8700	Total comprehensive income attributable to:					
8710	Shareholders of the parent company		\$296,112	30	\$110,156	9
	Earnings Per Share (\$)	(6).18				
9750	Basic earnings per share		\$1.17		\$1.18	
9850	Diluted earnings per share		\$1.17		\$1.18	

(Please refer to the Notes for the Consolidated Financial Statements)

Chairman: LEE, KUNG-WEN

Manager: HSU, JUNG-MIN

Accounting Supervisor: LEE, CHUNG-MU

O-TA Precision Industry Co., Ltd. and Subsidiaries  
Consolidated Statements of Changes in Equity  
January 1 to March 31, 2024 and 2023

Unit: NT\$ thousand

Code	Item	Equity attributable to shareholders of the parent							Total	Total Equity
		Capital Stock	Capital Surplus	Retained Earnings			Other Equity			
				Legal reserves	Special reserve	Undistributed earnings	Exchange differences on translating the financial statements of foreign operations	Unrealized gains or losses on financial assets measured at fair value through other comprehensive income		
		3100	3200	3310	3320	3350	3410	3420	31XX	3XXX
A1	Balance as January 1, 2023	\$838,000	\$101,239	\$941,256	\$121,777	\$2,473,821	\$97,777	(\$53,477)	\$4,520,393	\$4,520,393
	Appropriation and distribution of earnings for 2022									
B1	Appropriation of statutory surplus reserves	-	-	180,491	-	(180,491)	-	-	-	-
B5	Cash dividends on ordinary shares	-	-	-	-	(1,076,830)	-	-	(1,076,830)	(1,076,830)
B17	Reversal of special reserve	-	-	-	(121,777)	121,777	-	-	-	-
D1	Net Profit for the period from January 1 to March 31, 2023	-	-	-	-	98,649	-	-	98,649	98,649
D3	Other comprehensive income for the period from January 1 to March 31, 2023	-	-	-	-	-	9,166	2,341	11,507	11,507
D5	Total comprehensive income	-	-	-	-	98,649	9,166	2,341	110,156	110,156
Z1	Balance as March 31, 2023	\$838,000	\$101,239	\$1,121,747	\$ -	\$1,436,926	\$106,943	(\$51,136)	\$3,553,719	\$3,553,719
A1	Balance as January 1, 2024	\$838,000	\$101,239	\$1,121,747	\$ -	\$1,744,350	\$66,841	(\$47,357)	\$3,824,820	\$3,824,820
	Appropriation and distribution of earnings for 2023									
B1	Appropriation of statutory surplus reserves	-	-	40,607	-	(40,607)	-	-	-	-
B5	Cash dividends on ordinary shares	-	-	-	-	(360,340)	-	-	(360,340)	(360,340)
D1	Net Profit for the period from January 1 to March 31, 2024	-	-	-	-	98,045	-	-	98,045	98,045
D3	Other comprehensive income for the period from January 1 to March 31, 2024	-	-	-	-	-	197,485	582	198,067	198,067
D5	Total comprehensive income	-	-	-	-	98,045	197,485	582	296,112	296,112
Z1	Balance as March 31, 2024	\$838,000	\$101,239	\$1,162,354	\$ -	\$1,441,448	\$264,326	(\$46,775)	\$3,760,592	\$3,760,592

(Please refer to the Notes for the Consolidated Financial Statements)

Chairman: LEE, KUNG-WEN

Manager: HSU, JUNG-MIN

Accounting Supervisor: LEE, CHUNG-MU



O-TA Precision Industry Co., Ltd. and Subsidiaries  
Consolidated Statements of Cash Flows  
January 1 to March 31, 2024 and 2023

Unit: NT\$ thousand

Code	Item	January 1 to March 31, 2024	January 1 to March 31, 2023
		Amount	Amount
AAAA	Cash flows from operating activities:		
A10000	Profit before tax	\$129,217	\$165,250
A20000	Adjustments:		
A20010	Income and expense items:		
A20100	Depreciation expense	40,599	41,462
A20200	Amortization expense	654	650
A20300	Expected credit impairment (gain) loss	(1,087)	12,556
A20900	Interest expense	2,559	2,377
A21200	Interest income	(37,541)	(29,546)
A22500	Loss (gain) on disposal and retirement of property, plant, and equipment	(744)	735
A24100	Unrealized foreign exchange gain	(5,791)	(1,129)
A30000	Changes in operating assets/liabilities:		
A31150	Accounts receivable	82,144	242,195
A31160	Accounts Receivable - Related Parties	(21,478)	2,929
A31180	Other receivables	13,392	13,287
A31190	Other receivables - related parties	(4)	(36)
A31200	Inventory	(80,937)	157,375
A31230	Prepayments	(7,882)	79
A31240	Other current assets	(483)	-
A32130	Note payable	(23)	(47)
A32150	Accounts payable	40,736	(158,024)
A32160	Accounts payable - related parties	39	1,221
A32180	Other payables	1,136	(78,930)
A32230	Other current liabilities	(871)	(2,786)
A32240	Net defined benefit liabilities	(371)	(369)
A33000	Cash inflows from operations	153,264	369,249
A33100	Interest received	27,393	18,787
A33300	Interest paid	(1,650)	(1,652)
A33500	Income tax paid	(3,756)	(665)
AAAA	Net cash inflow from operating activities	175,251	385,719
BBBB	Cash flows from investing activities:		
B02700	Acquisition of property, plant and equipment	(100,965)	(24,699)
B02800	Disposal of property, plant, and equipment	1,018	198
B04500	Acquisition of intangible assets	(140)	(190)
B06700	Increase in other non-current assets	-	(1,750)
B06800	Decrease in other non-current assets	3,127	-
BBBB	Net cash used in investing activities	(96,960)	(26,441)
CCCC	Cash flows from financing activities:		
C00200	Decrease in short-term borrowings	(65,000)	(20,000)
C04020	Repayment of lease principal	(12,862)	(12,431)
C04300	Increase in other non-current liabilities	-	3
C04400	Decrease in other non-current liabilities	(1)	-
CCCC	Net cash used in financing activities	(77,863)	(32,428)
DDDD	Effect of exchange rate changes on cash and cash equivalents	141,344	10,675
EEEE	Increase in cash and cash equivalents of the period	141,772	337,525
E00100	Cash and cash equivalents at the beginning of the period	2,655,575	2,976,304
E00200	Cash and cash equivalents at the end of the period	\$2,797,347	\$3,313,829

(Please refer to the Notes for the Consolidated Financial Statements)

Chairman: LEE, KUNG-WEN

Manager: HSU, JUNG-MIN

Accounting Supervisor: LEE, CHUNG-MU

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

Notes to Consolidated Financial Statements

January 1 to March 31, 2024 and

January 1 to March 31, 2023

(All amounts are in thousands of New Taiwan dollars, unless otherwise stated)

(I) Company History

O-TA Precision Industry Co., Ltd. (hereafter abbreviated as "the Company") was established in 1988 and primarily engages in the manufacturing, outsourced processing, assembly, and sale of golf club heads and their semi-finished products. The Company's stock was OTC-listed for trading at the Taipei Exchange on February 9, 2000.

(II) Date and Procedures of Approval of Financial Statements

The consolidated financial statements of the Company and its subsidiaries (hereafter abbreviated as "the Group") for the periods from January 1 to March 31 of 2024 and 2023 were approved for release by the Board of Directors on May 7, 2024.

(III) Application of New, Amended, and Revised Standards and Interpretations

1. Accounting policy amendments arising from the initial adoption of International Financial Reporting Standards:

The Group has adopted the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), and International Financial Reporting Interpretations or explanatory announcements recognized by the Financial Supervisory Commission (hereinafter referred to as the "FSC") that are applicable to commencing after January 1, 2024. The initial application of these new and amended standards has had no significant impact on the Group.

2. As of the date of authorization for the issuance of the financial statements, the Group has not yet adopted the following new, revised, and amended standards or interpretations issued by the International Accounting Standards Board that approved by the Financial Supervisory Commission:

Not applicable.

3. As of the date of authorization for the issuance of the financial statements, the Group has not yet adopted the following new, revised, and amended standards or interpretations issued by the International Accounting Standards Board that have not yet been approved by the Financial Supervisory Commission:

Notes to the Consolidated Financial Statements of O-TA Precision Industry Co., Ltd. and its  
Subsidiaries (continued)

(All amounts are in thousands of New Taiwan dollars, unless otherwise stated)

Items	Newly Issued/Revised/Amended Standards and Interpretations	Effective date issued by International Accounting Standards Board
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 Associates or Joint Ventures	Pending decision by the International Accounting Standards Board
2	IFRS 17 "Insurance Contracts"	January 1, 2023
3	Lack of Exchangeability (Amendments to IAS 21)	January 1, 2025
4	IFRS 18 "Presentation and Disclosure in Financial Statements"	January 1, 2027

The potential impact on the Group's financial statements from the future adoption of the above standards or interpretations, which have been issued by the International Accounting Standards Board but have not yet been approved by the Financial Supervisory Commission, 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

This plan aims to address the inconsistencies between IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" regarding the loss of control when contributing a subsidiary as an investment in associates or joint ventures. IAS 28 mandates that when non-monetary assets are contributed in exchange for equity in associates or joint ventures, the portion of gains or losses resulting from the transaction should be eliminated based on downstream transactions approach. Conversely, IFRS 10 stipulates that the full amount of gain or loss should be recognized at the time control over a subsidiary is lost. This amendment restricts the aforementioned provision of IAS 28, specifying that when assets that constitute a business as defined by IFRS 3 are sold or contributed, any resulting gains or losses should be recognized in full.

This amendment also modifies IFRS 10 to specify that when a subsidiary that does not constitute a business as defined by IFRS 3 is sold or contributed between an investor and its associates or joint ventures, the gain or loss arising should be recognized only to the extent of the unrelated investors' interests.

- (2) Lack of Exchangeability (Amendments to IAS 21)

This amendment clarifies the exchangeability and lack of exchangeability between

Notes to the Consolidated Financial Statements of O-TA Precision Industry Co., Ltd. and its  
Subsidiaries (continued)

(All amounts are in thousands of New Taiwan dollars, unless otherwise stated)

currencies and how exchange rates should be determined when a currency lacks exchangeability. It also introduces additional disclosure requirements for situations where a currency lacks exchangeability. These amendments are applicable for accounting periods beginning on or after January 1, 2025.

(3) IFRS 18 “Presentation and Disclosure in Financial Statements”

Major changes by the new standards are as follows:

A. Enhance the comparability of income statement

The income statement will classify income and expenses into operating, investing, financing, income tax, and discontinued operations five categories. The first three categories are new classifications intended to improve the structure of the income statement. Additionally, all entities will be required to provide newly defined subtotals (including operating profits). It allows investors to have a consistent starting point for analyzing the financial performance of different companies and makes it easier to compare across entities by enhancing the structure of the income statement and introducing newly defined subtotals.

B. Improve the transparency of managerial performance measures

Require companies to disclose explanations of entity specific metrics (known as managerial performance measures) related to the income statement.

C. Useful aggregation of financial statement information

Provide application guidance to determine whether financial information should be presented in the primary financial statements or in the notes. This change is expected to provide more detailed and useful information. Require companies to provide more transparent information on operating expenses to help investors locate and understand the information they use.

This guideline will replace IAS 1 “Presentation of Financial Statements”, and be effective for periods beginning on or after January 1, 2027.

The Group is currently evaluating the potential impact of the newly issued, revised, and amended standards or interpretations on its financial position and performance. The relevant effects will be disclosed upon completion of the assessment.

(IV) Summary of Significant Accounting Policies

1. Compliance Statement

Notes to the Consolidated Financial Statements of O-TA Precision Industry Co., Ltd. and its  
Subsidiaries (continued)

(All amounts are in thousands of New Taiwan dollars, unless otherwise stated)

The consolidated financial statements of the Group for the periods from January 1 to March 31, 2024, and 2023 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRS 34 "Interim Financial Reporting", as approved and issued by the Financial Supervisory Commission.

2. Basis of preparation

Apart from financial instruments measured at fair value, the consolidated financial statements are prepared on a historical cost basis. Unless otherwise indicated, the consolidated financial statements are presented in thousands of New Taiwan Dollars.

3. Consolidation Overview

Principles of Consolidated Financial Statement Preparation

Control is achieved when the Company is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls the investee only when the following three factors of control are present:

- (1) Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities)
- (2) Exposure or rights to variable returns from involvement with the investee, and
- (3) Ability to use its power over the investee to affect the amount of the investor's returns

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

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

When facts and circumstances indicate that one or more of the three factors of control have changed, the Company reassesses whether it still controls the investee.

Subsidiaries are fully consolidated into the consolidated financial statements from the date of acquisition (the date on which the Group gains control) until the date lost its control. The accounting periods and policies of the subsidiaries' financial statements are consistent with the parent company. All intragroup account balances, transactions, unrealized gains and losses

Notes to the Consolidated Financial Statements of O-TA Precision Industry Co., Ltd. and its  
Subsidiaries (continued)

(All amounts are in thousands of New Taiwan dollars, unless otherwise stated)

arising from intragroup transactions, and dividends are completely eliminated.

Changes in the shareholding in subsidiaries that do not result in a loss of control are treated as equity transactions.

The total comprehensive income of the subsidiaries is attributed to the owners and non-controlling interests of the Company, even if deficit balance arises from the non-controlling interests.

If the Company loses control of a subsidiary, it:

- (1) Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- (2) Derecognizes the carrying amount of any non-controlling interest;
- (3) Recognizes the fair value of the consideration received;
- (4) Recognizes the fair value of any investment retained;
- (5) Reclassifies the parent's amounts previously recognized in other comprehensive income to current profit or loss, or directly transfer them to retained earnings in accordance with the provisions of other International Financial Reporting Standards;
- (6) Recognizes any surplus or deficit in current profit or loss.

Primary entities for the preparation of consolidated financial statements are listed as follows:

Investor Name	Subsidiary	Primary Businesses	Percentage of ownership		
			March 31, 2024	December 31, 2023	March 31, 2023
The Company	O-TA Golf Group Co.,Ltd.(O-TA BVI.)	Trade and investment business in golf club heads	100%	100%	100%
O-TA BVI.	Harvest Fair International Limited	Trade business in golf club heads and bicycle accessories	100%	100%	100%
O-TA BVI.	Jiangxi O-TA Precision Technology Co., Ltd.	Production and sales business of golf club heads, shafts, golf equipment, and plumbing parts	100%	100%	100%
O-TA BVI.	VGT COMPOSITE TECHONOLOGY (HUIZHOU) CO., LTD.	Production business of carbon fiber composites and bicycle accessories	100%	100%	100%

Notes to the Consolidated Financial Statements of O-TA Precision Industry Co., Ltd. and its  
Subsidiaries (continued)

(All amounts are in thousands of New Taiwan dollars, unless otherwise stated)

4. Foreign currency transactions

The consolidated financial statements of the Group are presented in New Taiwan Dollars, the functional currency of the Company. Each intragroup entity determines its own functional currency and measures its financial statements in that currency.

Foreign currency transactions of the intragroup entities are translated into their functional currencies using the exchange rates at the dates of the transactions. At the end of each reporting period, foreign currency monetary items are translated using the closing rate of that date; foreign currency non-monetary items measured at fair value are translated using the exchange rates at the date when the fair values were measured; foreign currency non-monetary items measured at historical cost are translated using the exchange rates at the date of the original transaction.

Exchange differences arising on the settlement or translation of monetary items are recognized in profit or loss in the period that occurred, except as described below:

- (1) Exchange differences on foreign currency borrowings attributable to acquired qualifying assets are considered an adjustment to interest costs and are capitalized as part of the asset cost.
- (2) Foreign currency items that are subject to IFRS 9 "Financial Instruments" are treated as financial instruments based on the accounting policies.
- (3) Exchange differences arising on monetary items that constitute part of the reporting entity's net investment in a foreign operation are initially recognized in other comprehensive income and are reclassified from equity to profit or loss upon the disposal of the net investment.

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

5. Translation of Foreign Currency Financial Statements

When preparing consolidated financial statements, the assets and liabilities of foreign operations are translated into New Taiwan Dollars using the exchange rates at the balance sheet date. Revenue and expense items are translated at the average exchange rates for the period. Exchange differences arising from translation are recognized in other comprehensive income and accumulated under equity as a separate component. Upon disposal of the foreign operation, these accumulated exchange differences previously recognized in other compre-

Notes to the Consolidated Financial Statements of O-TA Precision Industry Co., Ltd. and its  
Subsidiaries (continued)

(All amounts are in thousands of New Taiwan dollars, unless otherwise stated)

hensive income are reclassified from equity to profit or loss when the disposal gain or loss is recognized. In cases involving partial disposals that result in the loss of control over foreign operations subsidiaries, as well as partial disposals of interests in associates or joint arrangements that include foreign operations, any retained interests that constitute financial assets related to the foreign operation are also treated as disposals.

For partial disposals of subsidiaries including foreign operations where control is not lost, the proportional share of cumulative exchange differences recognized in other comprehensive income is re-attributed to non-controlling interests of the foreign operation and not recognized in profit or loss. For partial disposals of associates or joint arrangements including foreign operations that does not result in a loss of significant influence or joint control, the cumulative exchange differences are proportionally reclassified to profit or loss.

Goodwill and fair value adjustments to the carrying amounts of assets and liabilities, arising from the Group's acquisition of a foreign operation, are considered assets and liabilities of that foreign operation and reported in its functional currency.

6. Classification standard for assets and liabilities distinction as current or non-current

Classified as current assets if it satisfies any of the following conditions; if it is not current assets, classified as non-current assets:

- (1) Expects to realize the asset, or intends to sell, or consume within its normal operating cycle.
- (2) Holds the asset primarily for the purpose of trading.
- (3) Expects to realize the asset within twelve months after the reporting period.
- (4) Cash or cash equivalents, excluding restricted asset exchanged or used to settle liabilities for at least twelve months after the reporting period.

Classified as current liabilities if it satisfies any of the following conditions; if it is not current liabilities, classified as non-current liabilities:

- (1) Expects to settle the liability in its normal operating cycle.
- (2) Holds the liability primarily for the purpose of trading.
- (3) Expects the liability is due to be settled within twelve months after the reporting period.
- (4) It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

7. Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand, demand deposits, and short-term, highly liquid time deposits or investments that are readily convertible to known amounts of cash and



Notes to the Consolidated Financial Statements of O-TA Precision Industry Co., Ltd. and its  
Subsidiaries (continued)

(All amounts are in thousands of New Taiwan dollars, unless otherwise stated)

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 terms of the instrument.

Financial assets and financial liabilities within the scope of IFRS 9 "Financial Instruments" are recognized initially at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (except those classified as at fair value through profit or loss) are added to or deducted from the fair value of the financial assets and financial liabilities.

(1) Recognition and Measurement of Financial Assets

Recognition and derecognition of financial assets from all regular way purchase or sale by the Group are accounted on the trade date.

The Group classified financial assets as subsequently measurement at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering, based on the following two factors:

- A. Business model for managing the financial assets
- B. Contractual cash flow characteristics of the financial assets

Financial assets measured at amortized cost

Financial assets is measured at amortized cost, if both of the following conditions are met and presented as notes receivable, accounts receivable, financial assets measured at amortized cost and other receivables etc., on the balance sheet:

- A. Business model for managing the financial assets: Hold financial assets in order to collect contractual cash flows.
- B. Contractual cash flow characteristics of the financial assets: Cash flows are solely payments of principal and interest on the principal amount outstanding.

Such financial assets (excluding those involved in hedging relationships) are subsequently measured at amortized cost [the amount at which the financial asset is measured at initial deducted the principal repayments, added to or deducted the cumulative amortization (using the effective interest method) of any difference between the initial amount and the maturity amount and adjusted for any loss allowance]. The gain or loss is recognized in profit or loss when it is derecognized, or through the amortization process, or in order to recognize the impairment gains or losses.

Notes to the Consolidated Financial Statements of O-TA Precision Industry Co., Ltd. and its  
Subsidiaries (continued)

(All amounts are in thousands of New Taiwan dollars, unless otherwise stated)

Interest calculated by using the effective interest method (multiplied the effective interest rate to the gross carrying amount of financial assets) or under the following circumstances is recognized in profit or loss:

- A. For credit-impaired financial assets that are purchased or originated, multiplied the credit-adjusted effective interest rate to the amortized cost of the financial asset
- B. For those not belong to the aforementioned but subsequently become credit-impaired, multiplied the effective interest rate to the amortized cost of the financial asset

Financial asset measured at fair value through other comprehensive income

Financial asset is measured at fair value through other comprehensive income, if both of the following conditions are met and reported as such on the balance sheet:

- A. Business model for managing the financial assets: collecting contractual cash flow and selling financial assets
- B. Contractual cash flow characteristics of the financial assets: Cash flows are solely payments of principal and interest on the principal amount outstanding.

Recognition of related gain or loss on such financial assets are described as below:

- A. Prior to derecognition or reclassification, all other gains or losses are recognized in other comprehensive income, except for impairment and foreign exchange, which are recognized in profit or loss
- B. Upon derecognition, the cumulative gains or losses previously recognized in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment.
- C. Interest calculated by using the effective interest method (multiplied the effective interest rate to the gross carrying amount of financial assets) or under the following circumstances is recognized in profit or loss:
  - (a) For credit-impaired financial assets that are purchased or originated, multiplied the credit-adjusted effective interest rate to the amortized cost of the financial asset
  - (b) For those not belong to the aforementioned but subsequently become credit-impaired, multiplied the effective interest rate to the amortized cost of the financial asset

Besides, for equity instruments within the scope of IFRS 9, that is neither held for trading nor contingent consideration recognized by an acquire in a business combination under IFRS 3, an election (irrevocable) can be made at initial recognition to present the changes

Notes to the Consolidated Financial Statements of O-TA Precision Industry Co., Ltd. and its  
Subsidiaries (continued)

(All amounts are in thousands of New Taiwan dollars, unless otherwise stated)

of the fair value in other comprehensive income. Amounts reported in other comprehensive income shall not be subsequently transferred to profit or loss (upon disposal of such equity instruments, its cumulated amount within other components of equity is transferred directly to retained earnings) and these instruments should be presented as financial assets measured at fair value through other comprehensive income on the balance sheet. Dividends on such investments are recognized in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment.

Financial assets measured at fair value through profit or loss

Except for financial assets that meet specific conditions and were measured at amortized cost or at fair value through other comprehensive income, all financial assets were measured at fair value through profit or loss and reported as such on the balance sheet as financial assets measured at fair value through profit or loss.

These financial assets are measured at fair value, the gains or losses arising from remeasurement is recognized in profit or loss, which includes any dividends or interest received from these financial assets.

(2) Impairment of financial assets

The Group recognizes and measures an allowance for expected credit losses for investments in debt instruments measured at fair value through other comprehensive income and financial assets measured at amortized cost. For investments in debt instruments measured at fair value through other comprehensive income, the allowance for credit losses is recognized in other comprehensive income and does not reduce the carrying amount of the investment.

The Group measures expected credit losses in a way that reflects:

- A. An unbiased and probability-weighted amount determined by evaluating all possible outcomes.
- B. Time value of money
- C. Reasonable and supportable information related to past events, current conditions, and forecasts of future economic conditions (which can be obtained without undue cost or effort of the balance sheet date)

The loss allowance is measures as follows:

- A. Measured based on the expected credit losses amount equal to 12-month: This includes the credit risk on a financial asset has not increased significantly since initial recognition, or the financial asset is determined to have low credit risk at the balance sheet date. In addition, this also includes measure the loss allowances at an

Notes to the Consolidated Financial Statements of O-TA Precision Industry Co., Ltd. and its  
Subsidiaries (continued)

(All amounts are in thousands of New Taiwan dollars, unless otherwise stated)

amount equal to lifetime expected credit losses from a previous reporting period, but determines at the current balance sheet date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.

- B. At an amount equal to the lifetime expected credit losses: This includes the credit risk on a financial asset has increased significantly since initial recognition, or financial asset that is credit-impaired at purchase or origination.
- C. For trade receivables or contract assets generated from transactions within the scope of IFRS 15, the Group adopts the measure of loss allowance amount at life time expected credit losses.
- D. For lease receivables generated from transactions within the scope of IFRS 16, the Group adopts the measure of loss allowance amount at life time expected credit losses.

At each balance sheet date, the Group assesses whether the credit risk on financial instruments has increased significantly since initial recognition by comparing the changes in the risk of default between the balance sheet date and the date of initial recognition. Please refer to Note (12) for further details on credit risk-related information.

(3) Derecognition of Financial Assets

The financial assets held by the Group are derecognized when one of the following conditions is met:

- A. The contractual rights to cash flows from the financial asset have expired.
- B. The financial asset has been transferred and substantially all the risks and rewards of ownership have been transferred to another party.
- C. Neither transferred nor retained substantially all risks and rewards of ownership of the assets, but has transferred control over the assets.

On derecognized of financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable, including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

(4) Financial Liabilities and Equity Instruments

Classification between Liabilities or Equity

The Group classifies the instrument issued as financial liabilities or equity instruments in accordance with the substance of the contractual arrangements and the definitions of financial liabilities and equity instruments.

Equity instruments

Notes to the Consolidated Financial Statements of O-TA Precision Industry Co., Ltd. and its  
Subsidiaries (continued)

(All amounts are in thousands of New Taiwan dollars, unless otherwise stated)

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the company are recognized at the amount of proceeds obtained, net of directly attributable issuance costs.

Financial Liabilities

Financial liabilities within the scope of IFRS 9 are classified as either financial liabilities at fair value through profit or loss or financial liabilities measured 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.

It is classified as held for trading, if one of the following conditions is met:

- A. The primary purpose of acquisition is to sell in the short term;
- B. At initial recognition, it is part of an identifiable portfolio of financial instruments that are managed together, and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- C. Belong to derivative (except for a derivative that is financial guarantee contracts or designated and effective hedging instruments).

For contracts that contain one or more embedded derivatives, the entire hybrid (combined) contract may be designated as financial liabilities at fair value through profit or loss; or when one of the following factors is met and can provide more relevant information, it is designated as at fair value through profit or loss at the time of initial recognition:

- A. The designation can eliminate or significantly reduces a measurement or recognition inconsistency; or
- B. A group of financial liabilities or a group of financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with documented risk management or investment strategies, and information about the Group is provide internally on the basis to the key management personnel.

Gains or losses on the subsequent measurement of financial liabilities at fiat value through profit of loss including any interest paid are recognized in profit or loss.

Financial liabilities measured at amortized cost

Financial liabilities measured at amortized cost include accounts payable and borrowings, etc., which are subsequently measured using the effective interest rate method after initial recognition. Gains or losses are recognized in profit or loss when the financial liabilities are derecognized as well as through the effective interest rate method amortization

Notes to the Consolidated Financial Statements of O-TA Precision Industry Co., Ltd. and its  
Subsidiaries (continued)

(All amounts are in thousands of New Taiwan dollars, unless otherwise stated)

process.

Amortized cost is calculated by taking into account any discount or premium on acquisition or transaction costs.

Derecognition of Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled, or expired.

When the Group exchanges a debt instrument with a creditor under substantially different terms, or makes significant modifications to the terms of an existing financial liability (whether or not due to financial difficulty), the original liability is derecognized and a new liability is recognized. Upon derecognition of the financial liability, the difference between the carrying amount and the total consideration paid or payable (including any non-cash assets transferred or liabilities assumed), is recognized in profit or loss.

(5) Offsetting of Financial Assets and Liabilities

Financial assets and financial liabilities are only offset and presented net in the balance sheet when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

9. Fair Value Measurement

Fair Value refers to 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place in one of the following markets:

- (1) In the principal markets for the assets or liabilities, or
- (2) If there is no principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible for transactions by the Group.

The fair value of assets or liabilities are measured using assumptions that market participants would use when pricing the asset or liability, assuming that the market participants in their economic best interest.

A fair value measurement of non-financial assets takes into account a market participant's ability to generate economic benefits either by using the asset at its highest and best use or by selling it to another market participant who would use the asset at its highest and best use.

The Group adopts valuation techniques that are appropriate in the circumstances and for which

Notes to the Consolidated Financial Statements of O-TA Precision Industry Co., Ltd. and its  
Subsidiaries (continued)

(All amounts are in thousands of New Taiwan dollars, unless otherwise stated)

sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

10. Inventory

Inventory is valued at the lower of cost and net realizable value item by item.

Cost refers to the costs incurred to bring each inventory to its present location and conditions are accounted for as follows:

Raw materials - by actual purchase cost with weighted average method.

Finished goods and work in process - include cost of direct materials and labor and proportion of manufacturing overheads based on normal operation capacity but excluding borrowing costs.

Net realisable value refers to the estimated selling price in the ordinary course of business, less estimated the costs still to be incurred to complete and selling expenses.

Rendering of services is accordance in accordance with IFRS 15 and not within the scope of inventory.

11. Property, Plant and Equipment

Property, plant and equipment are recognized based on acquisition cost and are presented net of accumulated depreciation and accumulated impairment losses. The aforementioned costs include expenses related to the dismantling, removal, and restoration of the site where the property, plant and equipment are located, as well as necessary interest incurred on construction in progress. 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 must be depreciated separately. When significant components of property, plant and equipment are required to be replaced in intervals, the Group treats such components as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 "Property, plant and equipment". Major overhaul costs that meet the recognition criteria are treated as replacement costs and are recognized as part of the carrying amount of plant and equipment. Other repair and maintenance costs are recognized in profit or loss.

Depreciation is calculated on a straight-line method basis over the estimated useful lives of the following assets:

<u>Class of assets</u>	<u>Useful life</u>
Buildings and structures	Primary range 3 ~ 60 years
Machinery and equipment	Primary range 3 ~ 10 years
Transportation equipment	Primary range 3 ~ 5 years

Notes to the Consolidated Financial Statements of O-TA Precision Industry Co., Ltd. and its  
Subsidiaries (continued)

(All amounts are in thousands of New Taiwan dollars, unless otherwise stated)

<u>Class of assets</u>	<u>Useful life</u>
Office equipment	Primary range 2 ~ 5 years
Leasehold improvements	Primary range 5 ~ 10 years
Other equipment	Primary range 2 ~ 40 years

Items of property, plant and equipment or any significant component initially are derecognized upon disposal or when no future economic benefits are expected from their use or disposal. Any gain or loss arising from derecognition of the asset is recognized in profit or loss.

The property, plant and equipments' residual values, useful lives, and methods of depreciation are reviewed at each financial year end. If expectations differ from previous estimates, the adjustments are treated as changes in accounting estimates.

## 12. Lease

The Group assesses whether the contract is (or contains) a lease on the inception date of the contract. A contract is (or contains) a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group evaluates whether it has both of the following throughout the period of use:

- (1) The right to obtain substantially all of the economic benefits from use of the identified asset; and
- (2) The right to direct the use of the identified asset.

For contracts that are (or contains) a lease, the Group treats each lease component within the contract as a separate lease and handles it independently from the non-lease components of the contract. For contracts that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative standalone price of each lease component and the aggregate standalone prices of the non-lease components. The relative standalone price of lease and non-lease components shall be determined on the basis of the price that the lessor (or a similar supplier) would charge separately for each component (or similar component). If observable standalone prices are not readily available, the Group maximizes the use of available observable information to estimate these standalone prices.

### The Group as a lessee

Except for leases that qualify and are elect as short-term or low-value asset leases, when the Group is the lessee in a lease contract, it recognizes right-of-use assets and lease liabilities for all leases.



Notes to the Consolidated Financial Statements of O-TA Precision Industry Co., Ltd. and its  
Subsidiaries (continued)

(All amounts are in thousands of New Taiwan dollars, unless otherwise stated)

At the commencement date, the Group measures lease liabilities at the present value of lease payments that are not paid as of that date. If the implicit interest rate in the lease is readily determinable, the lease payments are discounted using that rate. If the implicit rate is not readily determinable, the lessee's incremental borrowing rate is used. At the commencement date, the lease payments included in the measurement of the lease liabilities comprise the following payments for the right to use the underlying asset during the lease term that are unpaid as of that day:

- (1) Fixed payments (including substantially fixed payments), less any lease incentives receivable;
- (2) Variable lease payments that depend on an index or rate (initially measured using the index or rate as of the commencement date);
- (3) Amounts expected to be payable by the lessee under residual value guarantees;
- (4) The exercise price of a purchase option if the Group is reasonably certain that the option will be exercised; 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 lease liabilities on an amortized cost basis, which increases the carrying amount to reflect interest on the lease liability by using the effective interest method and reduces the carrying amount to reflect the lease payments made.

From the commencement date, the Group measures the right-of-use assets at cost, which includes:

- (1) The initial measurement amount 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 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 at cost less accumulated depreciation and any accumulated impairment losses. That is measured the right-of-use by applying the cost model.

If the ownership of the underlying asset transfers to the Group at the end of the lease term, or if the cost of the right-of-use asset reflects that the Group is reasonably certain to exercise a purchase option, then depreciation is provided from the commencement date until the end of the useful life of the underlying asset. Otherwise, the Group depreciates 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.

Notes to the Consolidated Financial Statements of O-TA Precision Industry Co., Ltd. and its  
Subsidiaries (continued)

(All amounts are in thousands of New Taiwan dollars, unless otherwise stated)

The Group applies IAS 36 "Impairment of Assets" to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Apart from leases that qualify and are chosen as short-term or low-value asset leases, the Group reports right-of-use assets and lease liabilities in the balance sheet and recognizes the lease-related depreciation charge and interest expense separately in the comprehensive income statements.

For short-term leases and leases of low-value assets, the Group elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis or another systematic basis over the lease term.

### 13. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired through business combinations is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets that do not qualify for recognition are not capitalized but are expensed as incurred.

The useful lives of intangible assets are classified as either finite or indefinite.

Intangible assets with finite lives are amortized over their useful lives and assessed for impairment whenever there is indication that the asset may be impaired. The amortization period and method for intangible assets with finite useful lives are reviewed at least at the end of each financial year. If changes in the estimated useful life or the estimated pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization method or period, which is treated as a change in accounting estimate.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite useful life is reviewed annually to determine whether indefinite life events and circumstances continues to be supportable. If the useful life is changed from indefinite to finite, it made on a prospective basis.

Gains or losses from the derecognition of an intangible asset are recognized in profit or loss.

A summary of the policies applied to the Group's intangible assets is as follows:

	<u>Patent Rights</u>
Useful life	Finite (6 ~ 20 years)
Amortization method used	Straight-line method
Internally generated or externally acquired	Internally generated or externally acquired

Notes to the Consolidated Financial Statements of O-TA Precision Industry Co., Ltd. and its  
Subsidiaries (continued)

(All amounts are in thousands of New Taiwan dollars, unless otherwise stated)

14. Impairment of non-financial assets

At the end of each reporting period, the Group assesses all assets subject to IAS 36 "Impairment of Assets" for indications of impairment. If any such indication exists, or when annual impairment testing for an asset is required, the Group conducts the test on an individual asset or the cash-generating unit to which the asset belongs. If the results of the impairment test show that the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount, an impairment loss is recognized. Recoverable amount is the higher of the asset's or fair value less costs to sell or its value in use.

For assets excluding goodwill, an assessment is made by the the Group at the end of each reporting date as to determine whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indications exist, the Group estimates the recoverable amount of the asset or cash-generating unit. Impairment loss is reversed only if there has been an increased in the estimated service potential of the asset which in turn increases the recoverable amount. However, the reversed carrying amount must not exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized for the asset.

Impairment losses and reversals for continuing operations are recognized in profit or loss.

15. Revenue Recognition

The Group's revenue from contracts with customers are primarily related to sale of goods, with accounting treatment detailed as follows:

Sale of goods

The Group manufactures and sells goods. Sales are recognized revenue when the promised goods are delivered to the customer and the customer gains control (i.e., the customer has the ability to direct the use of and obtain nearly all of the remaining benefits from the goods). The major products are golf club heads and other related equipment. Revenue is recognized based on the price specified in the contract, adjusted for estimated customer returns, discounts, and other similar allowances.

The credit period for sale of goods by the Group is from 30 to 90 days. For most contracts, accounts receivable are recognized when control of the goods is transferred and there is an unconditional right to consideration. These receivables typically cover short periods and do not constitute a significant financing component. For a minority of contracts, where goods

Notes to the Consolidated Financial Statements of O-TA Precision Industry Co., Ltd. and its  
Subsidiaries (continued)

(All amounts are in thousands of New Taiwan dollars, unless otherwise stated)

have been transferred to the customer but the right to unconditional consideration is not yet established, contract assets are recognized. These contract assets are also subject to impairment allowances measured at expected credit losses over their lifetime in accordance with IFRS 9.

16. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction, or production of qualifying assets are capitalized as part of the cost of those assets. All other borrowing costs are recognized as expenses in the period they occur. Borrowing costs consist of interest and other costs incurred in connection with the borrowing of funds.

17. Post-employment benefit plans

All full-time employees of the Company are entitled to the retirement plan that is managed by the Labor Retirement Reserve Supervision Committee. Fund assets are deposited under the Committee's name in the specific bank account and hence, it's completely separated from the Company. Therefore, fund assets are not included in the consolidated financial statements. Retirement plans for employees of overseas subsidiaries are provided in accordance with the respective local regulations.

For the defined contribution plan, the Company makes a monthly contribution of no less than 6% of monthly wages of the employees subject to the plan. The contributions are recognized as an expense in the current period. Overseas subsidiaries contribute to the plan based on the requirements of the local regulations and the contribution also recognizes expenses as incurred.

Post-employment benefit plans that are defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions at the end of the annual reporting period. Re-measurement of the net defined benefit liability (asset) includes any changes in the return on plan assets and the effect of the asset ceiling, net of the amounts included in the net interest on the net defined benefit liability (asset), as well as actuarial gains and losses. Re-measurement of the net defined benefit liability (asset) are recognized in other comprehensive income and immediately recognized in retained earnings as it occurred.

Past service costs are arise from plan amendments or curtailments, change the present value of the defined benefit obligation and are recognized as an expense on the earlier of the following dates:

- (1) The plan amendment or curtailment occurs; and
- (2) The Group recognizes related restructuring-related costs or termination benefits.

Notes to the Consolidated Financial Statements of O-TA Precision Industry Co., Ltd. and its  
Subsidiaries (continued)

(All amounts are in thousands of New Taiwan dollars, unless otherwise stated)

Net interest on the net defined benefit liability (asset) is determined by multiplying the net defined benefit liability (asset) by the discount rate, both determined at the start of the annual reporting period, taking into account any changes in the net defined benefit liability (asset) due to contributions and benefit payments during the period.

Pension costs for the interim period are calculated basis by its actuarially determined rate at the end of the previous year from the start of the year to the end of the current period, adjusting for significant market fluctuations, significant curtailments, settlements, or other significant one-off events that occur after the end date and disclosing them accordingly.

## 18. Income Tax

Income tax expense (income) refers to the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

### Current Tax

Current tax liabilities (assets) related to the current and prior periods are measured using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current taxes related to items recognized in other comprehensive income or directly in equity is recognized separately in other comprehensive income or equity, not in profit or loss.

The portion of income tax levied on undistributed earnings is recognized as income tax expense on the date the earnings distribution is resolved.

### Deferred Tax

Deferred taxes is calculated on temporary differences at the end of the reporting date between the tax bases of assets and liabilities and their carrying amounts.

Deferred tax liabilities are recognized for all taxable temporary differences, except in the following two cases:

- (1) Initial recognition of goodwill; or the deferred tax liabilities arises from initial recognition of an asset or liability in the transaction that is not a business combination and, at the time of the transaction affects neither the accounting profit nor taxable income (loss), and do not create corresponding taxable and deductible temporary differences.
- (2) In respect of taxable temporary differences associated with investments in subsidiaries, associates, and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Notes to the Consolidated Financial Statements of O-TA Precision Industry Co., Ltd. and its  
Subsidiaries (continued)

(All amounts are in thousands of New Taiwan dollars, unless otherwise stated)

Deferred tax assets are recognized for deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilized, except:

- (1) Deductible temporary differences related to assets or liabilities from transactions that are not business combinations, which at the time of the transaction do not affect accounting profit or taxable income (loss), and do not create corresponding taxable and deductible temporary differences.
- (2) Deductible temporary differences associated with investments in subsidiaries, associates, and joint ventures are recognized only to the extent that it is probable that they will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized 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 assets and liabilities reflects the tax consequences that would follow from the manner in which the entity expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred taxes related to items not recognized in profit or loss are also not recognized in profit or loss but are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at the end of each reporting period and recognized if necessary.

Deferred tax assets and liabilities are only offset if there is a legally enforceable right exists to set off current tax assets against current tax liabilities, and deferred taxes relate to the same tax authority and the same taxable entity.

In accordance with the temporary exceptions specified in the “International Tax Reform—Pillar Two Model Rules (Amendment to IAS 12)” the recognition of deferred tax assets and liabilities related to Pillar Two income taxes is prohibited, nor can their related information be disclosed.

The income tax expense for the interim period is accrued and disclosed based on the tax rate applicable to the total expected profit for the fiscal year. This means that the estimated annual average effective tax rate is applied to the pre-tax income of the interim period.

Notes to the Consolidated Financial Statements of O-TA Precision Industry Co., Ltd. and its  
Subsidiaries (continued)

(All amounts are in thousands of New Taiwan dollars, unless otherwise stated)

(V) Critical accounting Judgment, Estimates and Key Sources of Assumption Uncertainty

The preparation of the Group's consolidated financial statements requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these significant assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Discussed below:

1. Fair Value of Financial Instruments

Where the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including income approach (for example, the discounted cash flow model) or market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note (12) for more details.

2. Inventory

Estimated net realizable value of inventory takes into account the potential impairment, obsolescence in whole or in part, or a decline in selling prices, and is based on the most reliable evidence available at the time of estimation regarding the expected realization amount of the inventory. Please refer to Note (6) for more details.

3. Impairment of non-financial assets

Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired. Recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. The calculation of fair value deduct disposal costs is based on 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, less the incremental costs directly attributable to the disposal of the asset or cash-

Notes to the Consolidated Financial Statements of O-TA Precision Industry Co., Ltd. and its  
Subsidiaries (continued)

(All amounts are in thousands of New Taiwan dollars, unless otherwise stated)

generating unit. Use value is calculated based on the discounted cash flow model.

4. Post-employment benefit plans

The cost of post-employment benefit pension plan and the present value of the defined benefit obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions, including the change in the discount rate and expected salary level.

5. Income Tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provision for income tax, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective company's domicile.

Deferred tax assets are recognized for all carryforward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable the taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies.

6. Accounts receivable - Estimated allowance for impairment loss

The Group estimates the impairment loss of accounts receivables at an amount equal to lifetime expected credit losses. The credit loss is the present value of the difference between the contractual cash flows that are due under the contract carrying amount and the cash flows that expects to receive. However, as the impact from the discounting of short-term receivables is not material, the credit loss is measured by the undiscounted cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note (6) for more details.

(VI) Details of Significant Accounts

1. Cash and cash equivalents



Notes to the Consolidated Financial Statements of O-TA Precision Industry Co., Ltd. and its  
Subsidiaries (continued)

(All amounts are in thousands of New Taiwan dollars, unless otherwise stated)

	March 31, 2024	December 31, 2023	March 31, 2023
Cash on hand and demand deposit	\$1,177,466	\$707,971	\$2,036,392
Time deposits	1,619,881	1,947,604	1,277,437
Total	<u>\$2,797,347</u>	<u>\$2,655,575</u>	<u>\$3,313,829</u>

2. Financial asset measured at fair value through other comprehensive income

	March 31, 2024	December 31, 2023	March 31, 2023
Debt instrument investments measured at fair value through other comprehensive income - non-current:			
Corporate bond	\$93,575	\$92,848	\$88,123
Equity instrument investments at fair value through other compre- hensive income - non-current :			
Unlisted TWSE/TPEX company stocks	1,800	1,800	1,800
Total	<u>\$95,375</u>	<u>\$94,648</u>	<u>\$89,923</u>

The Group's financial assets measured at fair value through other comprehensive income were not under pledged.

3. Accounts receivable and accounts receivable - related parties

	March 31, 2024	December 31, 2023	March 31, 2023
Accounts receivable	\$592,469	\$660,783	\$1,155,200
Deduct: Allowance for impairment loss	(3,238)	(4,209)	(14,960)
Subtotal	<u>589,231</u>	<u>656,574</u>	<u>1,140,240</u>
Accounts receivable - related parties	48,814	26,027	5,218
Deduct: Allowance for impairment loss	(48)	(27)	(5)
Subtotal	<u>48,766</u>	<u>26,000</u>	<u>5,213</u>
Total	<u>\$637,997</u>	<u>\$682,574</u>	<u>\$1,145,453</u>

The Group's accounts receivable were not under pledged.

Notes to the Consolidated Financial Statements of O-TA Precision Industry Co., Ltd. and its  
Subsidiaries (continued)

(All amounts are in thousands of New Taiwan dollars, unless otherwise stated)

The Group's credit period to its customers generally on 30 to 90 day terms. The total carrying amount for March 31, 2024, December 31, 2023, and March 31, 2023, are NT\$641,283 thousand, NT\$686,810 thousand, and NT\$1,160,418 thousand, respectively. Please refer to Note (6).12 for more details on loss allowance and Note (12) for details on credit risk from the period of January 1 to March 31, 2023 and 2024.

4. Inventory

	March 31, 2024	December 31, 2023	March 31, 2023
Raw materials	\$144,698	\$137,538	\$188,864
Materials	71,280	64,574	86,365
Work in progress	320,298	261,753	298,805
Finished goods	220,346	184,452	149,377
Total	<u>\$756,622</u>	<u>\$648,317</u>	<u>\$723,411</u>

For the period from January 1 to March 31 of the 2024 and 2023, the Group recognized operating costs as expenses amounting to NT\$826,250 thousand and NT\$1,048,065 thousand, respectively. This includes recognized inventory impairment losses of NT\$19,428 thousand and NT\$6,701 thousand, respectively.

The aforementioned inventory was not under pledged.

5. Property, plant and equipment

	March 31, 2024	December 31, 2023	March 31, 2023
Owner-occupied property, plant and equipment	<u>\$926,020</u>	<u>\$823,393</u>	<u>\$682,616</u>

	Land	Buildings and structures	Machinery and equipment	Office equipment	Transportation equipment	Leasehold improvements	Other equipment	Construction in progress	Total
Cost:									
January 1, 2024	\$65,877	\$62,803	\$756,678	\$88,138	\$15,148	\$295,509	\$82,563	\$177,905	\$1,544,621
Addition	—	—	17,181	1,588	1,000	268	1,589	79,339	100,965
Disposition	—	—	(843)	(275)	(800)	—	(1,455)	—	(3,373)
Transfer	—	—	—	—	—	—	—	—	—
Effect of Exchange Rate Changes	—	—	30,086	835	206	11,955	2,643	8,734	54,459
March 31, 2024	<u>\$65,877</u>	<u>\$62,803</u>	<u>\$803,102</u>	<u>\$90,286</u>	<u>\$15,554</u>	<u>\$307,732</u>	<u>\$85,340</u>	<u>\$265,978</u>	<u>\$1,696,672</u>

Notes to the Consolidated Financial Statements of O-TA Precision Industry Co., Ltd. and its  
Subsidiaries (continued)

(All amounts are in thousands of New Taiwan dollars, unless otherwise stated)

	Land	Buildings and structures	Machinery and equipment	Office equipment	Transportation equipment	Leasehold improvements	Other equipment	Construction in progress	Total
January 1, 2023	\$65,877	\$54,158	\$726,417	\$86,164	\$15,359	\$289,983	\$74,843	\$133	\$1,312,934
Addition	—	—	12,705	505	—	4,825	6,648	16	24,699
Disposition	—	—	(2,164)	(168)	—	—	(3,068)	—	(5,400)
Transfer	—	—	—	—	—	134	—	(134)	—
Effect of Exchange Rate Changes	—	—	3,451	94	27	1,415	282	1	5,270
March 31, 2023	\$65,877	\$54,158	\$740,409	\$86,595	\$15,386	\$296,357	\$78,705	\$16	\$1,337,503

Depreciation and impairment:

January 1, 2024	\$—	(\$33,934)	(\$307,482)	(\$77,775)	(\$10,676)	(\$234,924)	(\$56,437)	\$—	(\$721,228)
Depreciation	—	(359)	(17,410)	(1,068)	(385)	(5,578)	(3,463)	—	(28,263)
Disposition	—	—	652	275	717	—	1,455	—	3,099
Effect of Exchange Rate Changes	—	—	(12,022)	(663)	(169)	(9,608)	(1,798)	—	(24,260)
March 31, 2024	\$—	(\$34,293)	(\$336,262)	(\$79,231)	(\$10,513)	(\$250,110)	(\$60,243)	\$—	(\$770,652)
January 1, 2023	\$—	(\$32,812)	(\$242,827)	(\$73,933)	(\$10,708)	(\$213,185)	(\$53,610)	\$—	(\$627,075)
Depreciation	—	(224)	(17,746)	(1,153)	(442)	(6,768)	(3,554)	—	(29,887)
Disposition	—	—	1,236	163	—	—	3,068	—	4,467
Effect of Exchange Rate Changes	—	—	(1,063)	(71)	(21)	(1,030)	(207)	—	(2,392)
March 31, 2023	\$—	(\$33,036)	(\$260,400)	(\$74,994)	(\$11,171)	(\$220,983)	(\$54,303)	\$—	(\$654,887)

Net carrying amount:

March 31, 2024	\$65,877	\$28,510	\$466,840	\$11,055	\$5,041	\$57,622	\$25,097	\$265,978	\$926,020
December 31, 2023	\$65,877	\$28,869	\$449,196	\$10,363	\$4,472	\$60,585	\$26,126	\$177,905	\$823,393
March 31, 2023	\$65,877	\$21,122	\$480,009	\$11,601	\$4,215	\$75,374	\$24,402	\$16	\$682,616

The Group's property, plant and equipment were not under pledged or mortgaged.

6. Intangible assets

Notes to the Consolidated Financial Statements of O-TA Precision Industry Co., Ltd. and its  
Subsidiaries (continued)

(All amounts are in thousands of New Taiwan dollars, unless otherwise stated)

	<u>Patent Rights</u>
Cost:	
January 1, 2024	\$50,085
Addition	140
Derecognise	(270)
Effect of Exchange Rate Changes	1,750
March 31, 2024	<u>\$51,705</u>
January 1, 2023	\$50,834
Addition	190
Derecognise	(604)
Effect of Exchange Rate Changes	216
March 31, 2023	<u>\$50,636</u>
Amortization and Impairment:	
January 1, 2024	(\$11,891)
Amortization	(654)
Derecognise	270
Effect of Exchange Rate Changes	(361)
March 31, 2024	<u>(\$12,636)</u>
January 1, 2023	(\$10,048)
Amortization	(650)
Derecognise	604
Effect of Exchange Rate Changes	(30)
March 31, 2023	<u>(\$10,124)</u>
<u>Net carrying amount:</u>	
March 31, 2024	<u>\$39,069</u>
December 31, 2023	<u>\$38,194</u>
March 31, 2023	<u>\$40,512</u>

Amortization of intangible assets is as follows:

	<u>January 1, 2024~ March 31, 2024</u>	<u>January 1, 2023~ March 31, 2023</u>
Operating cost	<u>\$552</u>	<u>\$555</u>
Operating Expense	<u>\$102</u>	<u>\$95</u>

Notes to the Consolidated Financial Statements of O-TA Precision Industry Co., Ltd. and its  
Subsidiaries (continued)

(All amounts are in thousands of New Taiwan dollars, unless otherwise stated)

7. Short-term borrowings

Details as follows:

	March 31, 2024	December 31, 2023	March 31, 2023
Secured bank loans	\$385,000	\$450,000	\$420,000
Range of Interest Rate			
Collateral	0.50%~1.775%	1.65%~1.66%	1.38%~1.68%
Expiry date	2024.04.29~ 2025.03.26	2024.01.26~ 2024.05.06	2023.04.07~ 2023.09.25

The Group's unused short-term lines of credits amounts to NT\$1,135,000 thousand, NT\$1,020,000 thousand, and NT\$870,000 thousand as of March 31, 2024, December 31, 2023, and March 31, 2023, respectively.

The bank loans guaranteed are secured through joint guarantees provided by major management personnel. Please refer to Note (7) for details on the guarantees.

8. Other payables

	March 31, 2024	December 31, 2023	March 31, 2023
Dividends payable	\$360,340	\$—	\$1,076,830
Accrued processing fees	159,708	144,368	152,924
Accrued employees and directors' remuneration	63,727	98,377	193,078
Accrued payroll	79,528	51,214	76,941
Others	52,916	45,533	55,127
Total	\$716,219	\$339,492	\$1,554,900

9. Post-employment benefit plans

Defined contribution plan

The Group's expenses recognized for the defined contribution plan from January 1 to March 31, 2024 and 2023, amounted to NT\$17,395 thousand and NT\$20,177 thousand, respectively.

Notes to the Consolidated Financial Statements of O-TA Precision Industry Co., Ltd. and its  
Subsidiaries (continued)

(All amounts are in thousands of New Taiwan dollars, unless otherwise stated)

Defined benefits plan

The Group's expenses recognized for the defined benefits plan from January 1 to March 31, 2024 and 2023, amounted to NT\$86 thousand and NT\$113 thousand, respectively.

10. Equity

(1) Common stock

As of March 31, 2024, December 31, 2023, and March 31, 2023, the Company authorized capital and issued capital were NT\$1,400,000 thousand and NT\$838,000 thousand, respectively. Each share at par of NT\$10, divided into 83,800 thousand shares. Each share carries one voting rights and the right to receive dividends.

(2) Capital Surplus

	March 31, 2024	December 31, 2023	March 31, 2023
Issued at premium	\$88,865	\$88,865	\$88,865
Others	12,374	12,374	12,374
Total	\$101,239	\$101,239	\$101,239

In accordance with the regulations, capital reserves shall not be utilized except to offset company losses. When the company incurs no losses, capital reserves generated from the premium over the par value of issued shares and from received donations can be allocated annually to the capital stock up to a certain percentage of the paid-in capital. The aforementioned capital reserves may also be distributed in cash in proportion to the shareholders' existing shares.

(3) Retained earnings and dividend policies

According to the company's articles of incorporation, if there is a profit at the end of the year, it is to be distributed in the following order:

- A. Payment of all taxes and dues.
- B. Offset losses.
- C. Set aside 10% of the remaining amount as legal reserve.
- D. Set aside or reverse special reserve in accordance with law and regulations.
- E. The remaining amount shall be added to the unallocated retained earnings from previous years. In accordance with the dividend policy, the Board of Directors shall prepare a profit distribution proposal to be submitted to the shareholders' meeting.

Notes to the Consolidated Financial Statements of O-TA Precision Industry Co., Ltd. and its  
Subsidiaries (continued)

(All amounts are in thousands of New Taiwan dollars, unless otherwise stated)

If the aforementioned shareholder dividends are to be distributed in cash, authorization is granted to the Board of Directors to proceed after achieving a quorum of more than two-thirds of the directors present and the approval of a majority of the attending directors. The decision shall report to the shareholders' meeting.

The Company's dividend distribution policy must consider the current and future investment environment, capital requirements, domestic and international competitive conditions, and capital budgeting, among other factors. It should balance shareholder interests with the dividend policy and the company's long-term financial planning. In accordance with the regulations, the Board of Directors shall draft a distribution proposal annually to report in the shareholders' meeting. The distribution of shareholder dividends shall allocate not less than 50% of the available distributable earnings to shareholder each year. When distributing shareholder dividends, cash dividends shall be prioritized and it may also be issued in the form of share to shareholders. Accordingly, at least 50% of the dividends must be paid in the form of cash.

According to the Company Act, the legal reserve shall set aside until such amounts has reached to the total paid-in capital. Legal reserve may be utilized to offset losses. When the company incurs no loss, it may distribute the portion of legal reserve which exceeds 25% of the paid-in capital to shareholders in the form of issuing new shares or cash, in proportion to their existing shareholdings.

In accordance with the regulations, the company upon its first-time adoption of the IFRS for distributing distributable earnings, shall adjust the appropriation of special reserve based on the difference between the existing special reserves balance and the net amount of other deductions from equity. If subsequently there is any reversal of the net amount of other deductions from equity, the amount of the reversal may be reversed from special reserve and booked for earnings distribution.

As of December 31, 2022, the net amount of other equity for the Company was positive. Therefore, the entire amount of the special reserve previously recognized will be reversed in the proposal for appropriation and distribution of retained earnings in the fiscal year 2022.

As of March 15, 2024, the Company's Board of Directors and the Annual Shareholders Meeting on May 24, 2023, resolved the proposal for appropriation and distribution of retained earnings for the fiscal years 2023 and 2022, along with the dividends per share, respectively, are as follows:

Notes to the Consolidated Financial Statements of O-TA Precision Industry Co., Ltd. and its  
Subsidiaries (continued)

(All amounts are in thousands of New Taiwan dollars, unless otherwise stated)

	Proposal for appropriation and distribution of retained earnings		Dividend per share (NT\$)	
	2023	2022	2023	2022
Legal reserves	\$40,607	\$180,491		
Allocate special reserve (reversal)	—	(\$121,777)		
Cash dividends on ordinary shares	\$360,340	\$1,076,830	\$4.3	\$12.85

Note: The amounts for the legal reserve and special reserve for the fiscal year 2023 will take effect only after they are resolved and approved at the Annual Shareholders Meeting scheduled for June 5, 2024.

Please refer to Note (6).14 for details on the basis of estimate and the recognized amounts for employees' compensation and remuneration to directors and supervisors.

## 11. Operating Income

	January 1, 2024~ March 31, 2024	January 1, 2023~ March 31, 2023
Revenue from contracts with customers		
Revenue from the sale of goods	\$995,094	\$1,290,188
Other operating revenue	7,650	10,635
Total	<u>\$1,002,744</u>	<u>\$1,300,823</u>

The Group related information of revenue from contracts with customers during January 1 to March 31, 2023 and 2022 are as follows:

### (1) Disaggregation of revenue

January 1 to March 31, 2024

	Golf Equipment Department	Other Department	Total
Sale of goods	\$908,521	\$86,573	\$995,094
Others	7,650	—	7,650
Total	<u>\$916,171</u>	<u>\$86,573</u>	<u>\$1,002,744</u>

The timing for revenue  
recognition:

at a point in time	<u>\$916,171</u>	<u>\$86,573</u>	<u>\$1,002,744</u>
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Notes to the Consolidated Financial Statements of O-TA Precision Industry Co., Ltd. and its  
Subsidiaries (continued)

(All amounts are in thousands of New Taiwan dollars, unless otherwise stated)

January 1 to March 31, 2023

	Golf Equipment Department	Other Department	Total
Sale of goods	\$1,205,763	\$84,425	\$1,290,188
Others	10,635	—	10,635
Total	\$1,216,398	\$84,425	\$1,300,823

The timing for revenue  
recognition:

at a point in time	\$1,216,398	\$84,425	\$1,300,823
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- (2) The transaction price is allocated to the remaining performance obligations yet to be fulfilled.

None.

- (3) Assets recognized from the costs incurred in obtaining or fulfilling customer contracts.

None.

12. Expected credit losses

	January 1, 2024~ March 31, 2024	January 1, 2023~ March 31, 2023
Operating expense - Expected credit (gains) losses		
Accounts receivable	(1,087)	12,556

Please refer to Note (12) for further details on credit risk-related information.

The Group measures the loss allowance of its trade receivables (including notes receivable and accounts receivable) at an amount equal to lifetime expected credit losses. The assessment of loss allowance as of March 31, 2024, December 31, 2023, and March 31, 2023 are as follows:

March 31, 2024

	Not yet due (Note)	Days Overdue				Total
		Within 90 days	91 - 180 days	181 - 360 days	Over 361 days	
Total carrying amount	\$614,635	\$26,648	\$—	\$—	\$—	\$641,283

Notes to the Consolidated Financial Statements of O-TA Precision Industry Co., Ltd. and its  
Subsidiaries (continued)

(All amounts are in thousands of New Taiwan dollars, unless otherwise stated)

	Not yet due (Note)	Days Overdue				Total
		Within 90 days	91 - 180 days	181 - 360 days	Over 361 days	
Loss ratio	0.10%	10.00%	—	—	—	
Lifetime expected credit losses	(621)	(2,665)	—	—	—	(3,286)
Subtotal Carrying Amount	\$614,014	\$23,983	\$—	\$—	\$—	\$637,997
December 31, 2023						
	Not yet due (Note)	Days Overdue				Total
		Within 90 days	91 - 180 days	181 - 360 days	Over 361 days	
Total carrying amount	\$664,450	\$15,835	\$6,525	\$—	\$—	\$686,810
Loss ratio	0.10%	10.00%	30.00%	—	—	
Lifetime expected credit losses	(695)	(1,583)	(1,958)	—	—	(4,236)
Subtotal Carrying Amount	\$663,755	\$14,252	\$4,567	\$—	\$—	\$682,574
March 31, 2023						
	Not yet due (Note)	Days Overdue				Total
		Within 90 days	91 - 180 days	181 - 360 days	Over 361 days	
Total carrying amount	\$1,021,874	\$138,525	\$19	\$—	\$—	\$1,160,418
Loss ratio	0.10%	10.06%	70.84%	—	—	
Lifetime expected credit losses	(1,022)	(13,930)	(13)	—	—	(14,965)
Subtotal Carrying Amount	\$1,020,852	\$124,595	\$6	\$—	\$—	\$1,145,453

The Group's changes in the provision for impairment of notes receivable and accounts receivable for the period from January 1 to March 31, 2024 and 2023 are as follows:

Notes to the Consolidated Financial Statements of O-TA Precision Industry Co., Ltd. and its  
Subsidiaries (continued)

(All amounts are in thousands of New Taiwan dollars, unless otherwise stated)

	Notes receivable	Accounts receivable
January 1, 2024	\$—	\$4,236
Reduced amount for the current period	—	(1,087)
Effect of exchange rate changes	—	137
March 31, 2024	<u>\$—</u>	<u>\$3,286</u>
January 1, 2023	\$—	\$2,420
Addition amount for the current period	—	12,556
Effect of exchange rate changes	—	(11)
March 31, 2023	<u>\$—</u>	<u>\$14,965</u>

13. Lease

The Group as a lessee

The Group leases various properties, including real estate (land, buildings, and structures) and machinery and equipment. Each lease terms range from 1 to 50 years.

The Group's leases effect on the financial position, financial performance and cash flows are as follows:

A. Amounts recognized in the balance sheet

(a) Right-of-use assets

Carrying amount of right-of-use assets

	March 31, 2024	December 31, 2023	March 31, 2023
Land	\$53,285	\$51,515	\$52,696
Buildings and structures	87,199	95,465	64,015
Transportation equipment	235	305	516
Total	<u>\$140,719</u>	<u>\$147,285</u>	<u>\$117,227</u>

The Group added right-of-use assets as of March 31, 2024 and 2023, amounted to NT\$0 thousand and NT\$563 thousand, respectively.

(b) Lease liabilities

Notes to the Consolidated Financial Statements of O-TA Precision Industry Co., Ltd. and its  
Subsidiaries (continued)

(All amounts are in thousands of New Taiwan dollars, unless otherwise stated)

	March 31, 2024	December 31, 2023	March 31, 2023
Lease liabilities	\$92,308	\$100,339	\$64,037
Current	\$50,393	\$48,220	\$20,470
Non-current	41,915	52,119	43,567
Total	\$92,308	\$100,339	\$64,037

Please refer to Note (6).15 for the interest on lease liabilities recognized during January 1 to March 31, 2024 and 2023 and refer to Note (12).5 Liquidity Risk Management for the maturity analysis for lease liabilities of the Group.

B. Recognized amount in the statements of comprehensive income

Depreciation of right-of-use assets

	January 1, 2024~ March 31, 2024	January 1, 2023~ March 31, 2023
Land	\$368	\$360
Buildings and structures	11,897	11,145
Transportation equipment	71	70
Total	\$12,336	\$11,575

C. Income and expense related to the lessee's leasing activities

	January 1, 2024~ March 31, 2024	January 1, 2023~ March 31, 2023
Short-term leases expenses	\$8	\$8
Expense for leases of low-value assets (excluding the expense for short-term leases of low-value assets)	\$—	\$—

D. Cash outflows related to the lessee's leasing activities

During January 1 to March 31, 2024 and 2023, the Group's total cash outflows for leases amounted to NT\$12,870 thousand and NT\$12,439 thousand, respectively.

E. Other information related to leasing activities

Notes to the Consolidated Financial Statements of O-TA Precision Industry Co., Ltd. and its  
Subsidiaries (continued)

(All amounts are in thousands of New Taiwan dollars, unless otherwise stated)

Options to extend and terminate the lease

Certain real estate lease agreements within the Group include options to extend the lease. When determining the lease term, the Group considers the non-cancellable period during which it has the right of use the underlying asset, along with the periods covered by options to extend or terminate the lease, depending on whether it is reasonably certain that these options will be exercised. The use of such options can greatly maximize the operational flexibility in managing agreements. The option to extend the lease can only be exercised by the Group. Following the commencement date, if significant events or substantial changes occur that are (within the lessee's control and affect whether the Group can reasonably determine to exercise an option not previously included in the determination of the lease term, or not to exercise an option previously included), the Group will reassess the lease term.

14. Summary of employee benefits, depreciation and amortization expenses by function is as follows:

By function By nature	January 1, 2024~March 31, 2024			January 1, 2023~March 31, 2023		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries expense	\$175,946	34,543	\$210,489	\$203,277	36,967	\$240,244
Labor and health insurance	\$7,888	2,281	\$10,169	\$9,445	2,353	\$11,798
Pension expense	\$15,645	1,836	\$17,481	\$18,412	1,878	\$20,290
Directors' remuneration	\$—	3,359	\$3,359	\$—	3,944	\$3,944
Other employee benefits expense	\$10,668	2,903	\$13,571	\$12,358	1,989	\$14,347
Depreciation expense	\$34,458	6,141	\$40,599	\$36,110	5,352	\$41,462
Amortization expense	\$552	102	\$654	\$555	95	\$650

According to the Company's articles of incorporation that if there is a profit for the year, 6.5% of profit shall be distributable as employees' compensation and no higher than 1.5% of profit may be distributable as remuneration to directors. However, if there are accumulated losses, the amount of the indemnity should be reserved in advance. Whether the aforementioned employee compensation in share or cash, shall be executed by a resolution of the Board of Directors, requiring the attendance and approval of more than two-thirds of the directors and

Notes to the Consolidated Financial Statements of O-TA Precision Industry Co., Ltd. and its  
Subsidiaries (continued)

(All amounts are in thousands of New Taiwan dollars, unless otherwise stated)

a majority of the attending directors. This decision must also be reported to the shareholders' meeting. Please refer to "Market Observation Post System" on the Taiwan Stock Exchange website for details on the employees' compensation and directors remuneration approved by the Board of Directors.

For the period from January 1 to March 31, 2024, the company allocated 6.5% of its profits for employees' compensation and no higher than 1.5% for directors remuneration, based on profitability. The amounts recognized for employees' compensation and directors remuneration were NT\$9,129 thousand and NT\$2,107 thousand, respectively, and were recorded under salaries expense. For the same period in 2023, based on profitability, the Company allocated 6.5% for employees' compensation and no higher than 1.5% for directors remuneration, with recognized amounts of NT\$11,675 thousand and NT\$2,694 thousand, respectively, it has also recorded under salaries expense.

On March 15, 2024, the Company's Board of Directors resolved to distribute for the 2023 employees' compensation and directors remuneration in cash, amounting to NT\$38,020 thousand and NT\$8,774 thousand, respectively, which do not significantly differ from the amount recorded as expenses in the financial statements for the year 2023.

There were no significant differences between the actual distributed amounts by the Company for employees' compensation and directors remuneration and the amount recorded as expenses in the financial statements for the year 2022.

15. Non-operating Income and Expenses

(1) Interest income	January 1, 2024~ March 31, 2024	January 1, 2023~ March 31, 2023
Financial assets measured at amortized cost	\$37,541	\$29,546
(2) Other income	January 1, 2024~ March 31, 2024	January 1, 2023~ March 31, 2023
Other income - others	\$6,780	\$6,325
(3) Other gains and losses	January 1, 2024~ March 31, 2024	January 1, 2023~ March 31, 2023
Net gain (loss) on disposal of property, plant and equipment	\$744	(\$735)

Notes to the Consolidated Financial Statements of O-TA Precision Industry Co., Ltd. and its  
Subsidiaries (continued)

(All amounts are in thousands of New Taiwan dollars, unless otherwise stated)

	January 1, 2024~ March 31, 2024	January 1, 2023~ March 31, 2023
Foreign exchange gains or losses, net	(7,972)	(20,790)
Others	—	(2)
Total	<u>(7,228)</u>	<u>(21,527)</u>
 (4) Finance costs		
	January 1, 2024~ March 31, 2024	January 1, 2023~ March 31, 2023
Interest on bank loans	(\$1,548)	(\$1,648)
Interest on lease liabilities	(1,011)	(729)
Total	<u>(\$2,559)</u>	<u>(\$2,377)</u>

16. Components of other comprehensive income

Components of other comprehensive income for the period from January 1 to March 31, 2024 is as follows:

	Arising during the period	Reclassifica- tion during the period	Other com- prehensive income	Income tax benefit (expense)	After-tax amount
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating the financial statements of foreign operations	\$197,485	\$—	\$197,485	\$—	\$197,485
Unrealized gains or losses on debt instrument investments measured at fair value through other comprehensive income	727	—	727	(145)	582
Total	<u>\$198,212</u>	<u>\$—</u>	<u>\$198,212</u>	<u>(\$145)</u>	<u>\$198,067</u>

Notes to the Consolidated Financial Statements of O-TA Precision Industry Co., Ltd. and its  
Subsidiaries (continued)

(All amounts are in thousands of New Taiwan dollars, unless otherwise stated)

Components of other comprehensive income for the period from January 1 to March 31, 2023 is as follows:

	Arising during the period	Reclassifica- tion during the period	Other com- prehensive income	Income tax benefit (expense)	After-tax amount
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating the financial statements of foreign operations	\$9,166	\$—	\$9,166	\$—	\$9,166
Unrealized gains or losses on debt instrument investments measured at fair value through other comprehensive income	2,926	—	2,926	(585)	2,341
Total	<u>\$12,092</u>	<u>\$—</u>	<u>\$12,092</u>	<u>(\$585)</u>	<u>\$11,507</u>

17. Income Tax

(1) Major components of income tax expense (benefits) are as follows:

Income Tax recognized in profit or loss

	January 1, 2024~ March 31, 2024	January 1, 2023~ March 31, 2023
Current tax expense (benefits):		
Current tax payable	\$31,997	\$65,541
Adjustments in respect of current tax of prior periods	1,429	—
Deferred tax expense (benefits):		
Deferred tax expense (benefit) related to the originated and reversal of temporary differences.	(2,254)	1,060
Income tax expense	<u>\$31,172</u>	<u>\$66,601</u>



Notes to the Consolidated Financial Statements of O-TA Precision Industry Co., Ltd. and its  
Subsidiaries (continued)

(All amounts are in thousands of New Taiwan dollars, unless otherwise stated)

Income tax recognized in other comprehensive income

	<u>January 1, 2024~ March 31, 2024</u>	<u>January 1, 2023~ March 31, 2023</u>
Deferred tax expense (benefits):		
Unrealized gains or losses on debt instrument investments measured at fair value through other comprehensive income	\$145	\$585

(2) Income tax filing and assessment

As of March 31, 2024, the status of income tax filings and assessments for the Company and its subsidiaries was as follows:

	<u>Income tax filing and assessment</u>
The Company	Assessed up to the fiscal year 2022
Subsidiary - O-TA Golf Group Co., Ltd.	Filed in 2022
Second-tier subsidiary - Jiangxi O-TA Precision Technology Co., Ltd.	Filed in 2022
Second-tier subsidiary - Harvest Fair International Limited	Filed in 2022
Second-tier subsidiary - VGT COMPOSITE TECHONOLOGY (HUIZHOU) CO., LTD.	Filed in 2022

18. Earnings per share

Basic earnings per share are calculated by dividing net profit for the period attributable to ordinary equity holders of the parent company by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share are calculated by dividing the net profit attributable to ordinary equity holders of the parent company (after adjusting the interest of corporate bond) by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	<u>January 1, 2024~ March 31, 2024</u>	<u>January 1, 2023~ March 31, 2023</u>
(1) Basic earnings per share		
Net profit attributable to ordinary equity holders of the parent company (in thousand NT\$)	\$98,045	\$98,649
Weighted average number of ordinary shares for basic earnings per share (in thousand shares)	83,800	83,800

Notes to the Consolidated Financial Statements of O-TA Precision Industry Co., Ltd. and its  
Subsidiaries (continued)

(All amounts are in thousands of New Taiwan dollars, unless otherwise stated)

	January 1, 2024~ March 31, 2024	January 1, 2023~ March 31, 2023
Basic earnings per share (NT\$)	<u>\$1.17</u>	<u>\$1.18</u>
(2) Diluted earnings per share		
Net profit attributable to ordinary equity holders of the parent company (in thousand NT\$)	<u>\$98,045</u>	<u>\$98,649</u>
Weighted average number of ordinary shares for basic earnings per share (in thousand shares)	83,800	83,800
Dilutive effect:		
Employee compensation - share (in thousand shares)	101	86
Weighted average number of ordinary shares after dilution (in thousand shares)	<u>83,901</u>	<u>83,886</u>
Diluted earnings per share (NT\$)	<u>\$1.17</u>	<u>\$1.18</u>

There have been no other transactions involving that would significantly change the number of ordinary shares outstanding or potential ordinary shares between the reporting date and the date the financial statements were approved for issue.

(VII) Transactions with Related Parties

Information of the related parties that had transactions with the Group during the financial reporting period is as follows:

Name and nature of relationship of the related parties

<u>Name of the related parties</u>	<u>Nature of relationship of the related parties</u>
TAGA CO.,LTD. (TAGA)	Other related parties
LEE, KUNG-WEN and other people	Major management personnel of the Group

Significant transactions with related parties

1. Sales

	January 1, 2024~ March 31, 2024	January 1, 2023~ March 31, 2023
TAGA	<u>\$165,658</u>	<u>\$15,746</u>

The sale price of goods sold by the Group to related parties are based on general sale conditions with a payment term of 60 days.

2. Purchase

Notes to the Consolidated Financial Statements of O-TA Precision Industry Co., Ltd. and its  
Subsidiaries (continued)

(All amounts are in thousands of New Taiwan dollars, unless otherwise stated)

	January 1, 2024~ March 31, 2024	January 1, 2023~ March 31, 2023
TAGA	\$18	\$1,237

The Group's purchase from related parties are conducted under general procurement conditions with a payment term set at two months after acceptance of the goods.

3. Accounts receivable - related parties

	March 31, 2024	December 31, 2023	March 31, 2023
TAGA	\$48,814	\$26,027	\$5,218
Deduct: Allowance for impairment loss	(48)	(27)	(5)
Net amount	<u>\$48,766</u>	<u>\$26,000</u>	<u>\$5,213</u>

4. Other receivables - related parties

	March 31, 2024	December 31, 2023	March 31, 2023
TAGA	<u>\$4</u>	<u>\$ -</u>	<u>\$37</u>

5. Accounts payable - related parties

	March 31, 2024	December 31, 2023	March 31, 2023
TAGA	<u>\$47</u>	<u>\$7</u>	<u>\$1,386</u>

6. Major management personnel compensation of the Group

	January 1, 2024~ March 31, 2024	January 1, 2023~ March 31, 2023
Short-term employee benefits	<u>\$8,624</u>	<u>\$9,607</u>

7. Others

- (1) The freight and other expenses paid for other related parties during January 1 to March 31, 2024, and 2023, amounted to NT\$82 thousand and NT\$1,576 thousand, respectively. These amounts were recorded under manufacturing overheads.
- (2) The transportation and similar services income received from other related parties during January 1 to March 31, 2024, and 2023, amounted to NT\$12 thousand and NT\$99 thousand, respectively. These amounts were recorded under other income.

Notes to the Consolidated Financial Statements of O-TA Precision Industry Co., Ltd. and its  
Subsidiaries (continued)

(All amounts are in thousands of New Taiwan dollars, unless otherwise stated)

- (3) As of March 31, 2024, December 31, 2023, and March 31, 2023, the amounts of promissory notes issued by the Group, endorsed by Chairman LEE, KUNG-WEN as joint guarantees for applying for bank line of credit and issuing commercial paper, were NT\$0 thousand, NT\$0 thousand, and NT\$1,396,400 thousand, respectively.

(VIII) Pledged Assets

The Group has the following assets under pledged:

Item	Carrying Amount			Content of secured debt
	March 31, 2024	December 31, 2023	March 31, 2023	
Other current assets - other financial assets	\$500	\$500	\$500	Import tariff

(IX) Significant Contingent Liabilities and Unrecognized Commitments

As of March 31, 2024, December 31, 2023, and March 31, 2023, significant contract details signed by the Group for the purchase of equipment, plant renovations, and software system applications are as follows:

Item	March 31, 2024		December 31, 2023		March 31, 2023	
	Contract Amount	Unpaid Amount	Contract Amount	Unpaid Amount	Contract Amount	Unpaid Amount
Equipment procurement	\$24,161	\$14,334	\$19,679	\$11,650	\$2,269	\$1,331
House repairs and renovation construction	423,321	157,343	399,488	221,583	8,278	7,436
	<u>\$447,482</u>	<u>\$171,677</u>	<u>\$419,167</u>	<u>\$233,233</u>	<u>\$10,547</u>	<u>\$8,767</u>

(X) Significant Losses Attributed to Critical Incidents or Disasters

Not applicable.

(XI) Critical Events after the Reporting Date

Not applicable.

(XII) Others

- Categories of financial instruments

Notes to the Consolidated Financial Statements of O-TA Precision Industry Co., Ltd. and its  
Subsidiaries (continued)

(All amounts are in thousands of New Taiwan dollars, unless otherwise stated)

Financial Assets

	March 31, 2024	December 31, 2023	March 31, 2023
Financial asset measured at fair value through other comprehensive income	\$95,375	\$94,648	\$89,923
Financial assets measured at amortized cost:			
Cash and cash equivalents (excluding cash on hand)	2,796,551	2,654,521	3,312,670
Accounts receivable (including related parties)	637,997	682,574	1,145,453
Other receivables (including related parties)	38,990	40,973	36,508
Other financial assets - current	500	500	500
Other non-current assets- refundable deposits	10,685	10,317	4,274
Subtotal	<u>3,484,723</u>	<u>3,388,885</u>	<u>4,499,405</u>
Total	<u>\$3,580,098</u>	<u>\$3,483,533</u>	<u>\$4,589,328</u>

Financial Liabilities

	March 31, 2024	December 31, 2023	March 31, 2023
Financial liabilities measured at amortized cost:			
Short-term borrowings	\$385,000	\$450,000	\$420,000
Payables (including related parties)	1,007,334	583,241	1,785,401
Other non-current liabilities- deposits received	450	433	221
Total	<u>\$1,392,784</u>	<u>\$1,033,674</u>	<u>\$2,205,622</u>

2. Financial Risk Management Objectives and Policies

The Group's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Group identifies measures and manages the aforementioned risks based on the Group's policy and risk appetite.

The Group has established appropriate policies, procedures and internal controls to manage the aforementioned financial risk in accordance with relevant regulations. The Board of Directors

Notes to the Consolidated Financial Statements of O-TA Precision Industry Co., Ltd. and its  
Subsidiaries (continued)

(All amounts are in thousands of New Taiwan dollars, unless otherwise stated)

and Audit committee must carry out due approval process based on related protocols and internal control procedures before the significant transactions. During the execution of financial management activities, The Group complies with its financial risk management policies at all times.

3. Market risk

Market risk for the group arises from fluctuations in fair value or cash flows of financial instruments due to the changes in market prices. Market risk primarily includes exchange rate risk, interest rate risk, and other price risks (such as equity instruments).

In practice, it is rarely the case that a single risk variable to change in isolation, and the changes in various risk variables are usually correlated. However, the sensitivity analyses disclosed below does not take into account the interdependencies between risk variables.

Foreign currency risk

The Group's foreign currency risk primarily relates to operating activities (when the currency used for revenues or expenses differs from the Group's functional currency) and the net investments in foreign operations.

The Group's receivables and payables in foreign currencies sometimes involve the same currency, which creates a natural hedging effect for corresponding positions. For other foreign currency transactions, the Group uses forward exchange contracts to manage exchange rate risk. However, as these methods of natural hedging and the use of forward exchange contracts do not comply with the requirements for hedge accounting, hedge accounting has not been adopted. Furthermore, since net investments in foreign operations are considered strategic investments, the Group does not hedge against these.

The Group's sensitivity analysis of exchange rate risk primarily targets the major foreign currency monetary items at the end of the financial reporting period. The analysis focuses on the impact of appreciation or depreciation of these currencies on the group's profits and equity. The Group's exchange rate risk is primarily influenced by fluctuations in the USD and EUR exchange rates. The sensitivity analysis is as follows:

When the NTD appreciates/depreciates by 1% against the USD, the impact on the Group's profit and loss for the period from January 1 to March 31, 2024, and 2023, would be a decrease/increase of NT\$20,022 thousand and NT\$26,835 thousand, respectively.

Interest rate risk

Interest rate risk arises from fluctuations in market interest rates that affect the fair value or future cash flows of financial instruments. The Group's interest rate risk primarily originates

Notes to the Consolidated Financial Statements of O-TA Precision Industry Co., Ltd. and its  
Subsidiaries (continued)

(All amounts are in thousands of New Taiwan dollars, unless otherwise stated)

from investments in floating-rate debt instruments, fixed-rate borrowings, and floating-rate loans.

The Group manages interest rate risk by maintaining an appropriate mix of fixed and floating rate exposures. However, as this strategy does not comply with the criteria for hedge accounting, hedge accounting has not been applied.

The sensitivity analysis for interest rate risk primarily targets interest rate exposures at the end of the financial reporting period, including investments and loans with floating interest rates, assuming they are held for one accounting year. If interest rates rise or fall by ten basis points, the impact on the Group's profit and loss for the period from January 1 to March 31, 2024, and 2023, would result in an increase/decrease of NT\$2,412 thousand and NT\$2,893 thousand, respectively.

Equity price risk

The Group manages the price risk of equity securities by diversifying investments and setting limits on both individual and overall equity securities investments. Information on the portfolio of equity securities investments must be regularly provided to the senior management of the Group. The Board of Directors is required to review and approve all decisions related to equity securities investments.

4. Credit risk management

Credit risk refers to the risk of financial loss when a counterparty fails to fulfill its contractual obligations. The Group's credit risk arises primarily from operating activities (mainly accounts receivable and notes receivable) and financial activities (primarily bank deposits and various financial instruments).

Each unit within the Group manages credit risk in accordance with established policies, procedures, and controls related to credit risk. The assessment of credit risk for all counterparties involves a comprehensive consideration of factors such as the financial condition of the counterparty, ratings from credit rating agencies, historical transaction experience, the current economic environment, and the Group's internal credit rating standards. The Group also employs certain credit enhancement procedures (such as advance payments and insurance) at appropriate times to mitigate credit risk associated with specific counterparties.

Notes to the Consolidated Financial Statements of O-TA Precision Industry Co., Ltd. and its  
Subsidiaries (continued)

(All amounts are in thousands of New Taiwan dollars, unless otherwise stated)

As of March 31, 2024, December 31, 2023, and March 31, 2023, the receivables from the Group's top ten customers accounted for 98%, 96%, and 99% of the total receivables, respectively. The credit concentration risk associated with the remaining receivables is relatively insignificant.

The Group's Finance Division manages the credit risk associated with bank deposits and other financial instruments in accordance with the Group policies. Since the Group's counterparties are determined through internal control procedures and consist of well-credited banks, financial institutions, companies, and government agencies with investment-grade ratings, therefore, 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 loans. The table below summarizes the maturity of the Group's non-derivative financial liabilities based on the earliest possible repayment dates. It is prepared using the undiscounted cash flows, which include agreed-upon interest payments. For interest payments made at floating rates, the undiscounted amounts of interest are derived using the yield curve at the end of the reporting period.

Non-derivative financial liabilities

	<u>Less than one year</u>	<u>Two to three years</u>	<u>Four to five years</u>	<u>Over five years</u>	<u>Total</u>
March 31, 2024					
Loan	\$387,040	—	—	—	\$387,040
Payables	\$1,007,258	—	—	—	\$1,007,258
Lease liabilities	\$53,292	39,644	10,978	—	\$103,914
December 31, 2023					
Loan	\$451,217	—	—	—	\$451,217
Payables	\$583,063	—	—	—	\$583,063
Lease liabilities	\$51,589	47,444	14,068	—	\$113,101
March 31, 2023					
Loan	\$421,707	—	—	—	\$421,707



Notes to the Consolidated Financial Statements of O-TA Precision Industry Co., Ltd. and its  
Subsidiaries (continued)

(All amounts are in thousands of New Taiwan dollars, unless otherwise stated)

	Less than one year	Two to three years	Four to five years	Over five years	Total
Payables	\$1,785,052	—	—	—	\$1,785,052
Lease liabilities	\$22,657	28,422	26,274	—	\$77,353

6. Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for January 1 to March 31, 2024:

	Short-term borrowings	Lease liabilities	From financing activities Total liabilities
January 1, 2024	\$450,000	\$100,339	\$550,339
Cash flows	(65,000)	(12,862)	(77,862)
Non-cash changes	—	4,831	4,831
March 31, 2024	<u>\$385,000</u>	<u>\$92,308</u>	<u>\$477,308</u>

Reconciliation of liabilities for January 1 to March 31, 2023:

	Short-term borrowings	Lease liabilities	From financing activities Total liabilities
January 1, 2023	\$440,000	\$74,784	\$514,784
Cash flows	(20,000)	(12,431)	(32,431)
Non-cash changes	—	1,684	1,684
March 31, 2023	<u>\$420,000</u>	<u>\$64,037</u>	<u>\$484,037</u>

7. Fair Value of Financial Instruments

(1) The methods and assumptions applied in the fair value

Fair Value refers to 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. The methods and assumptions used by the Group for estimating the fair value of financial assets and financial liabilities are as follows:

- A. The carrying amounts of cash and cash equivalents, receivables, payables, and other current liabilities are considered reasonable approximations of their fair values, primarily due to the short maturity of these instruments.
- B. For financial assets and liabilities that are traded in active markets with standard terms and conditions, their fair values are determined by referencing market

Notes to the Consolidated Financial Statements of O-TA Precision Industry Co., Ltd. and its  
Subsidiaries (continued)

(All amounts are in thousands of New Taiwan dollars, unless otherwise stated)

quotations (including listed TWSE/TPEX stocks and bonds, etc.).

- C. For equity instruments not traded in active markets (such as privately held company shares), fair value is estimated using the market approach. This involves obtaining the company's internal financial statements and estimating fair value based on prices generated from market transactions of similar or comparable equity instruments and other relevant information (such as liquidity discount factors, price-to-earnings ratios of similar companies, and price-to-book ratios of similar companies).
- D. For debt instrument investments, bank borrowings, and other non-current liabilities that do not have active market quotes, fair value is determined using counterparty quotes or valuation techniques. These techniques are primarily based on discounted cash flow analysis, with interest rates and discount rates assumptions largely drawn from relevant information on similar instruments (such as the yield curves from the Taipei Exchange, average commercial paper rates from Reuters, and credit risk considerations).

- (2) Fair value of financial instruments measured at amortized cost

The carrying amounts of the Group's financial assets and financial liabilities measured at amortized cost approximate their fair values.

- (3) Fair value hierarchy for financial instruments

Please refer to Note (12).8 for fair value hierarchy for financial instruments of the Group.

## 8. Fair value hierarchy

- (1) Define fair value hierarchy

All assets and liabilities measured or disclosed at fair value are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Each level inputs are as follows:

Level 1: Quoted market prices (unadjusted) in active markets for identical assets or liabilities that the entity can access 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: Unobservable inputs for the asset or liability.

Notes to the Consolidated Financial Statements of O-TA Precision Industry Co., Ltd. and its  
Subsidiaries (continued)

(All amounts are in thousands of New Taiwan dollars, unless otherwise stated)

For assets and liabilities that are recognized on a recurring basis in the financial statements, their classification is reassessed at the end of each reporting period to determine if transfers between different levels of the fair value hierarchy have occurred.

(2) Fair value measurement hierarchy

The Group does not have any non-recurring assets measured at fair value. The fair value hierarchy information for recurring assets and liabilities is as follows:

	March 31, 2024			
	Level 1	Level 2	Level 3	Total
Financial Assets:				
Measured at fair value through other comprehensive income				
Unlisted TWSE/TPEX company equity investment	\$—	—	1,800	\$1,800
International corporate bond investment	\$93,575	—	—	\$93,575

	December 31, 2023			
	Level 1	Level 2	Level 3	Total
Financial Assets:				
Measured at fair value through other comprehensive income				
Unlisted TWSE/TPEX company equity investment	\$—	—	1,800	\$1,800
International corporate bond investment	\$92,848	—	—	\$92,848

	March 31, 2023			
	Level 1	Level 2	Level 3	Total
Financial Assets:				
Measured at fair value through other comprehensive income				
Unlisted TWSE/TPEX company equity investment	\$—	—	1,800	\$1,800
International corporate bond investment	\$88,123	—	—	\$88,123

Transfers between Level 1 and Level 2 of fair value hierarchy

Notes to the Consolidated Financial Statements of O-TA Precision Industry Co., Ltd. and its  
Subsidiaries (continued)

(All amounts are in thousands of New Taiwan dollars, unless otherwise stated)

During January 1 to March 31, 2024 and 2023, there were no transfers between Level 1 and Level 2 of fair value hierarchy for the Group's recurring fair value measured assets and liabilities.

Changes in Level 3 of recurring fair value hierarchy

During January 1 to March 31, 2024 and 2023, the Group's recurring fair value measured assets and liabilities classified as Level 3 of fair value hierarchy remained unchanged at NT\$1,800 thousand.

9. Significant impact on financial assets and liabilities in foreign currencies

Information regarding the significant impact on financial assets and liabilities in foreign currencies of the Group is listed below:

	Amount Unit: in thousand NT\$		
	March 31, 2024		
	Foreign Currencies	Exchange rate	NTD
<u>Financial Assets</u>			
Monetary items:			
USD	\$66,756	31.9497	\$2,132,830
JPY	\$5,069	0.2107	\$1,068
HKD	\$837	4.0818	\$3,418
<u>Financial Liabilities</u>			
Monetary items:			
USD	\$4,093	31.9113	\$130,613
JPY	\$946	0.2095	\$198
HKD	\$1,104	3.8550	\$4,255
December 31, 2023			
	Foreign Currencies	Exchange rate	NTD
<u>Financial Assets</u>			
Monetary items:			
USD	\$64,676	30.6550	\$1,982,654
JPY	\$7,266	0.2152	\$1,564
HKD	\$555	3.9259	\$2,179
<u>Financial Liabilities</u>			
Monetary items:			
USD	\$2,774	30.6800	\$85,101
JPY	\$646	0.2152	\$139
HKD	\$1,056	3.6944	\$3,900

Notes to the Consolidated Financial Statements of O-TA Precision Industry Co., Ltd. and its  
Subsidiaries (continued)

(All amounts are in thousands of New Taiwan dollars, unless otherwise stated)

	March 31, 2023		
	Foreign Currencies	Exchange rate	NTD
<u>Financial Assets</u>			
Monetary items:			
USD	\$89,901	30.4000	\$2,732,983
JPY	\$6,764	0.2274	\$1,538
HKD	\$2,042	3.8732	\$7,908
<u>Financial Liabilities</u>			
Monetary items:			
USD	\$1,628	30.4051	\$49,489
JPY	\$5,925	0.2268	\$1,344
HKD	\$1,074	3.6602	\$3,931

The aforementioned information is disclosed based on the carrying amounts of foreign currency (after conversion to functional currency).

Due to the diverse range of functional currencies used by the Group's entities, it is not feasible to disclose exchange gain or loss information for monetary financial assets and liabilities by each significantly impacting foreign currency. The Group's foreign exchange losses for the periods from January 1 to March 31, 2024 and 2023, were NT\$7,972 thousand and NT\$20,790 thousand, respectively.

10. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support business operations and maximize shareholder equity. The Group manages its capital structure and make adjustments in light of changes in economic conditions. This may achieved by adjusting dividend payments, returning capital, or issuing new shares to maintain and adjust the capital structure as needed.

(XIII) Supplementary Disclosures

1. Information on significant transactions

- (1) Financing provided to others: Please refer to Table 1.
- (2) Endorsement/Guarantee provided to others: None.
- (3) Status of marketable securities held at the end of the period: Please refer to Table 2.
- (4) Individual marketable securities acquired or disposed of with costs or prices exceeding the lower of NT\$300 million or 20% of the paid-in capital: None.
- (5) Acquisition of individual real estate at costs exceeding the lower of NT\$300 million or 20% of the paid-in capital: None.
- (6) Disposal of individual real estate at costs exceeding the lower of NT\$300 million or 20%

Notes to the Consolidated Financial Statements of O-TA Precision Industry Co., Ltd. and its  
Subsidiaries (continued)

(All amounts are in thousands of New Taiwan dollars, unless otherwise stated)

of the paid-in capital: None.

- (7) Total purchases from or sales to related parties with costs exceeding the lower of NT\$100 million or 20% of the paid-in capital: Please refer to Table 3.
- (8) Receivables from related parties with costs exceeding the lower of NT\$100 million or 20% of the paid-in capital: Please refer to Table 4.
- (9) For those who have significant influence or control over the investee companies either directly or indirectly (excluding investment in China): Please refer to Table 5.
- (10) Engagement in derivative transactions: None.
- (11) Other: Significant intercompany transactions between the parent with subsidiaries or among subsidiaries: Please refer to Table 7.

2. Information on investments in China: Please refer to Table 6.

3. Information on major shareholders: Please refer to Table 8.

(XIV) Department Information

For management purposes, the Group is organized into business units based on their products and services and has two reportable operating departments as follows:

1. Golf Equipment Department: Responsible for the manufacturing, processing, and sales of golf club heads, shafts, and golf equipment.
2. Other Department: Responsible for the manufacturing and sales of bicycles and plumbing parts.

Management monitors the operating results of its business units separately for the purpose of making decision about resource allocation and performance assessment.

Department performance is evaluated based on operating profit or loss before tax and is measured based on accounting policies of the reportable department is consistent with those in the summary of the Group's significant accounting policies. However, the assets, liabilities, and income taxes in the consolidated financial statements are managed on the Group basis and are not allocated to the operating departments.

The transfer pricing between operating departments is based on the arm's length transactions that are similar to those conducted with external third parties.

Notes to the Consolidated Financial Statements of O-TA Precision Industry Co., Ltd. and its  
Subsidiaries (continued)

(All amounts are in thousands of New Taiwan dollars, unless otherwise stated)

January 1 to March 31, 2024

	Golf Equipment Department	Other Department	Adjustments and eliminations	Total
Revenue				
Revenues from external customers	\$916,171	\$86,573	\$—	\$1,002,744
Inter-segment revenues (Note)	—	82,236	(82,236)	—
Total revenue	<u>\$916,171</u>	<u>\$168,809</u>	<u>(\$82,236)</u>	<u>\$1,002,744</u>
Segment profit or loss	<u>\$86,301</u>	<u>\$11,744</u>	<u>\$—</u>	<u>\$98,045</u>

January 1 to March 31, 2023

	Golf Equipment Department	Other Department	Adjustments and eliminations	Total
Revenue				
Revenues from external customers	\$1,216,398	\$84,425	\$—	\$1,300,823
Inter-segment revenues (Note)	—	76,755	(76,755)	—
Total revenue	<u>\$1,216,398</u>	<u>\$161,180</u>	<u>(\$76,755)</u>	<u>\$1,300,823</u>
Segment profit or loss	<u>\$91,560</u>	<u>\$7,089</u>	<u>\$—</u>	<u>\$98,649</u>

Note: Inter-segment revenues are eliminated upon consolidation and recorded under the "Adjustments and eliminations" column.

Notes to the Consolidated Financial Statements of O-TA Precision Industry Co., Ltd. and its Subsidiaries (continued)  
(All amounts are in thousands of New Taiwan dollars, unless otherwise stated)

Table 1  
Financing Provided to Others:

No.	Lender	Borrower	Financial Statement Account	Related Party (Yes/No)	Maximum Amount for the Current Period (Note 1)	Ending Balance (Note 2)	Actual Borrowing Amount (Note 3)	Range of Interest Rate	Nature of Financing (Note 4)	Business Transaction Amount	Reasons of the Need for Short-Term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 5)	Aggregate Financing Limit (Note 5)
													Name	Value		
1	O-TA Golf Group Co., Ltd.	Harvest Fair International Limited	Other receivables - related parties	Y	\$319,500	\$319,500	\$ -	—	2	—	Business turnover	—	—	—	\$4,859,992	\$4,859,992
1	O-TA Golf Group Co., Ltd.	Jiangxi O-TA Precision Technology Co., Ltd.	Other receivables - related parties	Y	\$319,500	\$319,500	\$292,087	-	2	—	Business turnover	—	—	—	\$4,859,992	\$4,859,992
1	O-TA Golf Group Co., Ltd.	VGT COMPOSITE TECHNOLOGY (HUIZHOU) CO., LTD.	Other receivables - related parties	Y	\$31,950	\$31,950	\$ -	—	2	—	Business turnover	—	—	—	\$4,859,992	\$4,859,992
2	Harvest Fair International Limited	Jiangxi O-TA Precision Technology Co., Ltd.	Prepayment for purchases - related parties	Y	\$319,500	\$319,500	\$ -	—	2	—	Business turnover	—	—	—	\$2,981,250	\$2,981,250

Note 1: The limit was authorized by the Board of Directors on February 25, 2020.

Note 2: The ending balance for disclosure and reporting purposes is based on the financing limit.

Note 3: The transactions were written off when preparing the consolidated financial statements.

Note 4: The need for short-term financing.

Note 5: According to the "Operational Procedures for Loaning Funds to Others" regulation of the subsidiaries O-TA BVI. (dated May 12, 2020) and Harvest Fair (dated May 12, 2020), when engaging in fund lending due to the necessity of financing between foreign companies that are 100% indirectly owned by the parent company, the total financing amount and the individual lending amount shall not exceed five times the net worth of O-TA BVI. and Harvest Fair, respectively.



Notes to the Consolidated Financial Statements of O-TA Precision Industry Co., Ltd. and its Subsidiaries (continued)  
 (All amounts are in thousands of New Taiwan dollars, unless otherwise stated)

Table 2  
 Status of marketable securities held at the end of the period (excluding investments in subsidiaries, affiliated enterprises, and joint ventures):

Holding Company Name	Type and Name of Marketable Securities	Relationship with the marketable securities issuer	Financial Statement Account	End of the period				Note
				Shares (Unit)	Carrying Amount	Percentage of Ownership	Fair value	
O-TA Precision Industry Co., Ltd.	Stock - ChiChin Art Ceramics Co., Ltd.	—	Financial assets at fair value through other comprehensive income - non-current	174,000 shares	\$1,800	6.00%	\$1,800	—
O-TA Precision Industry Co., Ltd.	Bonds - AT&T USD Corporate Bond	—	Financial assets at fair value through other comprehensive income - non-current	—	\$93,575	—	\$93,575	—

Notes to the Consolidated Financial Statements of O-TA Precision Industry Co., Ltd. and its Subsidiaries (continued)  
(All amounts are in thousands of New Taiwan dollars, unless otherwise stated)

Table 3

Total purchases from or sales to related parties with costs exceeding the lower of NT\$100 million or 20% of the paid in capital:

Buyer/Seller	Name of Counterparty	Relationship	Transaction Details				Payment Terms and Reason for Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Sales (Purchases)	Amount	Ratio to total sales (purchases)	Credit Terms	Unit Price	Credit Terms	Balance	Ratio to total notes/accounts receivable (payable)	
O-TA Precision Industry Co., Ltd.	Harvest Fair International Limited	Second-tier subsidiary 100% owned by the Company	Purchase	\$715,361	61.01%	1 to 2 months after purchase	Purchases from the second-tier subsidiary are priced based on a fixed percentage of the resale price	Credit terms are the same	(\$2,521,527)	45.36%	(Note)
Harvest Fair International Limited	O-TA Precision Industry Co., Ltd.	Parent company of this company	Sales	\$715,361	39.73%	1 to 2 months after sales	Selling products at a fixed percentage of the resale price from O-TA	Credit terms are the same	\$2,521,527	44.54%	(Note)
O-TA Precision Industry Co., Ltd.	TAGA CO., LTD.	The person in charge is a relative within the second degree of kinship to the Vice Chairman of the Company.	Sales	\$165,658	16.52%	2 months after sales	All transactions are conducted at market price	Credit terms are the same	\$48,766	7.64%	—

Note: The transactions were written off when preparing the consolidated financial statements.

Notes to the Consolidated Financial Statements of O-TA Precision Industry Co., Ltd. and its Subsidiaries (continued)  
(All amounts are in thousands of New Taiwan dollars, unless otherwise stated)

Table 4  
Receivables from related parties with costs exceeding the lower of NT\$100 million or 20% of the paid-up capital:

Companies recorded as accounts receivable	Name of Counterparty	Relationship	Balance of receivable from related parties	Turnover rate (times)	Overdue receivables from related parties		Amount of receivables from related parties collected subsequent period	Allowance for Impairment Loss
					Amount	Treatment Method		
O-TA Precision Industry Co., Ltd.	Harvest Fair International Limited	Second-tier subsidiary 100% owned by the Company	Other receivables \$326,151	(Note 1)	—	—	\$73,942	—
Harvest Fair International Limited	O-TA Precision Industry Co., Ltd.	Second-tier subsidiary 100% owned by the Company	Accounts receivable \$2,521,527	1.12	—	—	\$282,895	—
Harvest Fair International Limited	Jiangxi O-TA Precision Technology Co., Ltd.	Affiliated enterprises of the Company	Other receivables \$239,975	(Note 1)	—	—	\$48,672	—
Jiangxi O-TA Precision Technology Co., Ltd.	Harvest Fair International Limited	Affiliated enterprises of the Company	Accounts receivable \$2,421,242	1.14	—	—	\$257,456	—

Note 1: These amounts are remain uncollected as of the end of the period, pertain to purchases tooling, raw materials, and operational expenses advanced on behalf of the subsidiary. As these are not sales transactions, turnover rates cannot be calculated.

Notes to the Consolidated Financial Statements of O-TA Precision Industry Co., Ltd. and its Subsidiaries (continued)  
 (All amounts are in thousands of New Taiwan dollars, unless otherwise stated)

Table 5

Name, Location...etc of investee companies (excluding investee companies in China):

Name of Investment Company	Name of Investee Company	Location	Primary Business Content	Original Investment Amount		Held at the end of the period			Current net profit or loss of the investee company	Recognized investment gain or loss for the current period	Note
				End of the current period	End of last year	Shares	Ratio	Carrying Amount			
O-TA Precision Industry Co., Ltd.	O-TA Golf Group Co., Ltd. (abbreviated as O-TA BVI.)	British Virgin Islands	Engages in the trading and investment business of golf club heads	\$204,238	\$204,238	50,000 shares	100%	\$4,857,479	(\$25,707)	(\$25,655)	(Notes 1, 2, 3)
O-TA BVI	Harvest Fair International Limited	Hong Kong	Engages in the trading business of golf club heads and bicycle parts	USD 154,211	USD 154,211	10,000 shares	100%	\$596,250 (USD 18,661,970)	\$13,165 (USD 419,595)	\$13,165 (USD 419,595)	(Note 3)

Note 1: Current net profits or losses of its subsidiaries Harvest Fair, Jiangxi O-TA, and VGT have been consolidated.

Note 2: Including unrealized gains and losses among companies.

Note 3: The transactions were written off when preparing the consolidated statements.

Notes to the Consolidated Financial Statements of O-TA Precision Industry Co., Ltd. and its Subsidiaries (continued)  
(All amounts are in thousands of New Taiwan dollars, unless otherwise stated)

Table 6  
Details of the investee companies in China are as follows:

Name of investee company in China	Primary Business Content	Paid-in capital	Investment method	Accumulated Outward Remittance for Investment from Taiwan at the beginning of the current period	Current investment amount remitted or repatriated		Accumulated Outward Remittance for Investment from Taiwan at the end of the current period	Current net profit or loss of the investee company	Ownership Percentage of Direct or Indirect Investment	Current Investment Gain or Loss (Note 2)	Carrying amount of investment at the end of the period (Note 3)	Accumulated Repatriation of Investment Income as of the end of the current period
					Outflow	Inflow						
Jiangxi O-TA Precision Technology Co., Ltd. (Jiangxi O-TA)	Engages in the production and operation of golf club heads, shafts, golf equipment, and plumbing parts	USD 20,000,000	(Note 1)	\$45,383 (USD 1,500,000)	—	—	\$45,383 (USD 1,500,000)	(\$6,868) (USD -218,902)	100%	(\$6,868) (USD -218,902)	\$3,232,012 (USD 101,158,441)	—
VGT COMPOSITE TECHNOLOGY (HUIZHOU) CO., LTD. (VGT)	Engages in the production and operation of carbon fiber composites, bicycle parts and accessories, automotive parts and accessories, ice hockey equipment, and ice skating and skiing equipment	USD 3,000,000	(Note 1)	—	—	—	—	\$15,128 (USD 482,165)	100%	\$15,128 (USD 482,165)	\$177,374 (USD 5,551,599)	—

Accumulated Outward Remittance for Investment from Taiwan to China at the end of the current period (Note 4)	Investment Amounts Authorized by Investment Commission of the Ministry of Economic Affairs (Note 5)	Investment Limit for China as Stipulated by the Investment Commission of Ministry of Economic Affairs
165,239 (USD 5,300,000)	USD 48,744,250	(Note 6)

Note 1: Investment in China companies is made through O-TA BVI, which was established via investment from a third-party region.

Note 2: Calculations are based on the financial statements of the investee companies that have been audited by the Company's certified public accountant.

Note 3: O-TA Golf Group Co., Ltd. (abbreviated as O-TA BVI) used its own funds to reinvest USD 18,500,000 in Jiangxi O-TA and USD 3,000,000 in VGT.

Note 4: This includes the disposed investment in Qilitian amounting to NT\$119,856 thousand (USD 3,800,000).

Note 5: The approved reinvestment amount for indirect investments in China through O-TA BVI (including funds actually remitted from Taiwan by the Company and O-TA BVI's own funds), included USD 20,000,000 for Jiangxi O-TA with a 100% shareholding, USD 3,000,000 for VGT with a 100% shareholding, and the total investment amount of USD 25,744,250 for Qilitian, Santian, and INDA, whose equity has been sold and company deregistration completed. The total approved investment amount was USD 48,744,250.

Note 6: Since the Company obtained a certificate issued by the Industrial Development Bureau of the Ministry of Economic Affairs certifying compliance with the scope of operations of the headquarters, therefore, the investment limit is not subject to the proportional limit set by the Ministry of Economic Affairs' Financial-Supervisory-Securities-Auditing-letter No. 09704604680 dated August 29, 2008.

Notes to the Consolidated Financial Statements of O-TA Precision Industry Co., Ltd. and its Subsidiaries (continued)  
(All amounts are in thousands of New Taiwan dollars, unless otherwise stated)

Table 7  
Intercompany Relationships and Significant Intercompany Transactions from January 1, 2024, to March 31, 2024

Number (Note 1)	Name of the Counterparty	Transaction Counterparty	Relationship with the Counterparty (Note 2)	Transaction Details			
				Financial Statement Accounts	Amount	Transaction Terms	Percentage of consolidated total revenue or total assets (Note 3)
0	O-TA Precision Industry Co., Ltd.	Harvest Fair International Limited	1	Other receivables - related parties	\$326,151	The ending receivable amounts for the procurement of tooling, raw materials, and semi-finished products are collected from Harvest Fair at the original price.	5.90%
0	O-TA Precision Industry Co., Ltd.	Harvest Fair International Limited	1	Accounts payable - related parties	\$2,521,527	The outstanding payment for purchases at the end of the period is generally paid within 1 to 2 months.	45.58%
0	O-TA Precision Industry Co., Ltd.	Harvest Fair International Limited	1	Purchase	\$715,361	According to the contract pricing agreed upon by both parties, Harvest Fair purchases from Jiangxi O-TA and makes the payment to Jiangxi O-TA directly.	71.34%
1	O-TA BVI	Jiangxi O-TA Precision Technology Co., Ltd.	1	Other receivables - related parties	\$292,087	The outstanding receivables for financial loans at the end of the period are collected in full, including principal and interest, upon maturity.	5.28%
2	Harvest Fair International Limited	O-TA Precision Industry Co., Ltd.	2	Sales revenue	\$14,306	Priced according to the sales contract agreed upon by the Company, Harvest Fair, and Jiangxi O-TA.	1.43%
2	Harvest Fair International Limited	Jiangxi O-TA Precision Technology Co., Ltd.	3	Other receivables - related parties	\$239,975	The ending receivable amounts for the procurement of raw materials and semi-finished products are collected based on the financial condition of Jiangxi O-TA.	4.34%
2	Harvest Fair International Limited	Jiangxi O-TA Precision Technology Co., Ltd.	3	Accounts payable - related parties	\$2,421,242	The outstanding payments for purchases at the end of the period are made based on the financial condition of Jiangxi O-TA.	43.77%
2	Harvest Fair International Limited	VGT COMPOSITE TECHNOLOGY (HUIZHOU) CO., LTD.	3	Accounts payable - related parties	\$80,489	The prepayments for purchases at the end of the period are made based on the financial condition of VGT.	1.45%
2	Harvest Fair International Limited	VGT COMPOSITE TECHNOLOGY (HUIZHOU) CO., LTD.	3	Purchase	\$82,236	Products are purchased from VGT based on 95% of the resale price.	8.20%
3	Jiangxi O-TA Precision Technology Co., Ltd.	Harvest Fair International Limited	3	Sales revenue	\$700,977	Priced according to the sales contract agreed upon by both parties.	69.91%

Note 1: Information on business transactions between the parent company and its subsidiaries should be noted separately in the Number column, stated as follows:

- (1) The parent company: 0.
- (2) The subsidiaries: 1 onward.

Note 2: There are three types of relationships with the counterparty. Indicate the type only (if it is the same transaction between the parent and subsidiary companies or among the subsidiaries, it does not need to be disclosed repeatedly. For example, if the parent company has disclosed a transaction with a subsidiary, the subsidiary does not need to disclose it again. For transactions between subsidiaries, if one subsidiary has disclosed the transaction, the other subsidiary does not need to disclose it again.):

- (1) The parent company to its subsidiary.
- (2) The subsidiary to the parent company.
- (3) Between subsidiaries.

Note 3: The ratio of transactions relative to consolidated total sales revenue or total assets is calculated as follows. For assets or liabilities, the ratio is based on the ending balance relative to consolidated total assets; and for income or loss, the ratio was calculated based on the midterm accumulated amount of consolidated total sales revenue.

Notes to the Consolidated Financial Statements of O-TA Precision Industry Co., Ltd. and its Subsidiaries (continued)  
 (All amounts are in thousands of New Taiwan dollars, unless otherwise stated)

Table 8

Information on Major Shareholders :

Names of Major Shareholders	Shares	
	Number of Shares Held (shares)	Percentage of Ownership
Nan Feng Xin Co., Ltd.	7,650,386	9.12%
LEE, KUNG-WEN	7,272,408	8.67%